Europäische Bausparkassenvereinigung
Fédération Européenne d'Epargne et de Crédit pour le Logement
European Federation of Building Societies

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EFBS contribution to EBIC reply on the European Commission's request for input on the *Draghi report on competitiveness*

To secure and increase European economic competitiveness, it is vital to include reflections on how financial institutions can participate in this common European goal and which settings should apply to them.

In context of the informal Economic and Financial Council meeting on 24 February 2024, Mario Draghi shared some preliminary reflections on his European competitiveness report which is expected by the end of June 2024. Draghi discussed with ministers the way forward, for both the public and the private sector to overcome the main challenges ahead and how to finance them. The former Italian Prime Minister and President of the European Central Bank informed EU finance ministers that approximately €500 billion annually is needed to finance the green and digital transition.

Taking into account these figures, it is evident that private money has to be activated by financial intermediaries. To enable financial institutions to contribute efficiently to an increase in European competitiveness a sound system of financial regulation is needed which ensures the safety and stability of the financial landscape but at the same time avoids overregulation and unnecessary administrative burdens.

To tackle the green transition, a better performing building sector is of outmost importance. The European building sector is currently responsible for around 40 per cent of energy consumption and 36 per cent of greenhouse gas emissions in the EU. Financial institutions, such as Building Savings Institutions/ Bausparkassen, already devote large parts of their financing to energy efficient renovations and other sustainable projects. As mentioned by the European Commission in its Communication on the so called *Renovation Wave* the aim must be to at least double the annual energy renovation rate by 2030. Therefore, we as an industry stand ready to finance these requirements which have also been specified in the recently agreed revision of the Energy Performance of Buildings Directive.

In addition, unnecessary administrative burdens due to new or redundant financial regulation must be reduced as much as possible. One example is the Corporate Sustainability Due Diligence Directive (CSDDD), where financial companies should be excluded from the scope of the directive. Due to the abstention of 14 Member States, the informal trialogue agreement was not agreed on 28 February 2024. Therefore, the file will most probably stay on the agenda during the next legislative term. Undue regulatory burdens on financial companies would impair the EU's global competitiveness and stand in the way of private financing for the European Green Deal. In any case, the CSDDD should at least recognises the low ESG risk of housing loans and natural persons should not be counted as part of the value chain.

On 28 February 2024 the European Commission published its *Progress report on the strategy on supervisory data in EU financial services*, commenting on its 2021 Communication with the ambition "*to modernise EU supervisory reporting, while minimising the aggregate reporting burden for all relevant parties*." While the report concludes that important milestones have been reached it also states that "*significant work is still needed, and implementation is expected to take several more years. […] [The] ability to allocate resources to improving the reporting frameworks has been limited by overall resource constraints and other competing tasks and priorities. Furthermore, the legislative framework and institutional set-up have a significant impact on the implementation of the strategy (for example by limiting data sharing and reuse), and adjustments take time and can be difficult to agree on*." In this context, we appreciate and support the legislative proposal for a *Regulation as regards certain reporting requirements in the fields of financial services and investment support* tabled by the European Commission on 17 October 2023 and further developed in the European Parliament under the rapporteurship of MEP Othmar Karas.

In his draft report, MEP Karas calls for the extension of the scope of the Commission proposal to be extended beyond the European Supervisory Authorities (EBA, ESMA, EIOPA) and the European Systemic Risk Board (ESRB) to include the ECB's supervisory arm (SSM), the Single Resolution Mechanism (SRB), their national counterparts and the Anti-Money Laundering Authority (AMLA), which has yet to be established. It would also like to establish the "report once principle" as a standard, whereby in future only information from credit institutions that has not already been requested elsewhere by another authority may be requested. Furthermore, in order to combat "gold plating" and to create more proportionality, the European supervisory authorities should not only analyse Level II legislation currently in the legislative process, as provided for in the Commission proposal, but also Level I legislation already in force (i.e. regulations and directives) with regard to unnecessary duplicate reporting requirements. In addition, a Single Integrated Reporting System is to be created by the end of 2026. Finally, legal hurdles that prevent the automatic exchange of information between supervisory authorities are to be reported to the European Commission by the end of 2024. The European Commission is then to submit a legislative proposal by 30 June 2025 to eliminate these barriers. As financial industry we do support such kind of initiatives leading to more efficiency and thereby to more competitiveness. At the same time, the reduction of regulatory burdens does not have to be limited to the field of financial reporting.