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To the European financial legislators

The European Commission, The European Supervisory Authorities and the European Central Bank

As governments and European financial legislators scramble to address the economic effects brought on by the current Covid-19 health crisis, UNI Europa and UNI Europa Finance along with its affiliates call for solutions to be made with a view to the future. While we are keenly aware of the necessity to act swiftly and with conviction to avoid worsening the current health crisis, we would also urge legislators to consider the ramifications of current initiatives on the post-health crisis financial situation. There is no doubt that the measures of country-wide lockdowns will have a tremendous effect on the health of the European economy and that bailout, as currently being discussed, will be necessary to avoid a prolonged downturn which will cause even more devastation than the current crisis. However, with great crisis also come the opportunity to great change and in that context UNI Europa and UNI Europa Finance call on European legislators to consider the following points.

- Seizing the moment to start working on truly sustainable financial legislation, focusing on the social and governance aspects which so far have been neglected in the sustainable finance debate.
- Ensure that bailouts given on a European and national level are used to help the real economy and not used to pay bonuses or used to line the surpluses of financial institutions and to call for the insurance and finance industry to ensure prudent dividend and other distribution policies, including responsible remuneration systems right now. In this regard we find ourselves fully in line with the recommendations of the European Banking Authority and the European Banking Federation, in calling for curbing of bonuses and buy-backs for the length of this current crisis.<sup>1</sup>
- Preventing financial institutions from using the current situation as an excuse to restructure their operations resulting in less access to financial services for consumers and major lay-offs after the Covid-19 crisis. Following the last financial crisis figures show a direct correlation between lay-offs and the exclusion of millions of customers from financial services, which would hamper future reconstruction of an impacted European economy.
- Ensuring that the financial supervisory authorities, in a proportionate and balanced manner, promote the possibilities for the financial sectors to help society to recuperate from the crisis by using supervisory tools in a prudent manner.
- Making sure that local economies and SMEs are provided with unbiased financial advice and conditions when they will need to rebuild after the current crisis.

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<sup>1</sup> European Banking Federation - EBF acknowledges ECB recommendation on dividend distributions. 27 March 2020

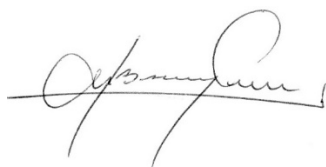
- Take proportionate actions in preventing financial speculation linked to the current crisis, such as temporarily prohibiting short-term selling of financial products for the duration of the crisis, while continuing to allow financial actors, in particular insurance companies, to operate on the financial markets to recuperate losses they may have incurred from crashing stock markets.
- Promoting that national social partners are included in the national reconstruction plans through European and national level social dialogues, thereby ensuring that the post-crisis reconstruction phase is executed in a manner which benefit all parts of society equally.
- Develop all European financial proposals in cooperation with national FSA's, to avoid situations like has been seen in the past where national implementation of EU legislation goes well beyond the intended scope of the texts, leading ultimately to what is in essence an uneven playing field for financial institutions in different countries.

As rightly pointed out by the Systemic Risk Council in their communication of 19 March<sup>2</sup>, the current crisis is not like to 2007/08 crisis, but it will still have severe financial ramifications on the European economy for a long time to come. Negative feed-back loops still left over from the 2007/08 crisis risk to resurface and can help to further prolong the reconstruction phase, entailing even more physical and economic health damage. Legislators will therefore in the coming months face the difficult situation of having to address these shortcomings, while implementing the change in a way that does not cause excessive uncertainty in the markets. UNI Europa and UNI Europa Finance stand with their affiliates, the European citizens and legislators in preparedness to ensure a transition and recovery which will commensurate with the current difficulties Europe and the world finds itself in.

Europe must show responsibility, solidarity and efficiency in facing this emergency, but together we can weather the storm and look to a brighter future.

Michael Budolfson

President UNI Europa Finance  
Europa



Oliver Roethig

Regional Secretary UNI



Angelo Di Cristo

Head of department UNI Finance




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<sup>2</sup> Systemic Risk Council - Proposed Measures to Address Economic Elements of Current Pandemic Crisis. 19 March 2020