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European FBF Event

“Strengthening banking and financial competitiveness for a stronger European economy”.

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Good evening, everyone.

It’s very good to be her in Brussels. I would like to welcome you very warmly and thank you for attending our annual event.

I see a lot of colleagues and friends from the European banking federation, from different countries, different institutions: it’s very good to see you, and I am sure that you would deliver exactly the same speech as this one.

But first of all, I would like to introduce our esteemed panellists for today:

Fabrice Le Saché, vice-chairman of MEDEF for European and international affairs,

Chair of BusinessEurope’s Entrepreneurship & SME Committee

Frédéric Gonand, who spent part of his career in various public institutions and who is now Professor of economics at Université Paris Dauphine-PSL. He is the former Economic Advisor to Christine Lagarde, almost 20 years ago when she was Minister of Economy in France.

Thanks a lot to both of you for your participation to this roundtable, who will be moderated by our deputy CEO Etienne Barel.

One year ago, even if it looks like good old times…, we presented 18 proposals for a sovereign and sustainably growing Europe. 3 priorities to enable European banks

to better finance the future needs of the European economy,

to boost our competitiveness,

and to make the environmental transition a success.

These were our 3 key priorities with different measures.

A couple of months later, the Letta report was published. And "remember last summer"... the Draghi report (a nightmare for bureaucracy) ! **Competitiveness of Europe became the keyword for decision makers.** And then, very quickly, the economic, social and geopolitical landscape has changed dramatically, and it is still changing from day to day. **Now is the time to act. There is no room for hesitation, for procrastination, for delay.**

More than ever, the competitiveness of European companies, including banks, is essential to the competitiveness of the rest of the economy, and also, to our societies.

In our continent, in Europe, we value prosperity & peace: it is the core EU project, from the very beginning. We also want a cleaner environment, and we have to build an inclusive society because we know the risks of social unrest.

We strongly believe that if we do not keep strong financial decision centers in Europe, then our money, the money of European households, the money of European companies and enterprises, will not be dedicated to protect and develop these values.

It is as simple as that...how do you go from banking regulation & complicated formulas to society and democracy? It's through the channel of the financing of the economy that we inject our values into money. We want to be able to choose where our money goes... and it might not be the case in some years.

And of course, I should talk about **defence** which is the elephant in the room...

<u>So one year later, where are we ?</u>

<u>First</u>, we see today that the **Savings and Investment Union ("SIU")** was presented with the several building blocks announced today. **The intention is good, we know that the realisation and making it concrete and real will wait some months.**

Deposits in banks are useful, we all know that: money never sleeps... Deposits are necessary for credits.

BUT we need additional resources, not only bank financing, we need to add market financing. We need to have a growth of our capital markets. SO, an increased allocation of European savings to longer term and riskier investments, is necessary for innovation, SMEs, non-typical investments, for sovereign investments including in defence.

The first building block of the Saving and Investment Union is:

1/ greater integration of European financial markets would bring greater liquidity. **More liquidity is good because it gives more options** to investors (to buy and sell), and **more options** to issuers because they can find more investors and lower their financing cost,

2/ in the short term, we need to create a new asset class. The EU's main lever lies in reviving the **European securitization market**, which would create a new asset class (good for investors!), and "en même temps" allow European banks, thanks to the proper management of their balance sheets, to increase their capacity to finance businesses and households. This revival implies a relaxation of current regulatory constraints. **We are not asking for deregulation; we are asking for a review of all that to stop the move that in 2008 led to increase the rules**. The regulation put in place after the 2008 financial crisis is much heavier than in the US, even though default rates on these transactions have always been much lower in Europe. **Let' be consistent the real risks and securitization and let's revive this market!**

3/ Regarding European products and the ability to encourage European savers to invest in financial products, is something we welcome. It is not only an issue of financial products, but also of rules - the retail investment strategy is not helping in that respect, and no one will be frustrated about this project if it was abandoned! -, and an issue of balance between public spending on pensions for example, and private schemes based on personal savings.

Secondly, **simplification** is starting. The "Omnibus package" is a first step: we welcome the fact that the Commission put forward an initiative to avoid very negative consequences which would have resulted in no impact on environment, except more pollution due to data centers, and backlash because companies prefer to spend money on decarbonation actions rather than on reporting.

Some obligations will soon be alleviated, but most of them will remain important for SMEs because bigger companies, especially banks subject to financial obligations, will request data reporting… Our sustainable finance regulatory framework must be simplified to mobilize capital effectively. **We need to move from excessive ESG reporting to direct positive impact on environment.**

Thirdly, we must be pragmatic: let us look at three game changers for the banking sector :

implementing Basel 3: I hear that Ms Albuquerque considers specifically the treatment of FRTB. Canada and the UK took good decisions, we hope that the level playing field objectives will be on top of the decisions of the European Commission. We strongly hope that.

data sharing: FIDA needs a sovereignty and security test => is this draft regulation protecting our businesses and data ? we don't think so. The proposal should simply be withdrawn if it can't meet the sovereignty & security test

digital euro: sovereignty is key. Sovereignty in private payments is crucial, European schemes are developing very quickly, we see it as customers! is it necessary to add a public tool? Asking the question, is giving an answer!

Finally if I summarise:

the EU must promote its strategic autonomy, preserve its economic interests and values, in an increasingly aggressive and competitive world

to this end, preserving the competitiveness of European companies is absolutely key

and banks must play a major role for this, provided the rules are properly drafted for this (low rates, wide offers)!

<u>So</u>: simplifying regulation will preserve, and even develop, the ability of players to finance the economy by offering financial products adapted to the needs of customers.

The French banking sector is already mobilized, but we must do more... to meet the massive financing and investment needs related to the green and digital transitions, social inclusion and to the defence of our security and values.

There will be no strategic autonomy without financial sovereignty.

Let's work together with the institutions, with all the sectors, businesses, to make these changes become a reality! Thank you for your attention, thank you for being here!