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

Brussels, 10 February 2015

EFBS: Plans for new Green Paper jeopardize sustainable investments

Brussels – The European Federation of Building Societies criticizes in the strongest terms the plans of Commissioner J. Hill regarding a European Capital Markets Union, which will soon be presented in a Green Paper. A key element of this plan is the intention to increase the shift of private household funds from bank deposits to capital markets through targeted incentives. "Medium- and low-income households in many countries deliberately choose low-risk investments. After all, those with relatively small financial reserves have a lot to lose", commented the Managing Director of the EFBS, **Andreas J. Zehnder**. "Securitization markets are not a reasonable alternative for these households. The Commission should support people's desire for safe investments instead of luring them into financial adventure."

Zehnder is also mystified by the Green Paper's implicit allegation that savings schemes with the purpose of financing one's own home demonstrate insufficient productivity. The sound and stable financing of a life-long dream does not only prevent over-indebtedness; it is also a necessary prerequisite for the long-term stability of housing finance markets, thus providing stability for the real economy as well. "Have we already forgotten the devastating effects that subprime loans to many families had on growth and jobs in the aftermath of the crisis?", asked Zehnder.

Unfortunately, the EU-Commission's current stance is also a complete reversal of the goals outlined in its previous Green Paper regarding long-term financing of the European economy. Two years ago they were still focused on sustainable growth. Neglecting the role of a deposit-based financial system, subject to tough regulation, in favor of a non-transparent global capital market with little regulation at all would jeopardize this sustainability. Zehnder: "A higher theoretical leverage that benefits the few does not justify putting proven and publically-accepted structures at risk."

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