fpmi rejects Commission's proposal for an EU savings account

Munich, 21. March – Munich Financial Center Initiative (known by its German acronym of "fpmi") regards the introduction of an EU savings account as being not conducive to the assurance of the long-term financing of the European economy. Such an account would feature a rate of interest on savings guaranteed by the EU. It would constitute a distortion of competition, and would also cause a transferring of funds to these accounts. This, in turn, would further constrain the ability of private, savings and cooperative banks to provide credit.

The European Commission is currently considering the introduction of such an EU savings account. It would be availed upon by the continent's savers. Their money would then be provided – in the form of long-term credits – to SMEs (small and medium-sized enterprises) and to infrastructure projects. A draft of the corresponding proposals, which are contained in the "Green paper long-term financing of the European economy", was recently presented in an EU bulletin, which contains further details of and arguments for them.

Key details still undetermined

The paper foresees the setting up of an EU savings account enabling the exploitation of the differences in interest rates prevailing within the EU. This account would bear a rate of interest that would be same throughout the EU. This would permit savers based in countries with low rates of interest to realize greater yields on their savings. Still yet to be determined is where such accounts would be set up, what they would look like, and who would make the related decisions on investments. The EU Commission has set itself the first step of submitting by the end of the year an impact study on the feasibility and configuration of such an EU savings account.

The taxpayers: bearing once more and in the final analysis the liability for the savings accounts

This proposal is being motivated by the halting dispensing of loans in several EU countries. These, in turn, are contending with the effects of the financial crisis. The EU Commission's objectives are to create incentives for savers, and to foster the supplying of loans to SMEs and to major infrastructure projects. FPMI contends, however, that the only effect of the planned measure would be to impair what has been the problem-free issuance of credit in such countries as Germany. Other countries are facing problems with the provision of credit. Required is their taking the initial steps of the institution of economic reforms and of conditions ensuring the functioning of their capital markets. The setting up of an EU savings account would also pose the peril of the risks of loan defaults – which are normally borne by banks – being shouldered, in the final analysis, by taxpayers.

"The provision of credit by banks has proven its merits over the last few years. For that reason, it should not be constrained. The replacement of a part of the private banking system by a publicly-subsidized EU savings account charged with achieving certain objectives represents a significant intervention in the competition for savings.

It would not be efficient, and would lead to distortions on markets," states Andreas Schmidt, fpmi's spokesperson.

fpmi – the Munich Financial Center Initiative

Centered in Munich, Bavaria has one of Europe's largest financial communities. Munich has Germany's largest insurance industry and the country's second largest banking community. The city also has the country's largest private equity, venture capital, leasing and asset management sectors. The members of Munich Financial Center Initiative are all the local financial sector's major companies, associations, institutions and scientific and public facilities. They have joined forces to advocate commonly-shared positions. The Initiative's founding in 2000 was facilitated by Bavaria's economics ministry. The Initiative has today 50 members – more than any comparable organization in Germany.

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