

## EBF Financial Integration Report highlights ongoing fragmentation

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- **Cross-border loans in EU account for 25% of total vs 36% in 2007**
- **Cross-border debt holdings stand at 16%, about half of 2006 levels**
- **Divergence in interest rates to businesses, although narrowing, remains significant**

Financial services markets in the European Union remain highly fragmented which continues to pose an obstacle to the recovery of the European economy. The EU and its member states need to make a more determined effort to structurally reform their economies and implement harmonized EU regulation in order to unleash the movement of more capital across borders. That is the main conclusion of the Financial Integration Report published today by the Chief Economists Group of the European Banking Federation.

The report, titled 'Financial Integration; not a one-way street', provides five key policy recommendations to overcome fragmentation. In particular, it highlights the need for strengthening the Economic and Monetary Union, with a sound implementation of an EU-wide banking union in particular, as a key step to increasing financial integration.

Wim Mijs, chief executive of the EBF, says: "The report makes it very clear that the road towards a single market indeed is not a one-way street. Europe needs to recalibrate its GPS and navigate again towards real financial integration. For our economy to prosper we need a single market that is effective, with a single set of rules for all. The new EU growth agenda sets a proper objective."

The report outlines the following evidence for the lack of financial integration. The share of cross-border loans of Euro area banks fell from 36% at the end of 2007 to the present 25%; cross-border bank holdings of debt securities issued by Euro Area corporates and sovereigns decreased from a level above 30% in 2006 to just 16%; and finally, the divergence in loans' interest rates to corporates, while slightly narrowing, is still twice as large as that observed before the crisis.

Being a key pillar of the EU economy, the integration of financial services in the European Union has been a key objective since the Treaty of Rome in 1957. Huge steps forward have been taken since, the most important being Economic and Monetary Union, the launch of the euro as the single currency, and, more recently, Banking Union.

The full report is available on the EBF website: [click here](#).

**Press contact:** Raymond Frenken, Head of Communication +32 (0) 496 52 59 47, [press@ebf-fbe.eu](mailto:press@ebf-fbe.eu)  
**About the European Banking Federation:** Launched in 1960, the European Banking Federation is the voice of the European banking sector from countries in the European Union and the European Free Trade Association. Members of the federation are 32 national banking associations. The EBF represents the interests of some 4,500 banks, large and small, wholesale and retail, local and cross-border financial institutions. Together these banks account for over 80 percent of the total assets and deposits and some 80 percent of all bank loans in the EU alone. Website: [www.ebf-fbe.eu](http://www.ebf-fbe.eu)

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