THE FINANCIAL SECTOR,

a partner for the future

FEBELFIN POLICY MEMORANDUM

LEGISLATIVE TERM 2024-2029

febelfin

Foreword

The economic, geopolitical and technological environment has changed rapidly in recent years. We are living in a period characterised by high inflation, limited economic growth, increased digitisation, climate transition, geopolitical uncertainty and a significant reshaping of the energy landscape. Several challenges await us in the coming years. Challenges we must face together, as partners, to secure the future for the coming generations. This will require resilience, flexibility and adaptability from all of us.

More than ever, the public and private sectors must work together for a sustainable future. In this Memorandum, Febelfin puts forward a number of proposals for the concrete cooperation necessary between the Belgian financial sector and the different levels of government in Belgium.

We must embrace the rapid changes in society and deal with the social challenges. As a representative of the financial sector, we are ready to be a partner in this effort and work together in a proactive and transparent way on the necessary reforms and policy measures that will need to be implemented during the next legislative term. The basis for this is a climate of co-creation and trust, which is necessary for our proposals to reach their full potential.

Let us together build a sustainable world for the future.

Johan Thijs
President Febelfin

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Introduction

THE FINANCIAL SECTOR, A PARTNER FOR THE FUTURE

The social challenges of the twenty-first century are complex and manifold. More than ever, society needs ambitious, realistic, and yet decisive, policies. Policies that think ahead and support long-term sustainable growth. Sustainable growth can be achieved by creating a stable and transparent framework that supports investment and entrepreneurship. The financial sector wants to be a partner in this project so that it can help create prosperity for all citizens and companies in a sustainable and inclusive society.

As demonstrated over the past five years, the financial sector has worked hand-in-hand with governments to find concrete solutions for human, geopolitical and economic challenges in society. This has led to a number of successful joint initiatives and collaborations:

- The implementation of the payment deferral mechanism for mortgage repayments in the context of the Covid-19 crisis and most recently during the energy crisis
- Cooperation to help Ukrainian refugees open basic banking accounts and exchange hryvnias and for the application of sanctions
- Establishment of the Universal Banking Service
- Conclusion of an innovative cooperation agreement on digital inclusion
- Various joint awareness campaigns against online fraud
- 24/7 customer access to banks via dedicated numbers for reporting fraud
- Creation of a Belgian anti-money laundering platform

For the legislative term 2024-2029, Febelfin wants to further develop this public-private partnership, strengthen its role as a discussion partner for all institutional levels of the government in Belgium, and create an optimal climate of regulatory co-creation. This strong partnership is essential for meeting the social challenges ahead.

For this, we start from a single, unified vision: to continue building a healthy, strong and innovative financial sector that serves the needs of society. We must address these social challenges together, through partnerships with the government.

Febelfin proposes **six areas** in which we consider the financial sector to be an essential partner for the government:

In this document, our aim is to strengthen and improve the dialogue between the financial sector and Belgian policymakers. Our main objective is to offer a number of concrete pathways and suggestions that we, as a sector, are convinced can help improve the broad regulatory framework and through which we can improve social welfare. In total, we have formulated 14 actions and made 38 recommendations to strengthen cooperation.

1. Partners in **financing the Belgian economy**
2. Partners in **the transition to a sustainable society**
3. Partners in **a reliable, efficient and secure economy**
4. Partners in **an innovative, data-driven and digital society**
5. Partners in **an inclusive society**
6. Partners in **Europe**

As partners, let us together build a prosperous, innovative, sustainable and socially inclusive future. Febelfin is ready to enter into constructive dialogue with the various authorities and share its expertise in the different areas.

1

PARTNER IN

FINANCING THE BELGIAN ECONOMY

SOCIAL NEEDS

As an essential partner, financial institutions play a crucial role in financing the economy to create growth opportunities for all. After all, citizens, companies and the government do not always have sufficient financial resources to achieve their plans and dreams and they may need partners to protect their welfare in the short and long term.

Moreover, citizens and companies also want to be able to choose the financial products which meet their needs or which allow them to start preparing for the future, in the best way possible, right from today. They want to be able to make decisions for the future today, with consideration for future generations. For this, it is essential to offer a comprehensive range of financial products and services, both for those who save and those who seek credit.

Our society needs financial institutions that take on the role of financier and product provider in a sustainable and stable manner. These financial institutions must be robust, reliable and well-anchored within Belgian society, with sufficiently diverse business models to respond to different customer needs and preferences.

RESPONSES OF THE FINANCIAL SECTOR TO MEET THESE NEEDS

Banks translate the needs of citizens and companies into sustainable products, services and valuable projects that enable citizens and companies to achieve their dreams, ranging from becoming a homeowner to building an industrial complex. The world of finance ensures that money flows where it is needed. Via its credit operations, it channels depositors' funds to projects developed by others. Moreover, given its power of leverage, it can provide a major boost to the economy. With 100 euros of additional capital, banks can give out more than 2,000 euros in additional loans. As a vital link in the economy, the sector must be reliable and resilient in the face of severe economic shocks. And Belgian banks certainly meet this criterion.

With a solvency ratio (CET1) of over 17.7% and a liquidity ratio (LCR) of 178.8%, Belgian banks can withstand a very severe economic shock[1]. In fact, these two ratios are significantly higher than what the legislator requires from the sector. Moreover, the Belgian sector also scores strongly from a European perspective.

This stability ensures that banks can continue to play their role as credit providers during economic downturns. Experiences in recent years have also shown that a strong, firmly established and diversified financial sector can provide a partial buffer, act as a safety net and perform an important social role in guiding citizens and companies through a difficult period in times of crisis. During the past Covid-19 period, banks actively assumed this role and helped prevent lasting economic damage by granting families and companies payment deferrals for loans to the maximum possible extent. In addition, during the energy crisis, the Belgian banks were the only financial sector entity in Western Europe to undertake, outside of any European regulatory framework, the commitment to assist individuals in financial difficulty by offering a capital payment deferral for home loans, under certain conditions.

FEBELFIN AS A PARTNER OF THE GOVERNMENT

As the voice of the financial sector, Febelfin's ambition is to be a privileged partner of the government in providing financing to citizens and companies. Therefore, we would like to draw attention to a number of aspects that can further facilitate the financing of the economy.

[1] Source: EBA

Action 1

Ensure a stable and transparent tax framework for the financial sector and financial products that support social objectives

▷ RECOMMENDATION 1: Create a cost framework that does not affect the competitive position of Belgian financial institutions

The international and European competitiveness of Belgian financial institutions is of paramount importance for a robustly anchored banking sector that focuses on the interests of Belgian society. To preserve the international competitive position of Belgian financial institutions, tax and other government-imposed operating levies should be set at a similar level as abroad.

