Press Release

Corporate treasurers call upon the European Commission to ease the burden of financial regulation on the real economy

1 February 2016

The European Association of Corporate Treasurers – a grouping of national associations representing treasury and finance professionals – has responded[1] to the European Commission's call for evidence[2] on the EU regulatory framework for financial services. In our response we highlight a number of consequences of the recent years' regulatory overhaul that are adversely impacting corporate end-users of financial services and we call upon the Commission to relax these measures.

We appreciate the willingness of the Commission to analyse the cumulative impact of the EU financial framework and to assess whether certain rules pose undue burden and have had unintended consequences. The EACT believes that the financial sector should be duly regulated and supervised but at the same time it should be able to fulfil its primary role of supporting non-financial companies in the conduct of their business. Yet, based on our members' own recent experiences and transactions, some aspects of the financial reform have brought about adverse changes in the way in which banks are able to support their corporate customers and negatively impacted non-financials companies' ability to fund themselves, manage their risks and handle their liquidity. The following aspects in particular would require the Commission's attention:

- As a result of CRD IV / CRR, we observe that banks are generally becoming much more selective with their clients, therefore European companies have increasingly unequal access to banking services. A number of companies find their access to credit facilities or loans reduced or with tightened conditions.
- CRD IV / CRR has furthermore significantly reduced banks' short-term deposit-taking from corporate clients, thereby directly increasing the client's own liquidity risk, and impacted the availability of efficient cash management tools.

[1] The EACT response is available at the EACT website: http://www.eact.eu/docs/EACT-Response-EC-Consultation-Cumulative-Impact-Financial-Reform-31Jan16.pdf
[2] http://ec.europa.eu/finance/consultations/2015/financial-regulatory-framework-review/index_en.htm

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- EMIR requirement of dual-sided and intragroup transaction reporting poses an undue regulatory burden on non-financial companies and is inefficient. Fulfilling the reporting obligation is very costly for non-financial companies, yet such expenditure is not justified for the purposes of achieving financial stability.
- An alarming unintended consequence of EMIR is that some companies have reduced or are planning to reduce their hedging, even where it would make good economic sense to hedge. CRD IV / CRR has furthermore impacted the pricing and maturity of several asset classes of derivatives (shortened/limited maturities, higher pricings due to strong credit charges being factored into the instrument) which exacerbates the difficulties for risk mitigation for non-financial companies.

EACT Chair Jean-Marc Servat said:

"Corporate treasurers currently face daily challenges for both achieving compliance with requirements from financial counterparties and also accessing a comprehensive and efficient set of financial services as end-users of the global financial system. Many of the post-crisis legislative measures have demonstrated detrimental impacts on treasurers' ability to conduct their daily work and therefore to help their companies to grow, invest and make a contribution to the EU economy. We therefore call upon the Commission to assess the appropriateness and proportionality of some of these measures and to relax the provisions that are harmful to the real economy. We also strongly feel that legislative pieces that are currently under negotiation – such as the Financial Transactions Tax, the Money Market Fund Regulation and the Bank structural reform – should not in any way add to the burden that non-financial companies already have. "

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