



Specialized financings

An asset for the European economy's competitiveness, transition and autonomy

THE ASF EUROPEAN MANIFESTO

ASF

ASSOCIATION FRANÇAISE
DES SOCIÉTÉS FINANCIÈRES



The European Union must meet decisive challenges for its companies and citizens: ensure its strategic autonomy, succeed in the green and digital transitions, secure its financial sovereignty, and increase its economic competitiveness.

Specialized financiers support the real European economy, its development, and the rapid transition to a carbon-neutral economy. They are keen to fully contribute to this European commitment and are willing to work with public authorities to find pragmatic and effective solutions to achieve these collective goals.

The 250 members of the Association française des Sociétés Financières (ASF) finance companies - mainly VSEs/SMEs and MSCs (medium size companies) - and private individuals through their various business lines: consumer credit, housing finance, factoring, leasing (financial leasing and rental), financial guarantees and investment services. They grant 20% of the loans to the real economy in France, with outstandings representing €290 billion. Many of them are major pan-European players, operating in several member states.

In 2023 ASF members financed in France

1
million

business equipment projects (vehicles, IT, professional equipment, production tools,...).

23
million

household equipment transactions (automobiles, household equipment, multimedia,...).

1,200
company

real estate investment transactions (industrial, commercial and office premises,...).

79 million
factoring receivables.



Specialized financings are an effective tool to finance the real economy:

- ▶ They ensure the competitiveness of companies by providing the most appropriate solutions to invest in their production facilities in the context of green and digital transitions.
- ▶ They provide essential support for consumers, thus fueling growth and employment.
- ▶ They provide an opportunity to channel European savings towards the needs of its own economy, through appropriate investment services, and in the case of credit institutions, by collecting savings on their own behalf. They are a key element of retail investment, and therefore of the Capital Markets Union (CMU).



As the European Union embarks on a phase of institutional and political renewal, the ASF makes its recommendations to contribute fully to the growth of Europe's real economy and the protection of consumers' and investors' interests.

OUR PROPOSALS AIM:

1

To ensure Europe's economic and financial competitiveness, a key challenge for our sovereignty.

2

To channel European savings to finance the real economy and its sustainable transition, in particular by completing the UMC.

3

To develop and improve partnerships between private and public players.

4

To protect households and businesses in a digital environment.

1

Ensuring Europe's economic and financial competitiveness, a key challenge for our sovereignty

When drawing up its initiatives, the future Commission's priority must be to protect the competitiveness of European companies and consider the specific characteristics of each sector.

In this context, we suggest to focus on:

▶ **Supporting leasing growth**, which is particularly well-suited to the green transition: it allows businesses and households to invest in greener, more innovative equipment without taking on technological risk (electric vehicles, digital equipment, new technologies, etc.). This risk is taken by the specialized lending institution, whose core business it is.

▶ **Guaranteeing European financial sovereignty and security**

The European financial sector, like the economy in general, is facing increasing competition from foreign markets, in particular the USA and China. It must therefore improve its competitiveness in terms of cost, innovation and customer service for businesses and households, so that its economic players can prevail in this environment.

▶ **Ensuring a regulatory framework to foster the financial sector's competitiveness**

1. Encouraging a "regulatory break" and prioritizing the implementation of regulations and tools already adopted, and supporting players in the field who have to deal with an accumulation of new regulations.

2. Ensuring a level playing field between all players - European and non-European; "traditional" and "newcomers"- is a key factor in preserving the competitiveness of European companies and financial institutions. New regulatory obligations must apply equally to all players in the single market. The European Open finance initiative must be designed to meet the challenge to ensure fair competition between "traditional" financial players and BigTechs, and to protect consumers and their sensitive data.

3. Ensuring that *lex specialis* rules are applied to cross-sector regulations, which are sometimes ill-suited to a financial sector that is already heavily regulated, particularly in the areas of sustainable finance, consumer and data protection.

4. Advocating the adoption of rules in line with risk profiles. A risk-based approach provides a better understanding of the actual risk exposures faced by different financial institutions, depending on their size and specific characteristics.

COMPLETING THE RECOGNITION OF SPECIALIZED FINANCINGS IN THE IMPLEMENTATION OF BASEL III

Basel III agreements in Europe have increased capital requirements. It is crucial to ensure that prudential rules are defined in line with risks.

The specific features of leasing and factoring were recognized by CRR3.

The lower risk profile of these specialized financing products must now be considered in the implementation of CRR3, so that these two essential tools for financing European companies can improve financing of the real economy.

2

Channeling European savings to finance the real economy and its sustainable transition, through the capital markets Union

Achieving the UMC would help maintain savings in Europe. It would facilitate the circulation of savings and encourage a better allocation of resources to the investments best suited to the Union's projects. It is crucial to mobilize European savings and direct them towards Europe's real economy, towards impact and/or ESG investments, with a competitive remuneration. Individual investors are increasingly keen to give meaning to their savings, as shown by the strong increase in funds labelled "green" or "responsible".

▶ The retail investment strategy (RIS) must ensure the **long-term viability of the continental active management model, with high-quality and long-term advice accessible to all**. Rational cost-sharing through inducements must be preserved for the benefit of retail investors. The ASF therefore recommends:

- To keep inducement mechanisms
- and to include qualitative aspects in the benchmarking of proposed investment products (monitoring investments over time, ESG impact, etc.).

