

EBF BOARD COMMUNIQUÉ

EU agenda holds opportunity of leveraging banking for global competitiveness and sustainable finance

- **Banks encourage appropriate implementation of the Finalisation of Basel III**
- **EBF supports specific incentives as catalysts for sustainable finance**
- **EU builds momentum for more effectively tackling financial crime, laundering**

VADUZ, Liechtenstein, 21 November 2019 – The Board of the European Banking Federation on Thursday called on the European Union to leverage its fresh regulatory agenda for the financial sector to boost the global competitiveness of the European economy while more effectively engaging banks in financing the transition towards a sustainable society and in fighting financial crime.

Board members of the federation, which brings together leading bank sector representatives from all 28 EU member states and four countries in the European Free Trade Association (EFTA), met for their 129th meeting at the invitation of the Liechtenstein Bankers' Association, which marks its 50th anniversary this week.

The Board urged policy makers in Brussels and EU Member states to demonstrate political leadership and provide transparency and better visibility on upcoming regulatory initiatives involving European banks. Completing **Banking Union** and building an effective **Capital Markets Union** both are essential steps if banks are to deliver on their full potential of funding the EU economy.

Says Jean Pierre Mustier, President of the EBF Board:

"Financing businesses and households in Europe requires a consistent policy framework that gives certainty on regulatory requirements going forward. That is the basis for a financial ecosystem in which European banks can attract capital and contribute to economic growth and prosperity."

The EBF Board reiterated its support for the **Finalisation of the Basel III** bank capital requirements with no significant adverse impact on any jurisdiction while respecting the international level playing field in banking and taking into consideration the European specificities. The EBF believes that an appropriate implementation of the Finalisation of Basel III in the EU is essential in order to prevent potential growth risks to the European economy.

As part of its deliberation on Basel III, the Board exchanged views on a new study carried out by Copenhagen Economics, a leading economic consultancy, about the impact of the additional Basel III measures. The study shows that the Basel III Finalisation risks reducing the investment potential of European businesses while increasing costs for households and businesses with bank loans. It is the first time that the full economic impact of Basel III has been calculated.

European Banking Federation aisbl

Brussels / Avenue des Arts 56, 1000 Brussels, Belgium / +32 2 508 3711 / info@ebf.eu
Frankfurt / Weißfrauenstraße 12-16, 60311 Frankfurt, Germany
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The Board of the EBF underlined the importance for banks to serve as enablers of the future by demonstrating leadership in Europe on the challenge of climate change and in financing the transition towards a sustainable society. Members took note of ongoing work in the banking sector on **sustainable finance** and on the joint initiative under the leadership of the Institute of International Finance (IIF) to enhance banks' climate finance tracking practices. The EU legislative and regulatory agenda is expected to stimulate investments into sustainable activities.

The Board was updated on the upcoming EBF incentives report that will outline a number of concrete proposals to stimulate and contribute to the debate of the European institutions, regulators and banks on how to scale up sustainable activities, mobilize and redirect private financial flows to support such activities, develop new instruments and increase the number of eligible projects.

On **diversity and inclusion**, banks and institutions must evolve to reflect emerging social dynamics. Today, diversity and inclusion are key concepts for all companies, in all industries, which are looking to succeed. They bring higher team member engagement and motivation as well as enhanced risk mitigation and management, which bring more sustainable organisations and profitability. Creating a positive and inclusive workplace is key to innovation and growth, also by strengthening the reputation of companies, helping them to attract and retain key talents.

"This concept calls for a dedicated commitment, to ensure its full adoption," said Mr Mustier. *"We should consider a Diversity and Inclusion Initiative for the European banking sector to set and monitor specific approaches so that banks increase the proportion of women and minorities – this applies equally to their workforce, clients and key stakeholders – including internal sponsorship initiatives, so that those making decisions benefit from different points of view to help improve the process and the behaviour and image of our sector."*

Regarding **anti-money laundering** (AML), board members of the EBF agreed on the need for a more effective EU approach. Although compliance and administrative requirements have been imposed on financial institutions, the current EU AML framework has proved to be insufficient to effectively tackle financial crime.

There is a momentum for the ECOFIN and the Commission to make the right decisions in order to review the supervisory architecture and to enhance the consistency of the framework through a Regulatory harmonisation. Better information sharing and cooperation between all interested parties, public and private, would also greatly help improve the effectiveness of the framework. We support the use of new technologies to build future-proof tools and encourage supervisors to do so as well. The EBF is determined to play an active role and mobilise forces to support and encourage this dynamic and to engage with all stakeholders.

On the topic of **Brexit**, the Board noted that European financial service firms are more prepared than before to handle a possible no-deal Brexit scenario. The EBF continues to advocate in favour of a managed Brexit that is based on an official Withdrawal Agreement between the EU and the UK. Although a separation in the EU membership may have an impact on trade and the economy, the EBF remains confident that the banking sector will continue to support European economies and serve its customers in the event of a no-deal.