



**Ms Mairead McGuinness**

Commissioner responsible for Financial Stability,  
Financial Services and Capital Markets Union  
European Commission  
DG FISMA  
Rue de la Loi 200  
BE - 1049 Brussels  
BELGIUM

20 November 2020

Dear Commissioner, dear Ms McGuinness,

We have greatly appreciated the good cooperation during your time in the European Parliament, for instance at the presentation of our priorities for 2019-2024 in Parliament in November 2019. Following your appointment as Commissioner responsible for Financial Stability, Financial Services and Capital Markets Union we would like to congratulate you warmly and are looking forward to continuing this good cooperation. In this sense, we would like to share with you some of BUSINESSEUROPE's key concerns regarding financial affairs. We hope to discuss these further with you in the near future.

First, considering the dependence of companies, especially SMEs, on bank lending, and the need to maintain banks' ability to perform new lending, any changes regarding the regulatory requirements for bank capital in the context of **the transposition of the final Basel III agreement must be carefully calibrated** to ensure that they do not lead to a sudden reduction in lending and investment. While the economic situation in the European Union is about to worsen significantly in upcoming months according to the Commission, the latter should evaluate whether a **further postponement of the transposition** of the last Basel agreement would be of help in softening potentially negative effects on the bank financing of the European economy.

It will also be important, before taking forward transposition, that we **reflect on the continuing appropriateness of existing standards** in the very changed global financial situation we now find ourselves in.

Regarding non-performing loans (NPLs), it should be explored whether there is a need for introducing a European initiative aimed at creating either a European Asset Management Company (ACM) or a network of AMCs in order to deal more quickly with NPLs. Further measures aimed at strengthening the European NPL secondary market should also be looked at and the Commission should evaluate a possible revision of the prudential rules for NPLs in the next months. Additionally, banking exposures subject to the moratorium should continue to benefit from the specific flexibility introduced earlier this year.

The prudential treatment of exposures related to OTC derivatives used for corporate hedging should also be re-considered as the increased costs for end-users following application of the new SA-CCR discourages hedging of business risks. Likewise, the prudential rules for the insurance sector (Solvency II) should be reviewed as they are



conservative creating certain constraints for long-term investments. And lastly, to strengthen European small and midsized companies' capital position, the Solvency Support Instrument should be reintroduced, for example through the InvestEU-Regulation.

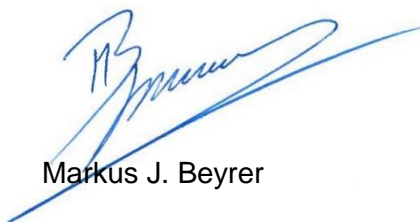
Second, we need to **reinforce and implement the Capital Markets Union** to provide EU companies with a genuine single market in financial services and develop complementary sources of finance to bank lending.

Key actions include: promotion of SME's access to capital markets, supporting responsible securitization, reviewing the impact of withholding taxes on cross-border equity investment, making European long-term investment funds (ELTIF) more attractive to retail and institutional investors, assessing the adequacy and addressing the defects of investor-protection rules such as PRIIPS, addressing the increasing dependency on oligopolistic and dominant providers of financial and non-financial data, ensuring that sustainable finance actions are proportionate, practicable and accommodate the needs of both the financial markets as well as the real economy mobilising further investments for a sustainable transformation of our economy, and encouraging investments by institutional investors in companies.

We have set out these concerns in more detail in our priorities paper and position paper on implementing the final Basel III reforms, which also contains some concrete recommendations for a tailored implementation of the agreement. You will find these papers at annex for ease of reference.

We hope for your understanding on these concerns and hope we will soon be able to discuss further in a virtual meeting. My secretariat will soon be in touch with yours to arrange such a meeting.

Yours sincerely,



Markus J. Beyrer