▶ The ASF also recommends **to create a European stock exchange for SMEs and MSCs**, in order to facilitate the listing of European SMEs, whose liquidity would be ensured by a large pool of shareholders.

▶ ASF recommends **the creation of a pan-European retail equity investment product**, to help mobilize savings and channel them towards European companies' investment projects.

CREATING A EUROPEAN INVESTMENT PRODUCT

The ASF proposes the creation of a European cross-border product based on the French PEA (plan d'épargne en actions), available from birth with an annual contribution ceiling of €20,000 up to the policyholder's 18th birthday, open to all donors, made up of European and "green" assets, tax-efficient or tax-exempt, and/or with a capital guarantee.



3

Developing and improving partnerships between public and private players

Financial services have a key role to play in financing the green transition and facilitating the decarbonization of our economy. The Institute for climate economy (I4CE) estimates that "at least" €813 billion will be needed to achieve European climate goals by 2030¹. To meet this need, private financing will be needed through an innovative financial offering (including specialized financings) and by mobilizing the savings of European households. But the complementary nature of public and private financing will be decisive in leveraging the funds provided by public authorities. To speed up the green transition, public funding must therefore leverage private-sector financing, following the example of the *InvestEU* program.

▶ A public guarantee should **mobilize more specialized financings** (factoring, leasing, guarantees, consumer credit, etc.), which are popular, practical and useful tools to support the practical, individual projects of companies and households.



▶ A public guarantee is particularly efficient... if it is operational. It can be increased and its access simplified for **a better local impact on member-states**.

STRENGTHENING THE CONNECTION AND LEVERAGE OF PUBLIC FUNDS AND PRIVATE FINANCING

Access conditions must be simplified so that financiers can effectively use European public guarantees to finance projects of collective interest down to the "micro-economic" level: decarbonization of transport, thermal renovation of buildings, purchase of sustainable equipment, etc.

It is crucial to **facilitate the access and implementation of public guarantees and counter-guarantees for specialized financings to leverage the financing of the green and digital transitions**.

¹ EUROPEAN CLIMATE INVESTMENT DEFICIT REPORT: AN INVESTMENT PATHWAY FOR EUROPE'S FUTURE, I4CE, 21 février 2024

² Cf. Survey on access to finance for enterprises 2023 (BCE): 48% of European SMEs declare they have used or intend to use leasing to finance their investments.



4

Protecting households and companies in a digital environment

The rise of digital technologies in the economy and financial services is opening up new opportunities for both households and companies. It encourages market players to come up with innovative solutions, in payment and investment services for example. However, the digitization of financial services also presents new risks, particularly for those less familiar with digital technologies.

To better prevent fraud, the ASF recommends to improve consumer education. Fraud affects consumers but also European companies and investors, and has grown considerably in recent years. Fraudsters use increasingly sophisticated techniques. It is important that consumers are informed and vigilant and able to better identify fraud attempts.

GIVING FINANCIAL INSTITUTIONS THE RESOURCES TO FIGHT FRAUD

To combat fraud effectively, the ASF proposes to dispense with the need for institutions to obtain user consent, by allowing the use of trackers.

Consistency checks could thus be carried out remotely (as suggested by the EU Council on the e-Privacy regulation).

Furthermore, Financial institutions must be given the resources they need to tackle fraud, by authorizing the sharing of information between banking and financial institutions and the use of suitable technology.

▶ To better protect customers from abusive and/or misleading practices, the ASF calls for a “level playing field” in the provision of financial services via digital channels, through the implementation of identical rules for all players (“same business, same risk, same rules”).

▶ Digital innovation is a growth driver for the European economy. However, the opening up of client financial data - consumers and businesses - as proposed in the FIDA/Open finance project, must be approached with great caution to protect personal data in the face of cyber risks and the challenges to European sovereignty arising from the arrival of players with little or no regulation.

Our key messages and proposals for improving the effectiveness of specialized financing tools in Europe and strengthening the mobilization of European savings to finance the green and digital transitions over the long-term:



- ▶ Allow a regulatory break to focus on the most efficient implementation of existing regulations; priority being given to the application of *lex specialis* over cross-sector rules that are often ill-suited for the already highly regulated financial sector.
- ▶ Guarantee the level playing field between players operating in Europe and ensure that regulations are proportionate.
- ▶ Complete the recognition of specialized financings in the implementation of Basel III.
- ▶ Develop and improve partnerships between public and private players: facilitate the access and implementation of public guarantees and counter-guarantees for specialized financings to leverage the financing of the green and digital transitions.
- ▶ Through local advice over the long-term, collect European savings to finance investment in the real economy; allow retail investors to invest in impact projects with competitive returns; create a European savings/investment product; develop the market for the shares of listed SMEs.
- ▶ Protect European citizens - consumers, savers and investors - from less regulated, poorly regulated or unregulated players or services, and be extremely vigilant when it comes to opening up clients' financial data (consumers and companies), as proposed in the FIDA/Open finance project; prioritize efforts on agile cybersecurity and anti-fraud measures.



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