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Euro bank watchdog attacks unwieldy governance
By Patrick Jenkins and Sam Fleming for the Financial Times

Europe's ability to deal effectively with the next financial crisis risks being undermined by the "impossible" committee-led governance plaguing its banking watchdog, the chief regulator has warned.

Andrea Enria, who chairs the European Banking Authority, said the benefits of crucial bank stress tests to be carried out over the next year could be impaired if decision-making was not streamlined and nationalist tendencies contained. The EBA had to move away from consensus- based governance traditions, he said.

"You need European decision mechanisms rather than having always a committee-type of decision in a crisis," Mr Enria said. "Committees in a crisis don't work because you have conflicts."

The EBA is embarking on a comprehensive stress test exercise of Europe's top 150 banks in another attempt by the European authorities to repair battered investor confidence in the sector after a succession of bank and regulatory failures amid the eurozone crisis.

In tandem with an "asset quality review" of eurozone lenders by the European Central Bank, the exercise is designed to shine unprecedented light on banks' balance sheets. The results, due to be revealed in a year's time, will usher in the creation of the eurozone's "banking union", with the ECB becoming the region's chief regulator and a new "resolution" framework created to wind down failing banks.

But Mr Enria clearly remains frustrated that the structure of his pan-EU regulator – which depends on an unwieldy committee of representatives from the EU's 28 member states – will hamper ongoing efforts to maintain a stable and credible financial sector.

His comments, in an interview with the Financial Times, are likely to be seen as a further slight to Germany, which has stood increasingly aloof from centralised EU power structures.

This month, the ECB clashed with Wolfgang Schäuble, German finance minister, when it outlined detailed plans for a centralised bank rescue authority as part of "banking union" reforms. Mr Schäuble has long argued instead for a network of national authorities.

Germany's finance minister will on Monday open a week-long conference in Frankfurt on how best to revive Europe's financial markets, much of which will centre on the controversial details of regulatory architecture.

Challenging the insistence by Germany and some other EU countries that national governments must retain control of the banking union agenda, Mr Enria said it was vital that more power was devolved to EU institutions. The process for administering new resolution powers, in particular, was far too bureaucratic, with excessive input from national government representatives, he said.

"We are given 24 hours to do mediation [in a bank resolution] and we are given a governance [structure] which is impossible," Mr Enria said. "They give us responsibilities but they put so many national safeguards on every task we need to do that sometimes I am concerned we will not be able to perform [them]."
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The EBA chairman also expressed concern over his ability to reconcile the interests of the EU single market as a whole with those of the 17-country eurozone, given the ECB's new powers – and potentially dominant influence – at the EBA.

Mr Enria insisted his plea was not self-serving. "I am not seeking power here," he said. "If someone wants to set up a different body, I am perfectly comfortable with that. [It needs to be able to] take decisions in the European interest. That is the crucial point."

Mr Enria echoed ECB officials' insistence that EU banks today appear to be as strongly capitalised as US banks. But he cautioned that the ECB's asset quality review exercise was a vital mechanism to highlight any weakness.