Compared internationally, two things stand out in particular: the annual tax on credit institutions applicable to banks and funds and the Deposit Guarantee Scheme (DGS) which is very expensive by European standards. Even from a purely Belgian perspective, Belgian banks pay more than their fair share of taxes and charges: specifically, more than 3 billion euros a year in the form of corporate tax, contributions to guarantee schemes and employer contributions.

Our proposals:

- The tax burden, including the annual tax on credit institutions and DGS contributions, should be brought more in line with that prevalent in our neighbouring countries.
- European initiatives, such as those related to minimum taxes (Pillar 2), should be smoothly integrated into Belgian regulations without leading to an increase in the effective tax rate. The total burden of tax and other government-imposed levies on financial institutions should be taken into account.
- Disproportionate penalties and high compliance costs should be avoided in connection with the exchange of information and the collections made by banks for the Belgian state.

▷ RECOMMENDATION 2: Simplify taxation for the financial sector

The government should strive to simplify taxation for the financial sector.

Our proposals:

- A simplification and digitisation of tax procedures, attestations and returns (e.g. VAT returns) should be striven for as far as possible, without involving any unnecessary requests for excessive data.
- Keep in mind that IT costs can be high and keep tax measures as simple as possible.
- When introducing reforms related to the regulated savings account, respect the level playing field between Belgian and foreign markets for savings products.
- Involve the sector in a timely manner in the development of regulations, legislation and digitisation projects. Such consultation is justified considering the complexity of the financial world and the widely differentiated range of products on offer. Moreover, this can help improve the quality and stability of the legislative framework.

▷ RECOMMENDATION 3: Keep in mind the importance of a modern remuneration framework to ensure our country remains attractive

Wage costs also play an important role in determining a healthy cost-to-revenue ratio for financial institutions. Moreover, the remuneration framework may be a very important element that determines the attractiveness of our country. To retain financial and IT talent within the country or attract them from elsewhere to Belgium, one has to be able to offer an attractive remuneration package.

Our proposals:

- Establish an adequate remuneration framework which is also appropriate for start-up companies and which applies adjusted tax rules to make our country more attractive. For example, limit the taxation of share options to a minimum for employees.
- Recognise the importance of cafeteria plans within modern HR management policies. These make it easier to attract and retain talent and respond to the needs of today's employees for a socially conscious and balanced career or sustainable mobility.
- Employer's National Social Security Office (NSSO) contributions should be reduced to a maximum of 20 percent.
- The mechanisms linking the evolution of the wage bill to length of service should be reformed in favour of merit and performance-based wage increases.
- A mitigation of the effects of automatic wage indexation should be considered.

Action 2

Implement policies that support citizens and companies in their future plans

▷ RECOMMENDATION 4:
Develop a framework that allows citizens to make investments for retirement

It is important to offer private investors products that will allow them to manage their savings optimally and ensure their financial well-being after retirement.

Our proposals:

- The regulatory framework relating to investment companies with variable capital should be modified to allow funds to also invest, to some extent, in alternative unlisted products, such as private placements. This will bring these alternative products into the reach of private investors in a secure manner.
- Group insurance for all employees should be further encouraged and the tax framework for this should remain stable so that they can build adequate financial reserves for their retirement.
- The third-pillar pension scheme should be improved to encourage citizens to save for their own retirement and the tax framework for this must remain stable.
- A new tax framework could be considered that encourages citizens to invest in a well-considered manner (for example, based on an updated variation of the Cooreman-Declercq law) so that there are additional opportunities to mobilise savings for the benefit of the real economy.

▷ RECOMMENDATION 5:

Ensure that the credit market can continue to operate as efficiently as possible and support social needs[2]

A number of targeted adjustments can help ensure that the credit market continues to function optimally and that projects receive the required funding.

Our proposals:

- Article 91 in the Consumer Credit Act (*Wet op de consumentenkredieten*) should be amended to prevent the renovation credit market from coming to a standstill. Indeed, if credit institutions are held jointly liable in the event of non-compliant delivery by a contractor, this may make credit institutions reluctant to provide advances. This may also apply to renovation loans, which would delay and complicate the completion of the necessary renovations to improve energy efficiency.
- Administrative obligations, such as prospectus requirements, should be adapted to the reality of smaller companies. This will allow them to expand their sources of financing and give them the opportunity to also take advantage of the benefits offered by the Capital Markets Union, especially since this Union will also focus on SMEs.
- Amend the current Law of 3 August 2012 on certain forms of collective management of investment portfolios to allow synthetic securitisation in Belgium. Currently, a Belgian collective investment undertaking may only be used in case of a true sale of the assets to the investment vehicle, i.e. the Special-Purpose Vehicle (SPV). In contrast, in a synthetic securitisation, there is no legal transfer of the receivables. Instead, only the credit risk associated with the receivables is transferred in whole or in part using credit derivatives or guarantees.

▷ RECOMMENDATION 6:
Apply a policy of 'same activity, same risk, same regulation' for new financial service providers[3]

The financial world has changed significantly as a result of increased regulation, innovation and digitisation. Credit to consumers or companies is no longer being offered only by traditional, highly regulated financial institutions but also by totally new players. Moreover, with the recent rise of cryptocurrencies and platforms, there are completely new players offering completely new financial products for consumers.

The policy principle of **'same activity, same risk, same regulation'** should be consistently applied to safeguard consumer protection, the application of anti-money laundering rules, cyber security and healthy competition. This is necessary in order to ensure that citizens enjoy the same protection regardless of the financial services provider they use. Moreover, this will also preserve the necessary confidence in the financial world.

[2] In this context, see also the related Recommendations 2.3 and 2.5.
[3] The call for a level playing field is also reflected in Recommendations 4.5, 6.3, 6.4 and 6.5

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PARTNER IN

A SUSTAINABLE SOCIETY

SOCIAL NEEDS

Among the numerous issues and challenges facing society today, one of the most important is sustainability. If we continue to produce and live as we do today, the earth's temperature will continue to rise and this is bound to have consequences for our economy and society. To ensure a liveable planet for future generations, the rise in temperature must be kept within acceptable limits.

Following the Paris Climate Agreement (COP21), the EU has committed to reducing greenhouse gas emissions by at least 55% from 1990 levels by 2030 and achieving zero net carbon emissions by 2050. We can achieve these climate goals only if there is a profound shift in the way we generate and use energy.

RESPONSES OF THE FINANCIAL SECTOR TO THESE NEEDS

The financial sector contributes to the sustainability of our society in various ways and it holds a key position as a facilitator in the climate transition. Banks, as an important link in this transition, primarily play the role of channelling financial resources to green projects and guiding citizens and companies through this process.

In essence, banks play a dual role here. On the one hand, they provide transparency about the sustainable nature of savings and investment products, therefore allowing consumers to make a conscious and informed decision regarding their investments. This mobilises and directs capital toward investments that support the above-mentioned climate goals. On the other hand, via an innovative credit offering, banks can assist and guide consumers and companies in carrying out energy-saving renovations or help companies make the shift towards sustainability with their business. Belgian banks have by now undertaken important and necessary steps on both these fronts.

