

CRD Review Proposal, article 2

Position paper

Brussels, 02.03.2017

The European Long Term Investors Association (ELTI) welcomes the Commission's legislative proposals of 23 November 2016, which aim at completing the transposition of the post-crisis regulatory framework agreed within the Basel Committee on Banking Supervision (BCBS). The CRR / CRD package aims to strengthen financial stability and market confidence and, at the same time, to preserve and foster investment in Europe.

The huge unsatisfied undertaking and infrastructure investment needs in Europe require the presence of investors willing and able to take on long-term risks.

Public long-term investors, sometimes referred to as "National Promotional Banks or Institutions" (NPBIs) – see Regulation on the European Fund for Strategic Investments (EFSI) – play a major part in financing investments and growth in Europe thanks to their stable resources, their long-term liabilities and their public or promotional development mission. Whatever their business models are, they share a common concern about long-term risks for the economy that explains their high resilience to financial shocks. Thanks to their counter-cyclical behavior, they contribute to the financial stability and long-term growth of Europe. NPBIs stand ready to support growth and jobs in Europe.

The Commission, willing to promote both stability and growth, proposes – among other measures – to extend the exemptions mentioned in the article 2 of CRD. The ELTI welcomes this initiative, but does not support the new approach introduced by the Commission, ie exemptions defined on the basis of a set of criteria.

Current nominative exemptions derive from a tailor-made approach taking into account national distinctions, both targeted and flexible: as the financial environment evolves, it is always possible to update the list of institutions in order to maintain a precise and pertinent definition of exemptions. **On the opposite, introducing additional criteria-based approach is misleading in so far as it is not possible to encapsulate the diversity of long-term investors with a set of criteria, even very carefully selected;** such exemptions could also lead to unintended consequences given the possible cross-references between banking regulations

In addition, mixing nominative and criteria-based approaches (and particularly harmful entitlement of the Commission to review all the (existing) exemptions on the basis of a set of criteria), **creates regulatory instability which is in itself detrimental to long term investment.** Long-term investors – as much as or, even more than, other investors – need a stable regulatory framework to be able to fulfill their commitments over decades.

That is why the ELTI supports an update of the nominative list of exemptions – as suggested by the Commission – but strongly disapproves of the introduction of criteria-based approach and so, asks for the deletion of article 2 paragraphs 5.a, 5.b (criteria) and 7 (review clause).



About the European Long-Term Investors Association (ELTI)

ELTI members represent an European-wide network of responsible long-term investors who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-boarder solutions or investments with an European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity. This ensures that specific needs are adressed by a specific solution notably for investments where a “one-size-fits-all” approach doesn’t lead to optimal solutions.

This statement is endorsed by 26 major long-term investors, representing a combined balance sheet of over Euros 2 trillion, who are members of the European Long-Term Investors association (ELTI) a.i.s.b.l. The Association promotes and attracts quality long-term investment in the real economy, including:

- strengthening cooperation, including at an operational level, between European financial institutions as well as with other Institutions of the European Union (EU) acting as long-term financiers;*
- informing the EU and its Institutions on the role and potential of the Members as institutions and agencies for long-term financing;*
- strengthening the access of the Members to information on matters related to the EU;*
- exchanging information and experiences among Members and with national and international organisations sharing the Association’s interest in the promotion of long-term investment;*
- developing the concept of long-term investment within the economic and financial sector and promoting academic research on long-term investments;*
- representing, promoting and defending the shared interests of its Members in the field of Long-Term Investment in full transparency.*

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level¹. The European Investment Bank (EIB) has the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions such as associations².

¹ Oesterreichische Kontrollbank AG (OeKB) Austria, Bulgarian Development Bank (BDB) Bulgaria, Federal Holding and Investment Company (SFPI) Belgium, Croatian Bank for Reconstruction and Development (HBOR) Croatia, Ceskomoravska Zrucni a Rozvojova Banka (CMZRB) Czech Republic, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d’Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, National bank of Greece (NBG) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, PIDA Lithuania, Société Nationale de Credit et d’Investissement (SNCI) Luxembourg, Bank of Valletta (BOV) Malta, Bank Gospodarstwa Krajowego (BGK) Poland, Banco BPI (BPI) Portugal, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain

² Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), Consignment Deposits and Loans Fund (CDLF) Greece, INVEGA Lithuania, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey