FÉDÉRATION BANCAIRE FRANÇAISE

Paris, 1st October 2015

Press release

European universal banks are essential for a successful Capital Markets Union

The European Commission put forward yesterday its action plan in favour of the Capital Markets Union (CMU). The French Banking Federation (FBF) welcomes this new stage of a major project to encourage jobs and growth that it supports since the outset (link to our February press release on CMU). It is for this reason that the FBF requests that all regulatory choices for Europe are more consistent with the clear goal announced and permit the preservation of universal banks to serve customers.

1 – Ensure a new balance between bank lending and market based funding

In the light of new prudential requirements that weigh on bank lending, the capital markets are called upon to play an increasingly important role in financing the economy. The purpose of CMU is therefore to prepare the ground for favourable conditions for a new balance between lending and market based funding. Changes will not take place at the same pace for all companies. They must be led in a tailored manner, to avoid breaks in funding particularly for SMEs.

Banks must be able to continue to finance companies through lending and a tailored access to markets and innovative funding:

- Regarding loans, the new prudential rules (leverage ratio, TLAC…) are going to burden banks balance sheets with additional constraints and limit their ability to fund the economy. It is vital to calibrate these new rules in order not to penalise the funding of the economy.

- With respect to market based funding, it would be appropriate to put in place the conditions for developing simple, transparent and standardised securitisation in Europe. The FBF will be following this matter very closely with regard to the reality of the proposal advanced on securitisation - as much on the criteria as the label and public guarantees.

2- Ensuring consistency of regulatory choices in Europe

French banks are requesting a consistent European approach. And yet, the draft proposal on bank structural reform like the proposal on the financial transaction tax for 11 countries are in complete contradiction with the Capital Markets Union proposal:

- On the question of bank structural reform, the development of funding companies by the markets can only be successful if Europe takes advantage of universal banks. This business model has weathered the crisis, as confirmed once again by a recent study conducted by the European Central Bank (link). Even though this model has demonstrated its effectiveness and financial strength, it is seriously threatened in its ability to exist as a player in market based funding. The draft proposal on structural reform provides for either a separation of capital markets activities, or the requirement of additional capital, which would make these activities uncompetitive, given the exemptions granted to certain countries, and would lead to a Capital Markets Union without continental European players. This proposal, which is now under discussion at the European Parliament after an agreement at the Ecofin council in June, must be abandoned or radically reviewed (link to structural reform press release).

- Regarding the «European» financial transaction tax: this proposal only concerns 11 out of 28 countries. If this proposal is successful, it will increase the fragmentation of markets and will lead to arbitration between financial centres. It will penalise the funding conditions for French companies and jeopardise the Paris financial centre.

By reducing the number of players in the capital markets, these projects will reduce competition in the Capital Markets Union, to the detriment of funding companies and at risk of further increasing volatility on these markets.

Attachment: FBFs detailed position on Capital Markets Union

CONTACTS

Pascal HENISSE : 01 48 00 50 07- phenisse@fbf.fr
Céline CASTEX : 01 48 00 52 66 - ccastex@fbf.fr
Terence DE CRUZ : 01 48 00 50 70 - tdecruz@fbf.fr
FBFservicedepresse@fbf.fr

Suivez-nous sur Twitter
@FBFFrance