In recent years, we have seen an increased supply and demand in the area of sustainable savings and investment products. The financial sector has responded to these needs with the Towards Sustainability label that aims to familiarise consumers with the range of sustainable products available. With the Towards Sustainability label, the sector has created the most comprehensive and respected sustainability label in Europe.

Climate change and the transition to a low-carbon economy also have more indirect implications for banks. Exposure to sectors or companies that are directly or indirectly susceptible to the physical impacts of the climate transition could pose increased risks to credit and investment portfolios. If global warming affects the economy, banks should factor this into their risk assessment and lending strategy.

To assess these new risks, banks need data concerning the sustainable nature of their customers' activities. Febelfin, together with other entities, is examining how these data can be collected in an efficient and customer-friendly way. In addition, Febelfin is also trying to raise awareness among companies about the future importance of sustainability reporting.

FEBELFIN AS A PARTNER OF THE GOVERNMENT

By putting sustainability first, the sector wants to contribute actively to maintaining a liveable society for future generations. But banks cannot bring about this transition on their own. Banks, companies, families and governments will all bear a great, shared responsibility in the future. Only by working together can we keep the economy running, secure our future prosperity and protect our planet for the future. In view of this, Febelfin would like to make the following proposals to help bring about this necessary social transition.

Action 1

Support the development of products and tools that help achieve the climate transition

▷ RECOMMENDATION 1: Support the Towards Sustainability label for sustainable financial products

The purpose of the Towards Sustainability label is to direct funding towards sustainable products and provide greater guidance to consumers and non-professional institutional investors looking to invest in sustainable financial products. There is also a realisation that the large-scale transition to a sustainable society is an evolving story in which you need to involve everyone, and so you need to proceed step by step.

The government can help promote the quality standard and the label for sustainable financial products in the European market or put these forward as good examples. The government can position the label as a best practice for a unified EU sustainability label.

Regional and federal governments, public bodies and investment vehicles can also use the label to guide their own investments, as is being done by certain local authorities at present.

▷ RECOMMENDATION 2: Establish a knowledge centre for the circular economy

The circular economy is one of the building blocks of the European Green Deal to achieve climate neutrality by 2050. Although some circular projects have been initiated in the market already, there is a need to scale up these efforts more quickly. In 2021, the leasing sector in Belgium showed its commitment by formulating a charter to help accelerate the development of the circular economy. The sector wants to make sure that entrepreneurs seeking financing for circular projects are able to get the go-ahead for such projects sooner.

The government should establish a knowledge centre that develops, collects and provides information on the circular economy. Knowledge about the circular economy has so far been rather limited and fragmented. Such a knowledge centre can help in formulating answers to the many practical questions, such as the use of depreciation rules. It can compare the Belgian legal and tax frameworks for financing (including leasing) with those abroad. It can also suggest solutions for the limitation of the insurability of second-hand goods and propose relevant changes to regulations.

▷ RECOMMENDATION 3:
Support initiatives to make residential and commercial buildings greener

Green loans can encourage individuals to live in a more energy-efficient manner. As a matter of fact, energy-saving renovations to Belgium's existing (and outdated) housing stock are much needed to meet climate goals.

Our proposals:

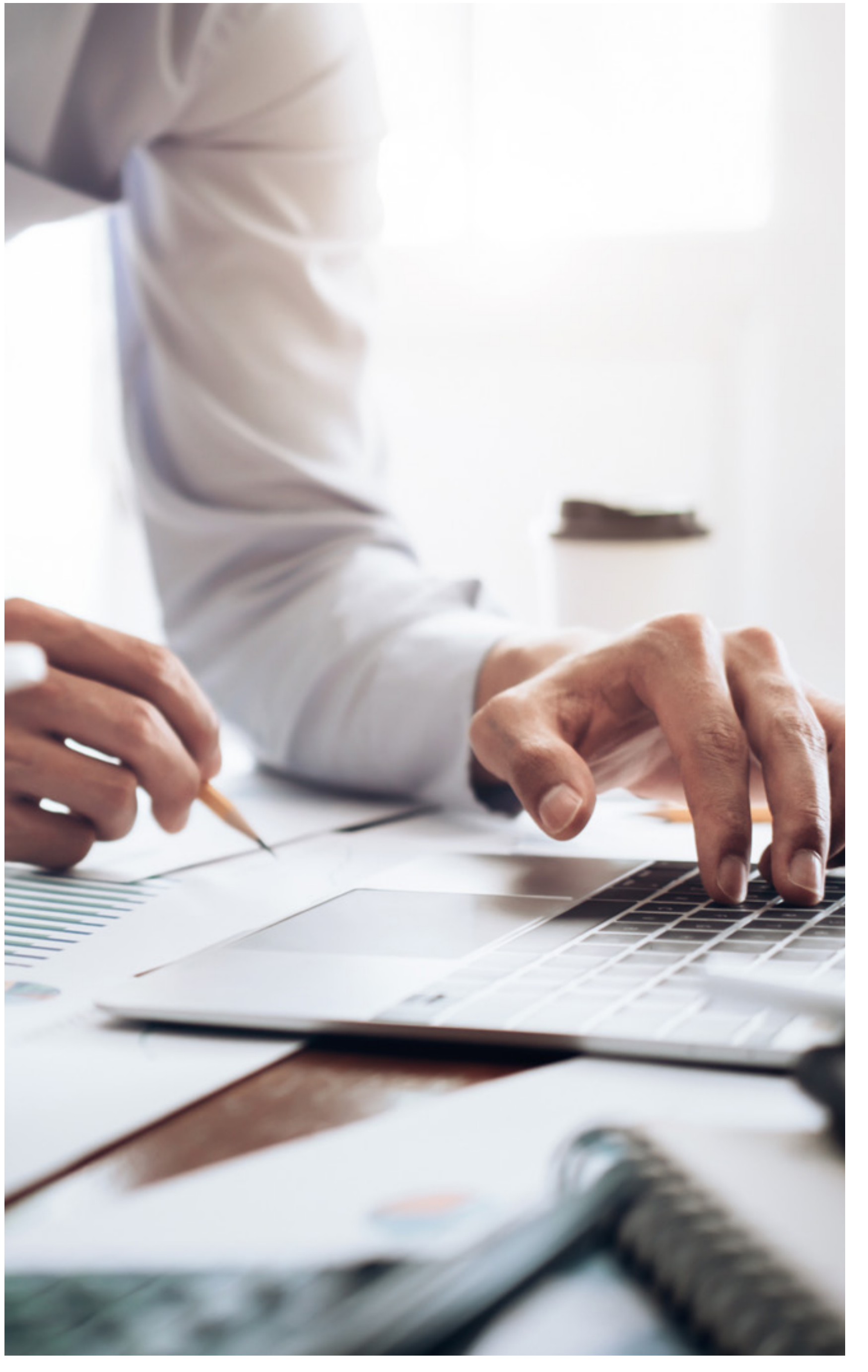
- Numerous initiatives are being taken at present by governments to encourage renovations or even make them compulsory in the event of a sale. Besides this, the government can introduce additional initiatives targeted at existing owners. The government can also encourage the performance of energy audits by offering incentives or tax deductions.
- Collaborate on the development of innovative credit schemes that finance and promote energy-saving investments. For example, credit schemes for co-owned properties, such as apartments, which make it easier to make sustainable investments jointly.
- Encourage green mortgage credit by introducing risk-based capital requirements for loans that contribute to more sustainable housing and commercial properties. Since energy-saving investments increase the value of the property, this ensures a lower credit risk. As a result, consumers can enjoy lower interest rates on green loans.

