

HIGHLIGHTS FROM THE BOARD

European Banks call for developing a shared vision for the financial sector to preserve Europe's competitiveness

Brussels, 24 November 2023 – The Board of the European Banking Federation (EBF) met in Madrid on 24 November 2023. It was the opportunity to reflect on the resilience built up over the last years, with a focus on recent advancements during the Spanish Presidency. It also allowed a discussion on the key areas where further progress is needed to enhance the competitiveness of the sector and the economy as a whole.

The current environment is particularly challenging given the emerging geopolitical tensions, the ongoing conflicts in Europe and in the world and the uncertain macroeconomic environment. Against such a challenging context, European banks have not only shown remarkable resilience but also continue to play a major role as a source of finance. Thanks to a sound capital and liquidity base, as well as a strong risk culture, European banks are continuing to contribute to the European economy by supporting their clients and financing businesses and households.

Recent crises have highlighted Europe's vulnerabilities in defense, security, energy, and supply chains, accelerating its competitive decline against regions like the US and Asia. This is a very important source of concern as competitiveness fosters growth, indispensable for the well-being of Europe and its citizens. It is also essential for servicing the debt of states and companies, financing the green transition, investing in digital innovation and (cyber)security, and supporting an aging population.

To retain and restore its competitiveness, Europe needs to boost its financing capabilities. The needs are immense, amounting to trillions of euros annually. Any proposal that limits this financing capabilities, like potentially increasing the minimum reserves held at the ECB, should be avoided.

This is why, now more than ever, Europe needs a banking sector that is resilient, profitable, and competitive. It is key to funding the substantial investments for both immediate and long-term challenges.

Banks are ready to fulfill their societal roles but need an enabling regulatory environment that keeps them competitive globally and ensures fair competition in financial services. Additionally, in a world increasingly marked by conflict and the formation of blocs, Europe must focus on financial autonomy and - while remaining open to third countries - needs to develop its financial sector, including both banking and capital markets.

"As we approach a crucial juncture in the European Union with the next EU elections taking place in June 2024, I believe it is vital to recognize the fundamental and strategic role of banks in Europe as we navigate this transformative era ", said Christian Sewing, CEO of Deutsche Bank and EBF President. "Any programme to ensure Europe's competitiveness and to finance the transformation of our economies must include strategies to strengthen the EU's financial sector, including a capable and effective banking industry and a significant deepening of capital markets. Therefore, it is essential for European decision-makers to develop a shared vision for the banking and financial sector, enabling it to fully perform its societal role and support the economy in the coming years."

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Boosting European Capital Markets

Neither States nor banks alone will be able to finance all the emerging needs of the economy. A sizeable portion needs to come from capital market financing.

Therefore, it is crucial and urgent for Europe to create the conditions to attract long-term risk capital to a much greater extent and to boost the development of capital markets and ensure further integration within a true Capital Markets Union (CMU). Otherwise, Europe will not be able to finance its sustainable transformation and keep up with technological advancement. To achieve meaningful change going forward, the development and deepening of markets backed by a more flexible and future-proof regulatory framework will be vital.

The European securitisation market must also be strengthened. Securitisation is a simple instrument for facilitating more lending - even to companies that do not have access to the capital market. The volume of securitisations is growing significantly in many regions - but not in the EU. We are leaving considerable potential untapped here. There are many reasons for this: our regulatory framework is far too complicated; the processes take too long and are too expensive. We need to change this as quickly as possible and activate the securitisation market in the EU.

To establish a CMU, several critical reforms to remove cross-border obstacles remain to be launched or completed. This makes it important to build consensus around a prioritization and sequencing of the next-generation reforms. Importantly, there is a growing recognition that, beyond the removal of EU-level obstacles, the further development of markets also requires national actions as well as a broader societal uptake of the products and services offered through capital markets.

Focus on transition finance to unlock the potential of the climate objectives

European banks reaffirmed their role in channeling finance to projects and companies to transition to more sustainable business models and decarbonize their activities. Banks are working closely with their clients to ensure inclusive access to transition finance and also actively embedding ESG in their businesses. To ensure an enabling regulatory framework for these efforts, banks call for additional clarity on the transition finance framework as well as solutions for data availability and streamlined rules. What is particularly missing are EU sectoral transition pathways and roadmaps laying down a common framework and facilitating progress assessment, according to a recent EBF paper. Banks also call attention to the issues beyond the scope of financial sector rules, notably, stronger public incentives to reinforce the viability of sustainable investments and to encourage the required shift in economic activity.

The Digital Euro

As the Digital Euro project has moved from the investigation to the preparation phase, critical questions have to be addressed: the impact on existing payment infrastructure and services, the cost-benefit assessment for citizens including privacy aspects and the repercussions on banks' access to funding and, therefore, on financial stability especially in times of economic stress. It will be essential to identify opportunities and mitigate risks more concretely and in close collaboration between the public and private sectors, both at the strategic and technical levels.

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At the same time, as the legislative process for the digital euro regulation and the development of a rulebook for a digital scheme is underway, the EBF reiterates the need for a sustainable model that can ensure a value proposition for all actors, minimizing duplications and fostering innovation.

Finally, the EBF would like to express its gratitude for the opportunity presented in Madrid to share its suggestions with Nadia Calviño, Vice-President and Minister for Economic Affairs, Trade, and Enterprises of the Spanish Government, Pablo Hernández de Cos, the Governor of the Banco de España, Rodrigo Buenaventura, the Chairman of the Spanish Securities Market Commission (CNMV), as well as with Enrico Letta, former Italian Prime Minister, who has been tasked by the European Council to prepare a report with concrete recommendations on the future of the Single Market in Europe.

For more information

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About the EBF:

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The federation is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere.

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