

exclusive

Barnier calls to appoint European financial prosecutor

Barnier about finance, Brexit and the future of the European Union in Luxembourg Times interview



Michel Barnier, the EU's former chief Brexit negotiator, in Paris.

Photo credit: Julien Mattia / Luxembourg Times

By Yannick Lambert and Julie Edde

The European Union should appoint a financial prosecutor to crack down on banks for reckless behaviour much in the same vein as US financial regulators do, the European Commission's former chief Brexit negotiator [Michel Barnier told the Luxembourg Times in an interview](#).

The prosecutor would monitor European and international financial institutions that jeopardise financial stability and take them to court, Barnier said, something that Europe still could not do despite massive losses incurred during the global financial crisis which peaked in 2008.

"The EU is missing a financial watchdog to crack down on firms that do not respect the rules. We have seen in the past that it was often the case that financial institutions... thought there were no rules for them," Barnier said in an interview, which was conducted in late April.

"There are always risks in property bubbles and in digital technology, which is why the EU should create the position of a financial prosecutor for more centralised supervision," said Barnier, who was the lead Brexit negotiator on behalf of the European Commission between 2016 and this year.

In the aftermath of the crisis, American authorities slapped fines of unprecedented severity on European banks. BNP Paribas paid \$8.9 billion to the US Department of Justice in 2014, HSBC paid \$1.9 billion in 2012, while Credit Suisse settled for \$5.28 billion in 2017, part of which was also a fine.

Such heavy sanctions are usually much lower in Europe, certainly for foreign banks. "I have always been struck by the difference between Europe and the United States, where fines of hundreds of millions of dollars can be imposed, including on EU firms," Barnier, a French political veteran said.

Rather than tasking the EU's finance watchdog - the European Securities and Markets Authority (ESMA) - with the new role, Barnier called for setting up a new agency, given that prosecution was not listed in ESMA's statute.

"You could imagine expanding ESMA's role or creating a specific role for an independent body," he said.

Tax shells

Barnier, who launched his memoirs of five years of negotiations with UK Prime Minister Boris Johnson's team this month, said that Europe should scrutinize companies that have set up shop on the continent after Brexit to make sure they made the move for legitimate reasons and not to dodge taxes.

"Each country must do their job and check whether these companies have a credible presence," Barnier said. "I told the British to act in good faith. It becomes a problem if it turns out that companies only appear to be established in Europe to benefit from passporting [rights] and do not have their real business in the EU," Barnier said.

"Tax, sadly, remains a point of contention within the EU. Firms that set up new operations in Europe need to truly establish themselves here and adhere to European rules", Barnier said, commenting on legal structures companies set up in some countries without having any real business there.

[The European Commission has regularly criticised Ireland, Luxembourg, the Netherlands, Cyprus and Malta for allowing such "aggressive tax planning".](#)

"If we looked closely, we would find countries in the EU who are playing a regulatory game to create a tax advantage. I won't give names," said Barnier, who was twice a member of the Commission, most recently responsible for the internal market and services. France, where Barnier was a government minister, is also often critical of Luxembourg over its tax regime.

Another Brexit?

Barnier, who would not rule out running as a presidential candidate in France at next year's elections, warned that "unemployment, isolation and de-industrialisation" - which led the British population to vote in favour of leaving the EU - continued to exist elsewhere in Europe.

"There is a risk that unlikely events such as Brexit occur again. We must understand the popular sentiment and social anger. It's not populism, it's a populist feeling that has its reasons," Barnier said.

Barnier also warned against a repeat of Brexit elsewhere in the 27-nation bloc, saying "the regions in the UK that were hit by unemployment, isolation and de-industrialisation, voted against Europe. And you find these circumstances in many other regions, in France, Belgium, the Netherlands and elsewhere."



Sticking together was essential for Europe if it wanted to compete on the global stage, Barnier said, urging countries to share sovereignty, "otherwise we risk becoming mere spectators of our own destiny", Barnier said.

"China, the US - the number one power in the world - Brazil, or India and Russia are countries that don't need anyone. They have their place at the table that decides the world order", he said.

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