European Banking Federation

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Press release

An untimely proposal for banks' structural reform at the expense of financing the economy

The European Banking Federation (EBF) is deeply concerned over the Commission's proposal released today on structural reform of the EU banking sector and calls on policy-makers to carefully consider the economic implications of the proposal.

The proposal is untimely as it comes at a moment when the European economy is slowly recovering and where European policy-makers still need to understand the complete impact of the financial services regulatory reform agenda proposed under this Commission's mandate. Therefore, proposing an additional policy measure at this point in time, that have such potentially far-reaching consequences on banks' structure, daily business and organisation, is not prudent in the EBF's view.

"Europe's banks are committed to ensure financing to the real economy and support the EU growth agenda, but they need to be left the room to do so" said Mr Ravoet, EBF Chief Executive. "With the scope and separation requirements that the Commission proposes this will most definitely be a difficult task".

The broad scope of trading activities potentially subject to a separation requirement is very likely to hamper banks' role in the economy. Activities that are client-driven and useful for the real economy – such as market-making that ensure liquidity for customers on a regular and on-going basis or client-related hedging services - may end up being separated from the core credit institution. This will impact liquidity in financial markets negatively and ultimately result in higher financing and hedging cost for corporate clients, due to the increased risk-profile of the trading entity. "The Commission has clearly understood the cost inflation argument and exempted market-making for government debt from the separation requirement" added Ravoet, "it would appear similar treatment is not reserved for financial services to businesses".

The EBF calls for the universal banking model to be preserved and believes that any further adjustment in the name of stability can be best achieved by calibration of the rules and regulations put in place over the last five years. The Commission should contribute to a predictable and stable environment for Europe's banks to support the economic recovery in the Union and not introduce a prolonged uncertainty that will weigh on the international competitiveness and attractiveness of Europe's banking sector.

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