▷ RECOMMENDATION 4:
In partnership with the financial sector, create the tools to achieve a 'just transition'

The transition to a sustainable economy can only succeed if it is mindful of the needs of every person in our society. After all, not everyone has the resources to carry out energy-saving renovations and the ability to take out a loan for this. For banks, this may create certain difficulties because, due to regulatory and prudential constraints, they are probably not allowed to or are unable to provide these loans. It is therefore necessary to create the tools that can overcome these limitations. This could be done via a modified form of subsidies and guarantees.

Action 2

Help make the necessary data available



▷ RECOMMENDATION 5:
Make it possible to use the EPC databases for multiple purposes

Information on the energy efficiency of residential buildings is crucial for banks as part of their risk assessment and for meeting their reporting requirements. This information is stored in regional government databases but is not consistently available to banks.

Our proposals:

- Allow credit providers direct and automated access to regional files. If credit providers have access to information on the Energy Performance Certificates (EPC) of private homes and commercial buildings, they will be able to upload and maintain reliable, up-to-date and official information in their internal files.
- Credit providers should be allowed to store EPC information in their internal files at least during the term of the credit (or of the validity of the guarantee) and use this information for managing the file as well as to meet its reporting obligations with respect to the supervisory authority.
- Moreover, there is a need to work towards a uniform definition of the EPC framework across the regions, in line with the EU taxonomy.
- Objective EPC scores for large commercial properties are also desirable for determining the energy efficiency of this type of property.

▷ RECOMMENDATION 6:
Communicate and create awareness among companies

of the importance of ESG reporting and facilitate access to ESG information

Focused and relevant ESG reporting is an essential tool for companies to manage and monitor their sustainability performance. It is an exercise that helps the company remain competitive in a rapidly changing economy and society. Transparency regarding the sustainability strategy will become a basic expectation of all types of stakeholders. Alongside the usual financial information, the company's ESG information will weigh heavily in the credit and investment decisions taken by financial institutions.

- There is a need to develop a national, publicly accessible database containing standardised and uniform sustainability information (ESG) related to Belgian companies. For example, this could be an extension of the existing NBB Central Balance Sheet Office for corporate financial reporting. Streamlined access to this information will allow financial institutions to provide targeted support for the sustainable projects of the company and better integrate sustainability issues in their risk management processes.
- The government must help create further awareness among companies and citizens about the necessity and practical implications of the climate transition.
- Given the multitude and complexity of current and future regulations, communication with companies must be transparent and straightforward so that they are clearly informed of their obligations. It should be clearly communicated that each stakeholder has an important responsibility in the transition to a sustainable economy. After all, banks cannot be held solely responsible as enforcers of climate policy.
- Support and provide tools for large and small companies to report on sustainability. An overall common clarification framework also ensures that companies, whether small or large, do not have to provide the same information to their bankers repeatedly.
- Ensure a coherent transposition of European regulations into Belgian legislation but avoid 'gold-plating'.

Action 3

Keep in mind certain guiding principles that are necessary for successfully making the shift to a sustainable economy

▷ RECOMMENDATION 7: Proceed gradually and ensure a predictable and uniform regulatory framework

Gradual implementation, risk management and profitability are guiding principles for the roll-out of the sustainability strategy. Banks can be a driving force in bringing about a sustainable society and a 'just transition', but it is essential to manage the associated risks. If we implement the transition too gradually, it may lead to higher risks and even have an adverse effect on efforts to make the economy sustainable.

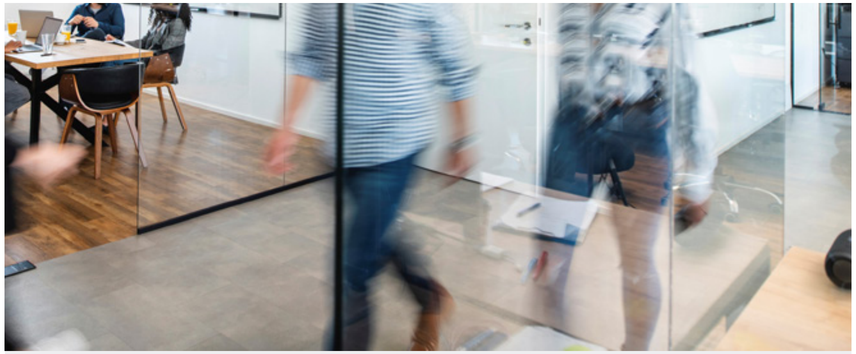
It is necessary to have a sustainable partnership between all government entities and economic actors. Sustainable investments are made with long-term profitability in mind. For this, the policy and regulatory framework must be predictable, foreseeable and stable. A retroactive review of previously made agreements is detrimental to a sustainable transition.

In line with this, it is important to have sufficient uniformity in decision-making. Contradictions or deviations delay and create legal uncertainty. This is important at every policy level, from the European level to that of the municipalities. Here too, 'gold-plating' should be avoided.

3

PARTNER IN

A RELIABLE, EFFICIENT AND SECURE ECONOMY



SOCIAL NEEDS

Security and trust are the fundamental building blocks of our society. Unfortunately, this is not as self-evident as it should be, and our sense of security is sometimes compromised by criminals and fraudsters.

Since we are online more than ever now, crime is increasingly occurring online as well. The number of bank robberies has almost reduced to zero, while the number of cases of online fraud is on the rise.

This shift requires society to adapt with the help of concrete actions, adequate and appropriate legislation, and continuous vigilance.

This also applies to the fight against money laundering. The links between fraud, organised crime and terrorism form a serious threat to the security of citizens and companies. The criminal gangs involved use proceeds from fraud to finance other harmful and illegal activities, causing untold suffering and damage to our society.

