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**Briefing note for ECO section president Stefano Palmieri**

* Distinguished speakers, Colleagues, Ladies and gentlemen,
* I would like to welcome you to our high level hearing on EU Banking Reforms, that is organised in a hybrid format, with some participants here in Brussels, in the premises of the EESC, and others joining us via videoconferencing or the web stream.
* The ECO section of the EESC is organising this hearing today to provide input for an opinion that the EESC is drawing up at the request of the European Parliament and the Council, on the legislative package of banking reforms the European Commission presented in October 2021.
* Findings of this hearing will help shape the policy recommendations that the EESC will put forward.
* The EESC rapporteur, Mr Bogdan Preda, who is participating remotely today, will listen very carefully, and he will at the end of our event today summarise the main findings and point out his main takeaways that he will include in the EESC draft opinion.
* The opinion with the policy proposals of organised civil society represented by the EESC will be discussed and adopted at the EESC plenary session in March. Those of you who are on our targeted mailing list will receive it. I invite those of you who have not yet subscribed to do so. This is your way to receive information about our work and future events. The link can be found on the ECO section webpage.

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* As you are all aware of, the reforms to EU banking rules proposed by the European Commission focus on three main fields:
  + First of all, the reforms finalise the implementation of remaining elements of the Basel III agreement into the EU regulatory framework. These reforms want to ensure that EU banks become more resilient to potential future economic shocks.
  + Secondly, in the context of the green transition, the reforms include a requirement for banks to systematically identify, disclose and manage sustainability risks as part of their risk management;
  + And finally, the reforms include provisions of stronger enforcement tools for supervisors overseeing EU banks.
* Our distinguished speakers will explain these proposals in more detail and analyse them, so I will not go into details here.
* What I would at this point like to point out are some of the principle policy positions that we as EESC adhere to. This is not the first opinion we are adopting in this important policy area and I would like to share with you our general policy stance:
* To start out, in the field of banking, the EESC has always put emphasis on the need for a financial system that is not only stable but also fosters sustainable economic growth. The banking sector plays an important role in this.
* For the EESC, it is crucially important to assure that banks play their role as intermediaries between saving and investment, and that they fulfil their role in financing the real economy.
* The EESC has therefore supported in the past the rules to build-up capital buffers to make the banks more resilient to shocks, to help avoid another banking crisis.
* Most importantly, the EESC has in this context underlined that the cost of a potential future banking crisis must not be borne by taxpayers, like has happened in the past.
* Also in this context, the EESC has repeatedly underlined the importance of maintaining a diversified banking "ecosystem" that is so typical for the European Union, at least in certain Member States, where we have many small and regional banks, with very close links to their customers. This banking fabric has to be preserved, and EU regulation imposed on the banking sector must not threaten the existence or the proper functioning of these small institutions.
* Proportionality of rules is therefore of utmost importance for the EESC. Whilst financial stability has to be assured, the rules imposed on banks must take into account their specificities. Not all institutions pose the same risk, and therefore there should be a differentiation in the rules imposed on them.
* The Basel accord that was concluded in December 2017 needs to be transposed taking greater advantage of the margins for interpretation and discretion than happened with the Basel II and Basel III frameworks. In general terms, it is fair to recognise that the European Commission has taken some steps in the right direction to simplify the rules with regard to smaller and non-complex banking institutions in several areas such as reporting requirements, supervision and capital requirements. It is, however, necessary to continue further in that direction by, as far as possible, adapting the rules to the different business models, without sacrificing the effectiveness of prudential regulation.

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* As regards the transition to a sustainable and more resilient economy, the EESC has in a recent opinion on the sustainable finance strategy already stated that sustainability factors need to be considered in financial sector risk management and capital provision, which must be addressed by regulation and, in the short term, also at the technical level.
* The EESC advocates a sound and forward-looking capital policy and a strictly economic risk assessment, so that risk weighting is based on actual stability risks. The effects of sustainability risks on banks and insurance and even on the stability of the financial sector as a whole need to be taken into account.
* So the EESC welcomes the steps taken to strengthen the monitoring of systemic risks arising from the climate crisis and suggests that, as far as possible, all areas of the financial sector should be covered.
* I would also like to point out that it is time to finally also pay heed to social sustainability risks, which are jeopardising social cohesion as a result of widening distribution gaps.

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* And when it comes to supervision, the EESC sees a real added value in EU wide supervision. It has in the past strongly supported the creation of the EU supervisory authorities, and also the powers given to the ECB in banking supervision.
* But here again I would like to mention that the rules on supervision must not result in further compliance costs with consequent unsustainable supervision models for small and cooperative banks.

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* Before I give the floor to our speakers, I would like to remind you that those participants following us via the web stream can use the platform Sli-do to ask questions to the panellists. The Sli-do link is embedded in the webstream, so you just need to click on it. Alternatively, you can also connect to Sli-do and use the event code "hashtag bankingreform" (#bankingreform). If you wish to do so, please state your name and the organisation you represent when putting forward your question.
* Without further ado, I will now give the floor to our first speaker, Mr Martin Merlin Director in the Commission´s Directorate-General for Financial Stability, Financial Services and Capital Markets Union, who will present the Commission´s proposals and thereby set the scene for our hearing.
* Mr Merlin, the floor is yours.

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