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EBF BOARD COMMUNIQUE

EBF calls for next steps to strengthen economic recovery in Europe

- **Measures must evolve from addressing immediate liquidity needs toward increasing solvency support for viable firms**
- **The ability of European banks to compete at global scale should be ensured for the sake of a stronger European economy**
- **Basel III should be implemented in Europe with no significant impact on the current capital ratios and taking into account European specificities**

BRUSSELS, 28 May 2021 – The Board of the European Banking Federation (EBF) today reiterated that European banks stand ready to continue supporting businesses and households amid growing uncertainty over the pace of the economic recovery. The EBF board also highlighted the need to evolve the policy response to ensure a 'soft landing' to the new normal and expressed confidence in governments' commitment to avoid a 'cliff-edge' effect.

The swift policy responses combined with the positive contribution of banks has helped ensure the flow of liquidity and credit throughout the pandemic. It also shows that when regulators, banks, governments, and Central Banks work together, the combined result is effective.

The EBF calls for all policymakers to adopt limited temporary flexibility to help viable clients get through the transition months until economic recovery takes hold. Targeted prudential decisions are necessary now to enable banks to continue supporting viable businesses and households. The temporary enhancement of the net present value threshold for debt restructuring from 1% to 5% would allow many viable businesses to get through the transition period until economic recovery. Likewise, the postponement and revision of the standardised approach for counterparty credit risk (SA-CCR) are essential to avoid an upsurge of hedging costs for European corporates.

To ensure European banks can attract the capital that is needed to fund the economy, the exceptional suspension on dividends at the outbreak of Covid-19 should be lifted.

The implementation of the Basel III framework presents another immediate challenge for the European recovery. There is a risk that the Basel implementation will restrain banks even further, at a time when banks need all their potential to support the recovery by lending more. Forthcoming rules need to ensure that Basel is implemented with no significant impact on current capital ratios and take into account European specificities.

The regulatory reform has succeeded in making the banking sector more resilient. However, the related costs have soared. As Europe emerges from the Covid-19 pandemic, it is essential to obtain a clearer and more holistic view of the net accumulated burden supported by banks, including all the regulatory, supervisory and resolution requirements which have been adopted over the last decade, often in silos. Such an exercise would enable the European regulatory and supervisory bodies to reflect on the effectiveness of the framework during the crisis, as well as on the competitiveness of the European sector globally.

A regulatory reset is required to ensure that banks can compete and help make Europe more competitive as the digital and green transition accelerates. Banks need to compete on a level playing field against big techs. At the same time, it is crucial that sustainability regulations are applied coherently and proportionally, together with the necessary incentives for banks to support companies in their green transition journey. As Europe continues its path to recovery, joint efforts to fight against money-laundering must continue to be a priority. The banking industry remains strongly committed to an effective fight against money-laundering across the region and continues to support European Commission's push for a stronger EU-wide approach.

"The time to act is now. We urge the European policymakers to take the necessary next steps to support a successful and sustainable economic recovery across Europe. As the banking sector, we are committed to continuing our work with the institutions as well as our support for businesses and households," says Ana Botín, President of the EBF. *"Looking forward, we must remember that strong banks underpin strong economies. The post-Covid regulatory landscape must ensure the right conditions for a European banking sector that is competitive on a global scale and well positioned to support the transition to a green economy."*

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About the EBF:
The European Banking Federation is the voice of the European banking sector, bringing together 32 national banking associations in Europe that together represent a significant majority of all banking assets in Europe, with 3,500 banks – large and small, wholesale and retail, local and international – while employing approximately two million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that reliably handle more than 400 million payment transactions per day. Launched in 1960, the EBF is committed to a single market for financial services in the European Union and to supporting policies that foster economic growth.