Éric Lombard

Minister of the Economy, Finance and Industrial and Digital Sovereignty, France

Speech

Seul le prononcé fait foi

Ladies and gentlemen, dear David, Mr Chairman, dear Didier – thank you for your kind words. Mr Governor, Monsieur François Villeroy de Galhau, dear Jörg – thank you for your remarks, which reflect the growing convergence between our two countries. Who would have imagined, just a few years ago, the German Finance Minister discussing increased public debt and defence spending, while the French Finance Minister – myself – would be regularly speaking about the *Schuldenbremse*? That, indeed, is my role these days – though not, of course, here today. I would also like to warmly acknowledge Jacques de Larosière, a founding member of this group, with whom I've had the pleasure of working for over 33 years. It is a real pleasure to speak to you ahead of what will be a crucial ECOFIN meeting. Jörg has already clearly set out the challenges ahead, and I shall not repeat them here.

I take this opportunity to thank the Polish Presidency of the Council, and in particular our colleague Andrzej Domanski, for the outstanding work achieved over the past few months. Their contribution has been both vital and impressive. I offer them my sincere congratulations – which I shall also extend in person later today – at a time when we are contending with the impact of US tariffs, the challenge of defense financing, and an ambitious timetable for the Savings and Investment Union.

Amid rising geopolitical tensions and financial turbulence, there is one encouraging development: the EU has begun to pivot towards a set of new strategic priorities. This is unquestionably positive. We now have the Competitiveness Compass, the EU Clean Industrial Deal, and the first simplification packages – all of which, as Jörg mentioned, move us in the right direction. They reflect a long-overdue commitment to greater European strategic and economic autonomy. I would like to commend the European Commission, the European Parliament, and the Council for their swift and effective adoption of the so called "Stop the Clock" proposal within the Omnibus package. The Commission has also shared its vision for the SIU. I welcome these developments, which pave the way for a bold agenda to strengthen our capital markets. Europe urgently needs to restore its competitiveness in financing, while ensuring both financial and technological autonomy from the US and China.

Building on Jörg's remarks about the SIU, I see two immediate priorities. The first is securitisation. Didier, you mentioned it as I arrived – and rightly so. This reform is long overdue. Although our European securitisation market has historically been safe, the post-financial crisis prudential framework has stifled its recovery. As a result, we have been unable to fully harness this tool to finance the green and digital transitions. Europe remains overly reliant on third-country actors for its financing. I therefore call on the Commission to propose bold legislative action, including adjustments to the prudential framework for both banks and insurers. This would allow the securitisation market to function smoothly, while safeguarding financial stability – a point I stress as a former banker who knows how crucial this market truly is.

The second priority is supervision. Europe can no longer afford a fragmented supervisory framework. This fragmentation imposes unnecessary costs on market participants, weakens the competitiveness of European players, and leads to suboptimal allocation of our savings. While improved coordination among national supervisors is helpful, it is insufficient. At the same time, central supervision may not be appropriate for all financial institutions. A pragmatic way forward would be to entrust the European Securities and Markets Authority (ESMA) with oversight of systemic market infrastructure – dear Stéphane Boujnah – as well as major asset managers and crypto-asset providers, while leaving supervision of smaller entities to national authorities.

The third issue is the use of European savings. Simply put, European savings must be redirected to finance the European economy and European businesses. We have for too long contributed excessively to the growth of the American economy. In today's world, we must pursue a more balanced approach to investment flows. It is crucial that we explore the creation of a European savings label. In my view, a label would prove far more effective than a harmonised product, which I believe is unlikely to succeed. The European Competitiveness Lab, launched by our colleague Carlos Cuerpo, offers the ideal forum for advancing this strategic initiative.

Within this broader context, let me share a few thoughts on the competitiveness of the EU banking sector. European regulators must avoid putting our financial institutions at a disadvantage compared to their global counterparts. This involves, for example, creating a simpler and more stable banking framework to reduce administrative burdens on the industry. More importantly, it requires ensuring that European banking rules offer a level playing field with other jurisdictions – especially with regard to the implementation of the Basel standards. Today, one major obstacle to bank competitiveness in Europe is market fragmentation. This takes many forms, but a key issue is how liquidity and capital rules are applied to cross-border banking groups – particularly in the absence of full recognition of the banking union.

I was discussing this earlier with former colleagues. In my view, the fragmentation dates back to the financial crisis of 2008–2009. Before that, liquidity moved freely between countries. That flow stopped after the crisis. We now need to find a way, with appropriate safeguards, to return to greater cross-border flexibility. At present, fragmentation prevents banking groups from deploying their resources efficiently at European level and from reaping true economies of scale. Reducing this fragmentation and boosting the competitiveness of European banks must be a top priority. I am convinced that the constructive, ambitious approach applied to the simplification package will be essential to achieving swift progress on both the SIU and banking competitiveness.

This same mindset must also shape the current regulatory proposals. One source of concern is the uncertainty around how other jurisdictions will implement the Basel standards. I suspect you know which partners I am referring to. If our friends decide not to adopt the Basel III endgame, this could seriously undermine international cooperation and fair competition. We must be ready to react. Our first step should be to adapt quickly to any regulatory rollback, particularly with respect to the market risk framework – the Fundamental Review of the Trading Book (FRTB), which governs areas at the heart of global competition.

The recently launched consultation sets out several options. These must be thoroughly evaluated in light of the plans currently being pursued by the UK and US administrations. In this context, I believe the wisest course is to delay FRTB implementation by one year, until 2027. This would give us time to assess our partners' intentions, to design appropriate adjustments to the FRTB that preserve a level playing field and our sovereignty, while also ensuring financial system resilience.

Another important topic is competitiveness and simplification in the context of the Financial Data Access Regulation (FiDA). We must consider the cost implications of its complexity, the potential impact on our competitiveness, and the risks for European consumers.

As for the retail investment strategy, its key objective is to foster greater participation by individual investors in financial markets. To achieve this, two key improvements are needed. First, we must drastically simplify the proposed investor tests – and here again, dear Jörg, I share your view that simplification is the word of the moment. Second, we need a clear and pragmatic definition of the "value for money" principle.

In conclusion, Europe has shown remarkable resilience in recent years – and, I would say, in recent weeks as well. Let us maintain and step up our collective efforts. Since the change in administration in Washington, Europe has increasingly acted as a united team. The solidarity among member states is a powerful asset that we must continue to build on. We must respond to events, yes, but more importantly, we must take the lead. Europe needs to stay the course and chart its own path. We must act boldly to enhance our competitiveness and secure our strategic autonomy. President Macron has been emphasizing this message for eight years now, and I am pleased to see it gaining widespread support across the continent. Europe must remain an industrial power, a trusted and reliable commercial partner – especially crucial in today's world – and the first climate-neutral continent.

We bear a huge responsibility to define and implement an ambitious programme that will allow the European Union to fulfil its role as an economic powerhouse and a pillar of stability. Thank you for your attention.