Banche Assicurazioni Finanza
Italian Banking Insurance and Finance Federation

PARIS EUROPLACE

Italian French Dialogue on Financial Services

Joint Statement, May 2021

FeBAF, the Italian Banking Insurance and Finance Federation, and Paris EUROPLACE, Paris Financial Center Body, fully support the strong actions promoted by European authorities to exit the crisis, boost the return to more normal conditions for companies and citizens and support the competitiveness of financial markets.

Looking ahead, we think a clear agenda of top priorities and a strong commitment from all public authorities will be decisive to limit the permanent scarring of the pandemic and to collectively address the current challenges faced by the European Union relatively to other jurisdictions.

I. We reassess the necessity to accelerate a quick and concrete implementation of the Capital Markets Union, even more important to accompany the post-Covid recovery.

II. At the same time, we invite European authorities to take note of the key role of the financial industry (banking, insurance, asset management and private equity) to boost the recovery and (ii) to support the competitiveness of the EU27 financial markets, in the context of Brexit and of new developments in the UK and abroad. We thus see possible immediate risks of regulatory divergence and arbitrage across jurisdictions, which could be harmful for the EU prosperity.

III. FeBAF and Paris EUROPLACE share the following common priorities:

1. Facilitating **long term** investment.
   In the context of the reopening of the Solvency II Directive is key to pursue the reduction of undue requirements, to mitigate the artificial volatility and to relax the constraints that may hamper long-term investments in connection with Green Deal and Next Generation EU.

Having this in mind, the review process should not bring additional capital charges on insurance companies and where it does, transitional mechanisms should be designed carefully minimizing undesired side effects. At the same time, it is crucial for Solvency II to effectively maintain its countercyclical characteristics.

2. Efficiently promoting **long-term** savings to be reorientated towards the equity financing of companies.
   In the context of the mechanism of ELTIFs and long-term savings products need to be accelerated and made more flexible, with tax incentives to be proposed to accelerate the listing of firms and tax incentives for long term retail investors. Last, retail investors must be encouraged through a more flexible approach, taking into account national markets specificities.

3. Strengthening of **corporate** capital structure.
   This should be a top priority for the CMU action plan, as the CMU is both instrumental to the economic recovery, but also core for the sustainability of the European projects. Furthermore, access to stock markets and equity financing must be encouraged in the MiFID review, facilitating the provision of equity research on listed firms and SMEs. Other necessary measures include the simplification of listing rules, requirements harmonization between countries and the development of SMEs IPO funds.

4. Boosting a well-managed **securitization** market.
   The EU securitization market remains at a very low level today. This is essentially the result of excessively restrictive reforms passed in the aftermath of 2008 crisis. However, a well-developed securitization market is essential for long-term financing, as it would allow banks to improve their balance-sheet capacity. It is therefore necessary to reform the current regime, to simplify the issuance process and to reduce the constraints when banks originate and insurers invest in these securities.

5. Preserving EU strategic autonomy in terms of financing and in non-financial **data**.
   Ensuring EU strategic autonomy in terms of financing is crucial. The Basel transposition should not hinder the EU recovery and the impact in terms of capital requirements should not be significant. We urge the European Commission to apply notably the output floor as a backstop and at the consolidated level, and to avoid the introduction of the Credit Conversion Factor.
   Moreover, data sovereignty is essential, as Europe may lag behind its competitors (with today the potential acquisition of IHS Markit by S&P global). Defining a transversal regulatory framework applicable to all data providers, as well as European standards for extra-financial reporting, is

vital. Another key priority is the creation of a European single access point (ESAP) for financial and non-financial information publicly disclosed by companies, a very helpful tool for SMEs notably, although we think the current ESAP project is not clear enough.

6. Harmonizing **taxonomy** ambitions.
   While strongly supporting the objective of the European taxonomy in a context where climate change became a top priority, this decisive challenge may lead to a burdensome and non-competitive environment for European companies, making a global coordination is urgent.
7. Addressing risks around corporate **insolvencies**.
   Coping with the probability of a sudden rise in insolvent firms, once public supports are progressively unwound, calls for targeted actions to restructure private debt (e.g. converting some public guarantees into equity-style loans) avoiding undue insolvencies by streamlining insolvency procedures, and by reviewing the NPV % computation on debt restructuring as foreseen by EBA guidelines on the application of definition of default 2016/07.

8. Enhancing of relief procedures from **withholding taxes**.
   Reforming Withholding Tax Procedures will be one of the key factors in the successful implementation of the CMU, as it serves the interest of the investment community at large, the institutional investor base as well as retail investors by removing barriers to cross-border investments. Such reform can also help optimise tax collection and prevent tax fraud.