Remarks by Vice-President Dombrovskis at the European Financial Forum 2018 in Dublin

Honourable Minister,

Ladies and Gentlemen,

It is my pleasure to be here at the Dublin Castle this evening. This castle stands on what used to be a strategic point, with views down the River Liffey. From here, potential dangers could be spotted.

Luckily, those days are long gone. But this is a fitting vantage point to discuss challenges and opportunities ahead for the financial sector.

Now, Ireland is a country that is open to the world. For example, it has an exceptionally high share of trade compared to GDP. It is also the fourth largest exporter of financial services in the EU.

Ireland has made a remarkable comeback since the crisis. This year, economic growth is forecast at almost four percent.

But there are also clouds on the horizon. Of all EU countries, Ireland has the closest geographic, historic, and economic links to the United Kingdom, so there is understandably concern about Brexit. This is a challenge that Europe will need to manage for years to come. But the European Union will continue to stand by Ireland in this process, and together we will overcome stumbling blocks one by one.

At the moment our main focus is on the negotiations for a transition-period. As we move on to define our future relationship, we should bear in mind that financial stability is best protected by coordinating rules and supervision – this is a lesson from the financial crisis.

Our financial markets may in the future be less integrated than today, but they will still have many ties. This requires maintaining strong convergence of rules and supervision in the EU and the UK. We are enhancing EU rules on equivalence, which is an important tool to ensure such convergence.

Whatever the outcome of the talks, financial firms should be prepared. Supervisors both in the EU and the UK are working with them to ensure this. Our most important common objective must be to preserve financial stability.

But let me today focus also on the opportunities the future holds for Ireland and the EU. The Commission see this country as a strong player – a dynamic financial centre within the European single market. Our work to build a Capital Markets Union will reinforce this position.

Tonight, I will use the example of the Irish funds management industry to make this point. I will then highlight our work to prepare Europe's financial sector for technological developments. And I will offer my first reactions on the final report of the High Level Expert Group on sustainable finance, which has been published today.

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Overall, the EU economy is outperforming expectations. The latest figures show that it grew by 2.5% in 2017. Economic sentiment in the EU is at its highest level since 2001. Unemployment is steadily decreasing, and Europe now has its highest level of employment ever.

Our main task ahead is to ensure that the benefits of this growth are felt by all Europeans. That is why we are focusing on inclusive growth and relaunching convergence among EU countries. This favourable economic background is a good opportunity to complete what we have started and ensure that we have a resilient and well-functioning Economic and Monetary Union.

Our immediate priority is to complete the Banking Union. For this, we should move in parallel on risk reduction and risk sharing. All elements are on the table. On risk reduction, this includes our November 2016 bank reform package and our ongoing work to reduce Non-Performing Loans. On the risk sharing side, we recently came with ideas on how to unblock negotiations on the European Deposit Insurance Scheme. And we have broad support to finalise the work on the backstop for the Single Resolution Fund. So the time is ripe to move at political level on completing the Banking Union.

The second immediate priority for deepening the EMU is setting up the Capital Markets Union. Deeper capital markets across Europe will increase risk-sharing among private investors and improve the shock-absorption capacity of the economy. In the past three years, we have taken fundamental steps towards deeper and more integrated EU capital markets. Of the 33 actions we announced in 2015, 25 have now been completed.

One strength of Ireland's financial sector is asset management. As of September last year, Irish fund managers had more than €4.2 trillion assets under management. A true Capital Markets Union would enable Irish fund managers to further benefit from the full scale of the single market. In March of this year, revised rules for the EU venture capital label – EuVECA – will enter into application. Large managers can then run EuVECA funds, providing economies of scale and trusted brands. We have also expanded the range of eligible assets, and decreased the costs associated with cross-border marketing.

We are also looking more broadly at the rules for offering funds across the EU. This market is still predominantly organised along national lines. For example, 70% of the assets under management are held by funds available for sale in only one EU country. The share of alternative investment funds that is marketed in more than three countries is very low – only 3%. This spring we will present a proposal to address obstacles to the cross-border distribution of funds. We want to reduce the administrative burden and improve clarity for fund managers who want to market their funds across the

EU. The aim is for a fund manager based in Dublin to be able to easily offer their funds in Riga, without compromising on investor protection.

