



February 15th 2016

EUROPEAN COUNCIL
Mr Donald TUSK
President
Rue de la Loi/Wetstraat 175
B-1048 Bruxelles/Brussel
Belgique/België

Dear Mr. President,

The French and Italian financial industries, including banks and insurance companies, have taken note of your letter dated 2 February 2016 to the Heads of State and Government and of the draft decision of Heads of State and Government, that will be negotiated at the next European Council meeting of 18 February.

We would like to draw your attention to several specific points and ambiguities of the draft decision.

Firstly, we certainly agree on the objectives of preserving the integrity of the internal market. However, it could be understood in the draft (first paragraph of point 2 of page 6) that the rules of the banking union would apply only to credit institutions located in the euro zone. This actually would raise important questions about the status of setting up banks outside the euro area whose banks have headquarters in the Eurozone. Regarding subsidiaries, the principle of consolidated supervision also seems under attack. For branches, sector based agreements would also be null and void. The principle of the freedom to provide services (FPS) seems to disappear.

As a consequence, the financial industry suggests clarifying the text explicitly referring to the principle of consolidated supervision, to the FPS principle and compliance with agreements concerning the supervision of branches.

Secondly, the project (second paragraph of the same page) may put at risk the "Single rule Book", which provides a single set of rules in Europe for the banking sector, by giving place to different sets of Union rules that have to be adopted in secondary law.

Thirdly, the draft (item 3 page 7) indicates that emergency and crisis management measures that have been taken to ensure the financial stability of the Eurozone must not lead to budgetary responsibility for non-Eurozone countries. If this provision were to be upheld, the

financial industry would suggest a reciprocal agreement for the Eurozone for instance in the event of a default of a financial institution outside the euro area. By the same token, the Euro zone should be able to raise with the European Council, or according to an equivalent procedure, any decision of non-eurozone countries that would have an impact on its functioning.

Finally, the draft text (point 4 on page 7) states that the "*implementation of measures, including supervision and resolution of financial institutions and markets*" is the responsibility of national authorities. This wording could indicate that the implementation measures defined by the European Supervisory Authorities (EBA, EIOPA and ESMA) would not apply to non-euro countries. Having several different sets of rules in the EU would create a risk of negating the very existence of the Internal market and may lead to a breach of fair competition between financial institutions even though non euro institutions would continue to benefit from the European passport. Moreover, it would create a risk of "the lightest touch approach to regulation" and arbitrage between financial centers. In this respect, the lessons from the financial crisis must not be forgotten.

By the way, it is essential to preserve the skills and resources necessary for the Eurozone so that it can ensure financial stability. The role of the European supervisory authorities should therefore be reaffirmed.

Similarly, we would like to underline that 50% of Euro transactions are offset in British clearing houses. It should be recalled that the Commission made a commitment to come forward with a regulatory proposal on a European resolution regime on clearing house market infrastructures

Remaining at your entire disposal for any further information,

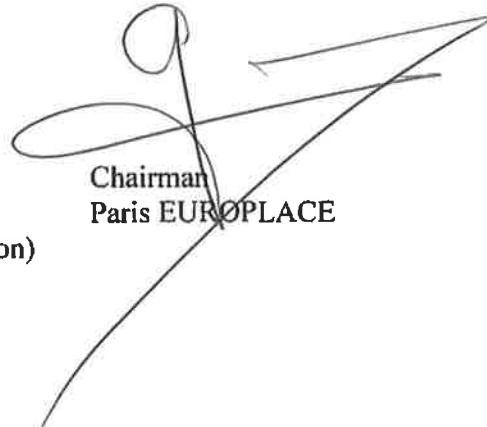
Yours faithfully.

Luigi ABETE



Chairman
Federazione Banche Assicurazioni e Finanza
(Italian Banking Insurance and Finance Federation)

Gérard MESTRALLET



Chairman
Paris EUROPLACE