PHILIPP HILDEBRAND

Vice Chairman, BlackRock, former Chairman of the Swiss National Bank (SNB)

Alessandro Merli, Frankfurt Correspondent, Il Sole 24 Ore

Philipp, maybe you could give us the investor's view. One thing that Mario Draghi, the president of the ECB, said at the outset of this exercise of reviewing the banks' balance sheets is that the success of this comprehensive assessment of the Eurozone banks will be determined by the willingness of investors to put money into the European banking sector. Meanwhile, there is some movement in the market; bank shares have gone up. I do not know if this is a function of people's confidence that these assessments will prove correct. What is your view?

Philipp Hildebrand, Vice Chairman, BlackRock, former Chairman of the Swiss National Bank (SNB)

The most important element, and this is very positive, is that the capital markets are open again for banks. This was not the case only a few months ago; if you just look at this week, we have had another capital issuance, and we have seen a number of successful convertible bond issuances. Six or seven banks at least have been able to successfully tap the markets in the last couple of months. It is clear that the markets are now open. This of course is at least partly a reflection of the ongoing search for yield in this low interest rate environment which has resulted from QE, so it is difficult to attribute exactly how much is linked to confidence in the process towards a banking union and how much to a broader phenomenon.

There is no question that QE, whether in the US, the UK or Japan, has helped to push investors into risky assets; that was the whole point of unconventional monetary policy, and this is feeding some of the bank stocks in Europe. However, independently of that, it seems that something separate is going on, namely a fundamental reassessment of the risks in the European banking system, and my conviction is that some of this has to do with the process that has been put into place, both long-term and shorter-term, towards a banking union. The progress that seems to have been made towards the resolution fund is a very important step; I agree with Benoit that this is absolutely crucial.

Given that the ECB is driving this initiative and that Mario Draghi has placed his personal credibility behind it, markets understand that this is for real and that, at some point by the end of next year or early 2015, the European banking system should, broadly speaking, be in a reasonably robust position. Therefore, what you are beginning to see in anticipation of that is the movement I have mentioned into capital markets. The key is to keep this process credible and moving forward because, in many ways, it is a confidence game. The longer it lasts, the stronger the conviction will grow, and the more we will end up, at the end of the process, in a situation where people will wake up and say the European banking system has stabilised. This, of course, is a very different process from what happened in the US, where stabilisation took place virtually overnight, at the time of the stress tests Tim Geithner put into place in March 2009. It would be very nice if we had had something similar happen on this side of the Atlantic. Sadly, here we are five years later and we are still talking about the robustness of the European banking system.

However, I am actually quite optimistic that, provided all the parties keep on track, this gradual confidence game will begin to work. There is fragile good news everywhere, including in Greece where bids have been made by global investors for stakes in some of the remaining Greek banks. The key now is to continue making progress and not to have setbacks and, hopefully, to continue operating in a globally positive market environment.