RESPONSES OF THE FINANCIAL SECTOR TO THESE NEEDS

Ensuring security, reliability and efficiency is an absolute top priority for Belgian banks. Banks have built in various systems to ensure that transactions are secure and to prevent online fraud via phishing to the extent possible. For example, since the past decade, a two-step authentication is required for online and mobile banking. The Belgian banking sector has led the way in this regard. Banks are also continuously investing in intensive monitoring systems and therefore undoing a lot of the damage. These efforts are paying off: banks are able to detect and either block or recover more than 75% of all fraudulent transfers (for which a phished response code is used).
The banking sector is also making increasing efforts to build a technological 'dam' against fraud and working on developing an IBAN name check in the fight against invoice fraud.

Security is also partly the responsibility of citizens and companies themselves and therefore awareness campaigns in this area are very important. If citizens are properly informed and provided with the right tools to protect themselves from online fraud, they will also be better able to avoid all possible traps. Therefore, Febelfin focuses strongly on preventing online fraud by conducting frequent awareness campaigns in various media channels and warning against emerging forms of cybercrime.

Finally, banks also offer continuous customer service in case of online fraud. Banks can be reached 24/7 via dedicated numbers for reporting fraud. In case of fraud, banks can immediately block their customer's banking applications if they suspect misuse.

Today, banks play a key role in detecting financial fraud. Due to the complexity of the financial world and the multitude of transactions, it is impossible for the government to carry out this monitoring in a sufficiently effective manner. As a result, this responsibility is assigned, via the anti-money laundering legislation, to the financial world, assigning it an important gatekeeper role. The banks take their responsibility extremely seriously and have made huge investments in personnel and infrastructure in recent years. Figures from the Financial Intelligence Processing Unit (CTIF-CFI) confirm the impact of banks' efforts in this area. In 2021, credit institutions submitted 21,624 reports to the CTIF-CFI. This amounts to about 10 reports per working day and represents an increase of more than 20% in one year. These figures show that 46.67% of all reports are made by banks and 79.8% of all reports to the judicial authorities come from credit institutions.

However, in the fight against money laundering and online fraud, banks are only one part of a larger whole. With this in mind, the AML Platform was created in 2021 at the request of Febelfin. Via this platform, the various partners - Febelfin, Assuralia, the CTIF-CFI, the FSMA, the NBB and the government - exchange targeted information to gain a better insight into the situation and ensure that they can take appropriate measures quickly.

FEBELFIN AS A PARTNER OF THE GOVERNMENT

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Action 1

Ensure an efficient and smooth exchange of information regarding online fraud

The financial sector advocates the creation of an incident alert register within a legal framework for the exchange of specific fraud-related data between financial institutions and the identity information of individuals involved in the payment or credit incident. The sector requests support for a law that will create an appropriate framework for this in view of the privacy issues involved.

▷ RECOMMENDATION 1: Support the creation of an incident alert register to facilitate data sharing on payment and cyber fraud

The financial sector advocates the creation of an **incident alert register** within a legal framework for the exchange of specific fraud-related data between financial institutions and the identity information of individuals involved in the payment or credit incident. The sector requests support for a law that will create an appropriate framework for this in view of the privacy issues involved.

▷ RECOMMENDATION 2: Strengthen collaboration among all stakeholders

In the context of fraud prevention, we have observed new patterns emerging in the area of payment fraud. This creates the need for new rules that allow payment service providers (including banks) to communicate specific information about incidents of fraud and attempted fraud (via funnel accounts of money mules). To make it easier for payment service providers to combat fraud, the exchange of information between public and private actors should be improved and all relevant players, including non-bank payment providers, should be required to cooperate in fraud investigation and prevention. This would help increase trust and security in the payment services market.

Our proposals:

- Online fraud can only be combated if all stakeholders cooperate with one another: the financial world, non-bank payment providers, the telecom sector, traders, as well as the government with its regulatory, investigative and sanctioning powers. All these parties share responsibility for adequately combating ever-changing forms of crime and for protecting citizens.
- Assign responsibilities to all stakeholders. For example, the telecom sector should adequately detect and block fraudsters' attempts to contact

potential victims.

- The police and public prosecutor's office should have sufficient resources to take action against these kinds of crimes so that the sense of impunity is removed.
- Establish a cybersecurity forum composed of cybersecurity managers from all stakeholders. Such a forum is needed for monitoring high-level cybersecurity developments, giving shape to the government's cyber-security policy and developing policy measures in cooperation with the government.

Action 2

Provide a framework to apply AML rules as efficiently as possible

▷ RECOMMENDATION 3: Facilitate the exchange of AML information between entities subject to the Anti-Money Laundering Law

As part of the fight against money laundering, it is necessary to further develop the cooperation between the government and banks. In 2021, the successful establishment of the AML Platform allowed key private and public stakeholders to meet and exchange best practices on how to combat money laundering. This benefits society since money-laundering offences can be dealt with even more efficiently than before but this process needs to be improved further.

Our proposals:

- Provide the CTIF-CFI with appropriate legal tools to share more information with the entities falling under the Anti-Money Laundering Law (banks, insurers, payment institutions, football clubs, etc.). Banks should receive consistent feedback in relation to their reports to the CTIF-CFI. At present, banks receive only an acknowledgement of receipt but it would be valuable to receive more information about the status of the report: was it a useful report, what information was missing, etc. Such systematic feedback would also increase the quality of the reports. In addition, banks should be aware of reports made to the CTIF-CFI by other entities that are subject to the Anti-Money Laundering Law. We believe these reports will allow for a quicker detection of suspicious transactions and prevention of money laundering operations.
- Improve the ability of institutions playing a gatekeeper role, such as banks, to exchange more information among themselves. Currently, such an exchange is limited to situations where both banks or insurers have the same customer or are processing the same transaction. The scope of this should be expanded by amending European and Belgian anti-money laundering legislation.

▷ RECOMMENDATION 4:
Maintain the UBO identification threshold at 25%

As part of the current European negotiations on new anti-money laundering legislation, there is talk of introducing a lower identification threshold. Currently, only shareholders with a participating interest of more than 25% need to be identified by the banks as ultimate beneficial owners. Reducing this shareholding percentage will increase administrative burdens and make it more difficult for companies to open accounts since it will become more difficult for banks to obtain information about these UBOs. Consequently, we advise that the percentage of shareholder participation should be retained at 25% as presently provided for under the Anti-Money Laundering Law.

▷ RECOMMENDATION 5:
Avoid de-risking via adjusted rules, new data sources and modified administrative and criminal penalties

Banks are the gatekeepers of the financial system and their aim is to deny criminals access to the financial system to the maximum possible extent. The rules regarding this are becoming stricter each year, and there is increasing pressure on banks to take on this gatekeeper role to an even greater extent.

Moreover, there is a threat of major penalties if the banks fail to comply with these specific anti-money laundering rules[4]. Rules should, of course, be accompanied by deterrent penalties but we should be careful of undesirable side effects. In extreme cases, disproportionate risks cause financial institutions to withdraw completely from certain services. This is qualified as de-risking, and as a result of this, certain sectors have been complaining in recent years that it is more difficult to gain access to banking services . The supervisory authority has imposed clear rules on banks regarding the basis on which banks may decide to end a customer relationship to avoid such a decision being qualified as de-risking.