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Another focus of the Capital Markets Union is to make sure that Europe seizes the opportunities of financial technology. That brings me to the topic of Fintech. As the largest user of information and communications technology, the financial sector stands to benefit enormously from the adoption of new technologies.

Europe has what it takes to develop a globally competitive Fintech sector. We can rely on our strengths in research and engineering. For example, we have 32 artificial intelligence research institutions in the world top 100, which is more than the US or China. I also see great Fintech potential here in Ireland, with its strong information technology culture.

But for us to become a Fintech superpower, we need to make sure that our companies are able to grow and scale up in Europe. If not, we risk driving them out of the EU and thereby losing valuable potential for creating economic growth in Europe. With this objective in mind, we will present in March an EU Action Plan on Fintech.

We will also present a legislative proposal to enable EU-wide crowdfunding and peer-to-peer lending. This type of financing is crucial for innovative start-ups to access funding and get off the ground. Crowdfunding and peer-to-peer lending is growing rapidly across Europe. Yet it remains subject to differing and sometimes inconsistent national rules. This hinders platforms from reaching scale. To solve this, we will propose an EU-level passport for this sector.

In the global Fintech race, the pace of innovation is such that regulators and supervisors sometimes struggle to keep up. Some EU countries have innovation hubs, and some even have regulatory sandboxes. But for firms to scale up in Europe, we need to encourage all countries to create a safe space for start-ups to innovate under close supervision and tailored regulatory requirements.

To compare, financial centres such as Hong Kong and Singapore already have fully fledged sandboxes up and running. Despite our strong Fintech players and potential, Europe is still lagging behind. So we should start thinking about a common approach to sandboxes at EU level.

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The future of finance will not only be digital, it will also have to be green. So I would like to focus the rest of my speech on sustainable finance.

To limit global warming to well below 2 degrees, Europe will need an estimated €180 billion in additional yearly investments. Public money will not be enough. So we need to re-direct private capital towards investments in green and sustainable projects.

A year ago, the Commission appointed a high-level expert group on sustainable finance to elaborate a comprehensive set of proposals for the financial sector to support the transition to the low-carbon economy. To that end, this group of experts assessed the entire financial system to see where changes are needed.

Today they have published their final report. I believe this report is a manifesto for far-reaching reform. The Commission will use it to propose an EU strategy on sustainable finance in March, followed by several legislative proposals.

Let me refer to several recommendations:

• First, we need a unified EU classification system or taxonomy for sustainable assets. We need to define what is green and what is not green. And we need to identify the areas where sustainable investment is most needed and can make the biggest impact. A unified EU classification is fundamental for the development of any green finance policy. We will follow up this recommendation with the first piece of legislation in spring.

• Second, as recommended in the report, we will present a proposal on fiduciary duty. It will clarify the need to take sustainability into account when managing money for others. Clients have the right to know how sustainable their investments are.

• Third, we could boost green investments and loans by introducing a so-called green supporting factor. This could be done at first stage by lowering capital requirements for certain climate-friendly investments, such as energy-efficient mortgages or low-carbon cars. However, this exercise would be delicate. Green does not mean risk-free. Any measures would have to be carefully calibrated, and based on a clear EU classification.

• Finally, further development of the green bond market can drive the investment that we need. With a unified classification system for sustainable assets, we could establish criteria and labels for green bonds and investment funds. These labels would help investors to easily identify financial products that comply with green or low-carbon criteria. We could extend the existing European Eco-label to financial products.

Our ambition is to inspire also other countries to act in favour of a sustainable global financial system.

I count also on your support for this major reform of the world of finance.

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Ladies and Gentlemen, We have already taken important steps towards a true European Capital Markets Union. And as the Irish say: Tús maith leath na hoibre. A good start is half the work.

Now we should finish what we have started, and prepare our financial sector for the future. Our success and prosperity will be determined by our ability to embrace and lead developments in a fast changing world.