

Joint FBF-BdB declaration on the 55th anniversary of the Elysée Treaty

Paris / Berlin, 22 January 2018

The Franco-German Treaty of Friendship (also known as the Elysée Treaty) was signed on 22 January 1963 and is an outstanding political achievement. After centuries of “hereditary enmity” and numerous costly wars between France and Germany, the treaty finally laid the cornerstone for close Franco-German cooperation.

This friendship gave added impetus to the European project, too. The Elysée Treaty helped to build the foundations for a political community of nation states which has continued to develop dynamically and rise to new challenges. The treaty was also the basis of many economic policy decisions, such as the creation of the internal market or the introduction of the euro, making it one of the major sources of growth and prosperity in Europe.

But the resolution adopted today by the French Assemblée nationale and German Bundestag also highlights the challenges which require the Franco-German motor more urgently than ever if they are to be overcome. The creation of a French-German economic area will provide important momentum for a further deepening of the European internal market since it will bring the two biggest economies in the EU closer together, and can thus form its nucleus.

Stable European economic and monetary union is for the common good. Banks have a key role to play in this context, especially as sources of finance for businesses, players in the digital internal market and providers of cross-border financial services or in green finance. **French and German banks are fully committed to playing a major role in financing the European economic development in a post-Brexit environment. SME financing remains our key priority.**

We therefore call for the further development of the European Economic and Monetary Union. Efficient and profitable European-based banks are a necessary condition for the success of Banking Union and CMU. In the interest of long-term stability, fundamental reforms are needed in Eurozone states and at the EU level, as well as a better integration of the Eurozone states. Incentives for greater economic convergence and international competitiveness should be fostered in the countries of the Eurozone and institutional weaknesses and unwillingness to observe rules should be eliminated. Full recognition of the unicity of the euro area in the relevant prudential regulations is also key. The upcoming exit of the United Kingdom from the European Union should be organised in such a way as to minimise damage, preserve level playing field and secure the future financing of European growth.

We call for the further development of the Banking Union and Capital Markets Union to secure the financing of the European economy in the medium and long term in a context of new banking rules constraints on banks' balance sheets.

When deepening the Banking Union, it is important that further risk reduction measures have to be implemented before further risk sharing mechanisms can be installed. To help achieve the objective of the Capital Markets Union – enhanced integration of Europe's capital markets – greater standardisation and harmonisation are needed, particularly in the areas of securitisation, insolvency law and prospectus law. It implies also a calibration at EU level of markets risks which promotes the liquidity of EU financial markets. This can only be accomplished at supranational level. A group of wise men could pave the way for the new Commission in that field.

We call for an adequate transposition in Europe of the Basel agreement in order to better reflect European banking practices and EU low-risk asset profiles.

In view of their importance to the EU economy, bespoke treatment of property financing, specialized lending and the funding of non-rated companies should be granted at EU level.

Finally, we call for the large-scale digitisation of our economy and for adjustments to the legal framework in order to support the digitisation of the banking sector and ensure a safe digital European economy

that is based on resilient cybersecurity. This includes the ability to communicate exclusively in digital form and carry out financial transactions solely by digital means. Digital identification should therefore become available throughout the EU. Furthermore, prudential rules should be adapted and become less penalising to banks' investments in software.

The French and German banking associations are committed to these objectives, and we will participate actively and constructively in these debates. We wish to make an active contribution to greater integration in Europe.

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