For banks, there is a conflict between the two social expectations: on the one hand, they are asked to fulfil the gatekeeper role to the maximum extent possible and strengthen the fight against crime. On the other hand, it is expected that de-risking should be avoided and all companies should have access to current accounts.

In view of this, we have formulated some general principles to avoid de-risking.

- Criminal penalties should remain an ultimate remedy.
- Administrative penalties should be given preference because of the quicker outcome and more efficient procedures.
- The range of penalties should be comparable to those in our neighbouring countries.
- The right of defence and the right to exhaust all possibilities of appeal should be respected before imposing penalties that lead to irreversible consequences.

▷ RECOMMENDATION 6:
Provide a limitation period for money laundering offences in the criminal code

Under the current criminal code, a money laundering offence occurs as soon as a person takes any actions relating to the management of assets of criminal origin, in situations where they were or should have been aware of the origin of the assets. This implies that the offence continues until the laundered funds have been seized, returned or forfeited (the offence becomes, in a sense, imprescriptible). This is logical from the perspective of the perpetrator of the basic criminal offence since the crime should not be profitable, even after a period of time.

[4] cf. Houston case, ING Netherlands - fine of €775 million

But this should not apply to every legal successor of the perpetrator or any bona-fide third parties. After some time, it can be very difficult for heirs or a bank to trace the origin of funds that have come into their possession or under their control after a long period of time. If they fail to do this, they are liable for prosecution for money laundering if there are serious doubts about the legal origin of these funds. However, they do not have access to the same resources as police or judicial authorities to investigate the origin of these funds. Therefore, we recommend the introduction of a 10-year limitation period for heirs and for third parties that were involved in the money laundering offence while acting in good faith.

▷ RECOMMENDATION 7:
Apply mitigating circumstances in case of a breach of AML rules by customers in sectors involving a high risk of money laundering

If credit institutions enter into a business relationship with customers from certain high-risk sectors, e.g. under the new law requiring them to provide basic banking services to such companies, the responsibility should not fall solely on them if this customer is ultimately found to have committed a money laundering offence via the bank.

The increased money laundering risks associated with these business relationships should be taken into account both at the level of criminal and administrative penalties. The threat of high penalties cannot continue to hang over the credit institution like the sword of Damocles. This pressure can be eased by applying the mitigating circumstances currently provided for in legislation with respect to administrative penalties and by adjusting the stringent criminal-law framework.

▷ RECOMMENDATION 8:
Facilitate the development of a database containing the names of politically exposed persons (PEP Database) and do not expand the PEP definition

Under the anti-money laundering legislation, banks are required to verify the identity of customers holding a particular political position or mandate to establish whether they are so-called politically exposed persons (PEP) and to therefore apply enhanced due diligence measures (i.e. include more frequent anti-money laundering checks in their procedures) in their relationship with these customers. However, there are no clear means of verifying whether these customers fall into this category, which results in the blocking of a lot of relationships with PEPs.

Our proposals:

- In the fight against money laundering, develop a database of persons who qualify as PEPs. Currently, there is a list of positions to which the PEP qualification applies (cf. Annex II of the Anti-Money Laundering Law of 17 September 2018). This should be linked to the government database called ‘Regimand’ that is maintained by the Court of Audit and which includes political mandates.
- Give banks access to this database so that it becomes clear (i) which persons should be qualified as politically exposed persons and (ii) which persons no longer exercise a political mandate so that this qualification can be removed with respect to the bank. This will prevent the customer from having to complete these declarations and submit information to the bank each time and ensure that accounts will not be blocked if the customer fails to provide this information.
- The EU AML package is also considering expanding the definition of a PEP. The current definition is considerably broad and includes, for example, all family members of the PEP. Financial institutions are required to ask a lot of questions to ensure that they are performing the PEP identification correctly in accordance with the legislation. This leads to complaints from customers who consider this an invasion of their privacy. We recommend that the current PEP definition be retained.

4

PARTNER IN

AN INNOVATIVE, DATA-DRIVEN AND DIGITAL SOCIETY

SOCIAL NEEDS

Digitisation has become ubiquitous in society and digital technology has fundamentally changed our world. These changes are irreversible and affect almost every aspect of our lives.

Clearly, society is also embracing this digital evolution. After all, digitisation offers numerous benefits to citizens and companies. This was even more evident during the Covid-19 crisis. Digital technology makes our economy much more resilient and efficient and offers increased convenience to consumers.

Moreover, the European Commission has declared further digitisation as one of the spearheads of its policy. This was clearly evident in the NextGenerationEU economic recovery package. At least 20% of the projects submitted for funding under this framework had to involve investments for further digitisation in order to be eligible for the European grants. In short, digitisation and innovation go hand in hand and are both essential for safeguarding the prosperity of our economy.

RESPONSES OF THE FINANCIAL SECTOR TO THESE NEEDS

The Belgian banking sector has always been a strong innovator. In the 1970s and 1980s, thanks to extensive interbank cooperation, the sector was the European leader in digital payments (examples of this include the introduction of the structured reference, Bancontact, Euroclear, etc.). Over the past decade, the Belgian financial sector has successfully embraced digital evolution. In a few years time, online and mobile banking have become indispensable. Moreover, Belgian banks are world leaders as far as the development of banking apps is concerned[5].

One of the elements behind the success of our apps is the wholly Belgian Itsme app. This efficient and trusted authentication system is the result of a partnership between the government and the banking and telecom sectors. Its simplicity and safety make it an extremely successful application and unique in Europe.

The technological evolution is also evident in the purely digital payment transactions. We see a declining trend in the use of cash all over Europe in favour of digital payment options. These options have greatly increased in recent years.

An additional benefit of computerisation is the increased speed of payments. Instant transfers where the transferred money is in the beneficiary's account within seconds are increasingly becoming the norm.

Digitisation also signifies the growing importance of the data economy. The rapid development of the Internet of Things, where digital applications are constantly connected with one another, is generating a huge mass of data each day. Privacy and data protection feature particularly high on the agenda for banks and they treat their customers' data with extreme confidentiality.

Finally, we also see banks familiarising themselves with new technologies such as blockchain and smart contracts and developing customer-oriented applications for these. Banks are at the frontier of technological innovation and they are successfully integrating these various innovations into their business models.

[5] Source: Sia Partners, 2022 International Mobile Banking Benchmark.

FEBELFIN AS A PARTNER OF THE GOVERNMENT

The shift from a traditional to a digital economy is a fundamental and major change. This is why Febelfin would like to partner with the government to help bring about the transition to a digital and innovative economy.

Based on the experiences of our sector, we want to put forward some suggestions that we believe will improve and facilitate transformation.

