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EBF, supporting CMU, committed to diversifying finance

- **Insolvency, financial education, and implementation of securitisation rules require specific EU-level actions**
- **Banking sector already delivers with initiatives for feedback to SMEs and financial education**

BRUSSELS, 8 June 2017 – Noting today’s publication of the European Commission’s mid-term review of the Capital Markets Union (CMU) project, the European Banking Federation wishes to reiterate its support for the CMU initiative while underlining its commitment to enhancing the diversity of financing channels across the European Union.

Says Wim Mijs, Chief Executive Officer of the EBF:

"CMU is about creating a new ecosystem for growth. We have supported this from day one. Efficient and dynamic capital markets need strong and stable banks. Now, two years after the EU embarked on this flagship project, the moment has come for concrete results. I commend the EC for its leadership and the progress that has been made. Yet, many obstacles to growth and prosperity in the EU still exist. Just look at insolvency, financial education and securitisation. Our sector is already playing its part."

In particular, the EBF recommends the European Commission takes the following actions:

- The Commission’s proposal on **insolvency** proceedings should be revised to consider a balanced approach, taking into account the interests of both debtors and creditors in such a way that it would contribute to solving the issue of non-performing loans.
- Given the deficit in financial literacy in the EU, we encourage the Commission to play a greater leadership role in the furthering of **financial education** in Europe as a way to empower entrepreneurs, consumers and investors. This enables individuals and companies to improve their understanding of financial opportunities and funding options available to them. In this context the EBF has established, together with a number of other Brussels-based associations, the [European Platform for Financial Education](#).
- EBF supports the focus of the European Commission on **sustainable finance**. Banks have a significant role to play in financing major economic, social and environmental policy shifts given their unique position to facilitate the capital flow in their lending, investment and advisory roles. An effective public-private partnership and alignment of public strategies and policies with the needs of the private sector are essential for accelerating sustainable development and its financing.

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In particular, the EBF recommends the following actions (continued):

- The EBF congratulates the co-legislators for reaching the agreement to finalise its flagship proposal of the CMU to create a **Simple Transparent and Standardised Securitisation (STS)** framework in Europe. However, the banking industry regrets that the capital calibrations were not re-visited during the negotiation process. It is regrettable that the prudential approach as developed at international level and adopted by the co-legislators does not adequately reflect the performance of European securitisations historically nor the higher quality of future EU STS securitisations. It is now unlikely the new framework will help generate additional financing as envisaged. Banks recognise the enormous effort that went into reaching a compromise and note that many of the initial industry concerns appear to have been addressed in the final package. Attention must now turn to implementing the final legislation and the EBF respectfully expresses its concerns about the **timing of implementation**. The current implementation calendar may further depress the fragile European securitisation market, given that it will not be possible for bank to use internal models and for insurance companies to invest in STS securitisations. Lastly, considering that under the new framework capital charges for banks investing in STS securitisation portfolios will increase significantly, it is important that additional work, namely the European Banking Authority's RTS on proxy data/top-down approach and the amendment of the Solvency II Delegated Regulation, is finalised as soon as possible to ensure that the framework does not endanger the economic viability of these instruments from an investor's perspective. EBF looks forward to working with the European authorities in implementing the STS framework in order to ensure its success.
- The EBF welcomes the hard work carried out by the European Post-Trade Forum, known as EPTF, set up by the European Commission in the context of the CMU. **Post-trade services** are the backbone of financial markets. As such it is of vital importance to the success of the CMU. The review of the Giovannini barriers is a crucial and timely task accomplished by this group. While some barriers have been dismantled others still exist and further obstacles are emerging. By identifying these obstacles and suggesting possible priorities and solutions, the EPTF, with the strong support of the EBF, has made a crucial step forward on the way towards a safer and more efficient CMU.

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About the EBF:

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks – large and small, wholesale and retail, local and international – employing about 2.1 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 400 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth.