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Financial sovereignty - a pre-condition for real EU decision-making

Geopolitics and economics are closely intertwined. The current health and economic crisis proves yet again that our world is uncertain, disruptive and often divided. For European citizens and corporates, the EU is a safeguard and a stabilizing force. For this to remain so, Europe has to ensure its financial sovereignty. What does that mean for financial services?

First, EU companies need diversified and competitive sources of financing. Reliable financing is a condition for long-term and sustainable growth – to a large part it needs to be available within the EU if we do not want to become the dominion of a larger Empire. During the earlier days of the current pandemic, third-country banks have pulled back from lending to European companies. Conversely, European banks, including BPCE, have mobilized forces for the interests of their European clients.

Second, our sector needs fair regulation and a level playing field adapted to EU economic specificities. A competitive financial sector rewards efficient business models, fosters growth and is distinguished by strong actors. This implies applying the principle of “same activities, same rules”, to non-banks undertaking bank-like activities.

The original Basel Accord of 1988 sought to harmonise capital regulation across jurisdictions, i.e. to create a level playing field. However, the Basel rules are turning into a one-size-fits-all approach, and there is increasing concern on whether they are still compatible with the realities of financing the EU economy.

Looking forward, the clear goal of the Banking Union and the Capital Markets Union has to be a better future for everyone. The EU has the largest pool of savings in the world, this potential should not be wasted by failing to efficiently allocate these savings, invest in Europe and therefore finance European growth.

For the Banking Union, concrete ambitious and pragmatic decisions are needed to ensure a suitable transposition of the Basel agreement, notably: a) to boost specialized lending - crucial because of its link to sustainable finance, b) to support unrated corporates – crucial providers of activity and jobs in Europe, and c) to avoid increasing fragmentation and address the output floor issue. IFRS and especially IFRS 17 should be geared toward a more long-term and sustainable design.

Third, we live in an increasingly technological world. Yet there are no EU companies amongst the large digital corporations. This has implications for

our sector, as banks have become trusted Fintechs, technological actors and third parties, where they ensure the security of their customers’ funds and data. If EU regulation succeeds in remaining neutral vis-à-vis technology, the principle of “same activity, same rules” can help avoid hurdles to digitalising the EU financial sector. More specifically, the EU is rightly stepping up on critical infrastructure, cybersecurity, and cloud services.

We especially welcome that the EU is launching an own Digital Strategy and private initiatives such as the European Payment Initiative. GDPR is another cornerstone of the European digital transition. The recent judgement of the ECJ on the EU-US privacy shield further underpins the moral and economic imperative to ensure an autonomy in digital matters.

Fourth, Europe is a leader in developing a sustainable economy and in channelling private investment to climate neutral activities as promoted by the European Green Deal. For this to succeed the EU needs to remain autonomous in its decision-making, i.e. a sovereign in its financing and definitions of standards.

EU banks like ours have shown that EU clients can count on their banks, asset managers and insurers to be key partners in adverse times that are marked by both the challenges of a pandemic and the necessary ambition of sustainable transition. For us the way forward is to grow as trusted partners alongside the European real economy. For this to be realistic, EU decision-makers need to ensure a level playing field in terms of regulation and the practicality of rules in their daily application. ●