Action 1

Focus on further digitisation

▷ **RECOMMENDATION 1:**
As a government, lead by example and ensure that legislation is future-proof

In the context of e-government, the government must lead by example and focus on implementing mobile identification solutions, payment solutions and digital infrastructure with respect to the services it provides to citizens and companies. For this, the government does not always have to develop these solutions itself but may also use the services of reliable private players, as was done when developing the Itsme application.

- The digitisation of financial services is often accompanied by complex issues regarding the application of rules. Unclear rules hinder innovation, which is bad for consumers. Therefore, ensure that regulators play a supporting role in the development of innovative solutions, e.g. via regulatory sandboxes.
- In the context of the second evaluation of the SME Financing Act of 21 December 2017 and the code of conduct between SMEs and the credit sector, additional areas for improvement have been proposed. This includes the mandatory task of going through the guidance and support measures with SMEs. However, this is at odds with the automation and digitisation of the credit process. Legislation should also be made future-proof with respect to these points and should incorporate digitisation.

▷ RECOMMENDATION 2: Support the further digitisation of the payment system[6]

We note a declining trend in the use of cash in recent years. Compared with 10 years ago, we have seen the number of cash withdrawals reduce by half in Belgium. Digital payments are becoming more widespread, with a positive effect on the reduction of social costs associated with cash (such as costs relating to the informal economy and costs for security and surveillance). Digital payment solutions should continue to be encouraged but without attempting to replace cash completely. Ensuring sufficient access to cash remains a key objective of the financial sector.

▷ RECOMMENDATION 3: Critically analyse the digital euro and only introduce this if it adds any concrete value for the consumer

Developments in the world of cryptocurrency and the growing popularity of stablecoins are rapidly changing the financial landscape. This brings opportunities as well as risks. Private stablecoins, for example, may undermine the sovereignty of the monetary policy. The ECB's answer to this is to create its own digital currency. However, the introduction of the digital euro is a project involving major and far-reaching technological, financial and economic issues.

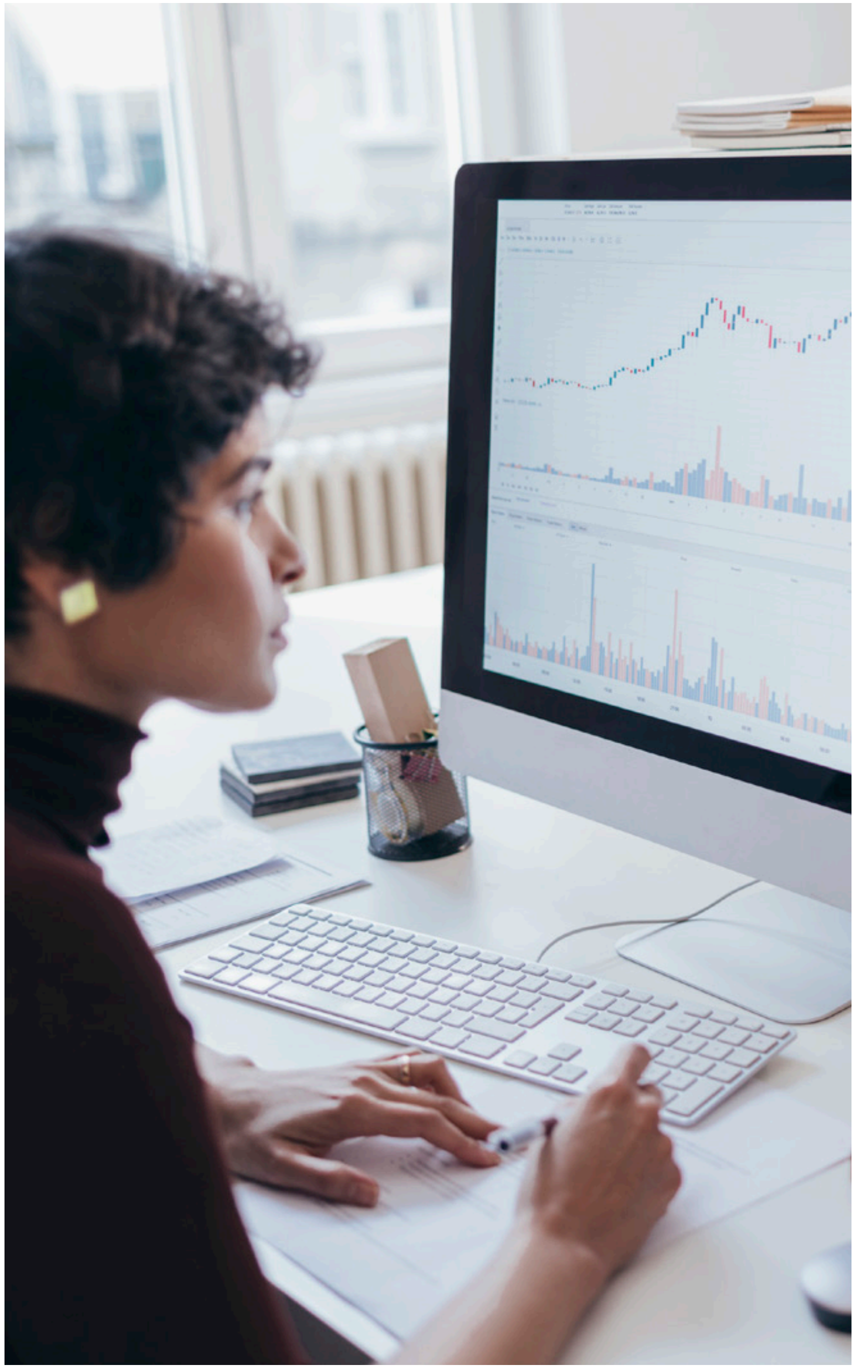
Our recommendations:

- It is important to ensure that the introduction of the digital euro is based on a cost-benefit analysis that takes into account the financial stability of the banking system, the impact on the current payment landscape, the needs of European consumers and companies and the potential added value of the digital euro. This requires an in-depth discussion with financial institutions and, if the added value of the digital euro cannot be clearly demonstrated, it should not be introduced.
- Moreover, it is recommended that the above analysis should not be limited to retail applications of the digital euro but should also pay due attention to wholesale use cases, especially given the important infrastructural role played by certain Belgian financial institutions. A digital euro can be useful in this context and add value when used in the cash leg of securities settlements. This would then enable the settlement of commercial paper via a distributed ledger technology.

[6] This recommendation is closely related to the recommendations regarding inclusion (5.1) and financial literacy (5.2).

Action 2

Create the necessary framework for a strong data economy.



Data occupies a central position in the area of technological development. Indeed, data-driven innovations represent numerous opportunities for society as a whole.

To tap into these opportunities, it is essential to improve access to data and allow the data to be reused. This is what has led the European Commission to introduce legislative initiatives in recent years to unlock data, share financial data and create a European data economy[7].

