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United we stand, divided we fall

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The Banking Union is a major step in the construction of Europe, although it is a part of a much bigger picture. Its strength lies in being founded on common sense and a common conclusion: the financial crisis revealed the interdependence of banking systems and sovereign debt, within each country and between the countries of the euro zone.

The strength of the Banking Union is grounded in the fact that it provides both a political and technical response to Europe's challenges. European countries have been able to turn a constraint into progress by moving beyond buzz words, putting aside short-term personal gain and overcoming conflicting interests. Today, the Banking Union is more than just a concept. It's becoming a reality. The stakes are high and include: strengthening the financial tools used to manage crises and thus bolster investor confidence in the euro zone and its banks, protecting depositors and restoring growth in the European economy.

The Banking Union began as an idea in June 2012 to provide common supervision of all euro zone banks and to set up a mechanism, including -a resolution fund, for resolving banking crises at the European level.

It should be obvious to all: there is an urgent need for centralised and consistent oversight of all euro zone banks. From the outset, the French banks have been warm to the idea of setting up a single supervision system that is in-step with the structure and size of multi-national groups. Adopting universal rules favours more equal competition. In addition, central supervision offers investors - from all over the world an extra guarantee on stability in the euro zone. The Banking Union provides the strength to usher in a new period of sustained growth.

The credibility of the union is based on the authority of the European Central Bank (ECB), which has proven its mettle in managing the crisis by finding solutions so banks can continue to finance the economy. Responsibility, responsiveness and pragmatism can also be synonymous with the European economy.

From November 2014, some 6,000 European banks will be placed under the watchful eye of the Supervisory Council. The ECB will directly oversee 128 banking groups including the biggest French banks. Monitoring of the other banks will be delegated to the national authorities but the ECB will be able to intervene if needed.

By pooling best practices, sharing consistent methods and bringing the technical and human resources under the authority of the ECB, Europe will have a high-quality supervisory system guaranteeing independence and neutrality.

It cannot be repeated enough: preventing crises means controlling risks, which requires a tough watchdog. When accompanied by well-calibrated capital increases, it is the best solution for guaranteeing banks' solidity and preventing new crises. In light of experience, it is a much more effective response than separating retail and investment banking activities. Let's not forget that the financial crisis was triggered in the US by the failure of a pure investment bank, Lehman Brothers, or that the hardest hit banks in Ireland and Spain were retail banks and not investment banks. The theory that splitting up the banks is the best solution for preventing bank failures has been debunked. The rumours that the Commission is rekindling legislative efforts to separate banks' activities are cause for concern: at a time when the big universal banks in Europe are implementing ambitious legislative reforms of the banking sector in their home countries, particularly in France and Germany, such a proposal would add confusion and uncertainty at the worst possible time.

As a prelude to its mandate, the ECB reviewed the assets of European banks using a common methodology which will provide insight into their balance sheets, risk and additional capital needed to offset the risk. This will provide investors with enhanced visibility. The review was the first time that such a thorough examination of banks had been carried out by a supra-national authority and marks the first positive effect of the Banking Union.

However, if a bank found itself in difficulty, a European resolution mechanism would set in motion a bail-in, drawing on the bank’s shareholders and debtholders first. - The use of taxpayer money would therefore not be needed to rescue a failing bank.

This system will be set up at the national level by the Single Resolution Mechanism (SRM). In addition, the banks will fund a resolution mechanism, which will have the power to intervene if needed. Its cost should not be too onerous for banks and – should not harm their earnings and, as a result, their capital and their ability to finance the economy. The main principles have been laid out, but the regulators must take a close look at how the fund will be set up, and ensure it is founded on weighted risk to avoid transferring an unjustified burden to certain banking systems. At the national level, the "systemic tax" that French banks currently pay to the French State must obviously be transferred to the resolution fund starting in 2014, as is the case in Germany. Otherwise, French banks would pay for systemic risk twice.

Because it is an unprecedented and ambitious project, the Banking Union must given our support. More than a simple financial crisis management tool, it is proof that European consensus and reform are possible. The Banking Union is a down payment on Europe's future.