Besides cross-sector initiatives, further provisions have been made to make data more accessible, specifically in certain sectors. This applies to the financial sector which is presently required to share numerous types of data with government bodies and supervisory authorities or share payment transaction data with third parties at the customer's request. The European Commission's ambition is to further expand access to financial data, including through the creation of a European financial data space and an Open Finance Framework that would involve the sharing of other financial data.

As part of the review of the Payment Services Directive 2 (PSD2) that is underway at the European level, it is valuable to consider how this Directive can be optimised at the national level. From a national perspective, it is important to safeguard Belgium's position within Europe.

[7] It has done so through horizontal legislation such as the Open Data Directive for the public sector, the General Data Protection Regulation and, most recently, through the Data Governance Act, the Digital Markets Act, and the proposed Data Act (European Data Strategy for 2020).

▷ RECOMMENDATION 4:
Base the Belgian data strategy on European regulations and always ensure a fair and level playing field with respect to payment data

Make use of all European regulations to maximise the access to and reuse of public sector data for the benefit of society (e.g. the Directive on open data and the re-use of public sector information, the Data Governance Act, the GDPR, etc.)

Our proposals:
- As part of the implementation of the Data Governance Act, pay attention to establishing clear data governance policies and providing easy access to data for companies and individuals (federal >< regional) to ensure data quality and interoperability
- As far as possible, consult the relevant stakeholders (companies, individuals and the various authorities and supervisory bodies involved) to clarify all operational as well as legal uncertainties in a timely manner. The financial sector can be a valuable discussion partner, given its ample experience in data sharing.
- Ensure a balance between consumer protection and innovation since one does not exclude the other.
- It is clear that the PSD2 has created an uneven playing field. Banks were forced to provide access to their customers' payment data without receiving any form of compensation for developing and maintaining an expensive infrastructure and without any demand for such a system from the customer. Moreover, the benefits of this mainly accrue to external (often foreign) service providers. This situation should be rectified. The solution must create a better balance, with a fair distribution of value and risk, where all market participants have the opportunity to receive fair compensation for their services.

▷ RECOMMENDATION 5:
Apply the 'once-only' principle consistently and facilitate access to customer information (private individuals and companies)

To encourage more simplified administrative procedures, the 'once-only' principle should be consistently used as a guideline, either when financial institutions provide data and reports or when using KYC or other information available in public databases. This avoids the need for citizens and companies to repeatedly communicate the same identification or other data in case these data have already been provided to another administrative database.

In Belgium, there is a law that puts this principle first, and the sector believes that this principle can be applied and rolled out more consistently, for example, based on the recommendations outlined below.

Action 3

Facilitate access to the National Register, Crossroads Bank for Enterprises and UBO Register[8]

▷ **RECOMMENDATION 6:**
The government should actively contribute to developing initiatives designed to make it easier to access and manage company information/National Register

To fulfil their role as gatekeepers and implement sound credit risk policies, financial institutions need access to updated information about their customers. For companies, the government has set up the Crossroads Bank for Enterprises (CBE). This database should play a central role in the search for company data.

Our proposals:

- Make the Crossroads Bank for Enterprises (CBE) an effective and authentic source of information on companies, including information on the agents and mandatories of companies.
- Link this to the development of an efficient and user-friendly register of ultimate beneficial owners in the context of the transposition of the Fourth Anti-Money Laundering Directive.
- Digitise the publication of company information and ensure that sources of company information (CBE, Ultimate Beneficial Owner Register (UBO Register), register of articles of association of companies) are accessible electronically and that data can be easily transferred (open data). Relevant information from those sources should be integrated into the CBE. It should be possible to use this information to develop apps that allow companies to identify themselves online and manage their proxy holders.
- Ensure that these projects become scalable by actively integrating these solutions with e-government applications and in digital interactions with citizens and businesses.
  In doing so, actively use the leverage provided by the Itsme application. This facilitates the secure and efficient sharing of data which, in turn, improves the quality of the services provided to citizens and companies.

[8] Besides this action and the recommendations related to it, Recommendations 2.5, 2.6 and 3.8 also concern data and access to data.

▷ RECOMMENDATION 7: Facilitate access to the National Register for banks and digital identity providers

In today's digital world, access to accurate and verifiable identification data has become imperative.

To correctly identify a person, it is not just necessary to collect accurate identification data but also to update these data regularly. In 2018, the Belgian regulator recognised this need by giving specific private institutions (such as banks and the like) access to updates of certain data in the National Register. The sector proposes that this 2018 initiative be continued further.

Our proposals:

- Make the Crossroads Bank for Enterprises (CBE) an effective and authentic source of information on companies, including information on the agents and mandatories of companies.
- Link this to the development of an efficient and user-friendly register of ultimate beneficial owners in the context of the transposition of the Fourth Anti-Money Laundering Directive.
- Digitise the publication of company information and ensure that sources of company information (CBE, Ultimate Beneficial Owner Register (UBO Register), register of articles of association of companies) are accessible electronically and that data can be easily transferred (open data). Relevant information from those sources should be integrated into the CBE. It should be possible to use this information to develop apps that allow companies to identify themselves online and manage their proxy holders.
- Ensure that these projects become scalable by actively integrating these solutions with e-government applications and in digital interactions with citizens and businesses.
  In doing so, actively use the leverage provided by the Itsme application. This facilitates the secure and efficient sharing of data which, in turn, improves the quality of the services provided to citizens and companies.

▷ RECOMMENDATION 8: Ease the rules for the use of the National Register Number to allow efficient reuse of this number for defined, specific and non-commercial purposes

Apart from being able to access the National Register, companies should also be able to reuse a National Register Number, without restrictions, to identify individuals in all their contacts with government agencies. Currently, a separate legal authorisation is required each time the National Register Number is used. This is a burden on consumers. The option of obtaining an authorisation based on strict conditions would remove this inefficiency.

Allow for an efficient reuse of the National Register to identify individuals in all their contacts with government agencies.

▷ RECOMMENDATION 9: Ensure that banks can rely solely on the UBO Register (cf. the EU AML package)

Banks should be able to rely solely on the information coming from the UBO Register. This would help address complaints from entrepreneurs and shareholders who now have to upload their UBO information twice, i.e. via a digital registration in the UBO Register and subsequently by transferring this information to banks if they become customers of a particular bank. This creates an administrative burden and is an inefficient process. Modify the anti-money laundering legislation at the European and Belgian levels to allow banks to rely solely on the information uploaded by the company to the UBO Register.

5

PARTNER IN

AN INCLUSIVE SOCIETY

SOCIAL NEEDS

Inclusion comprises various aspects. But what does inclusion specifically mean? It means being free to show who you are and feel that you are valued. Everyone - regardless of origin, gender, orientation, age, personality or disability - should feel welcome and appreciated. This is applicable to the workplace as well. The more inclusive the workplace, the more room there is for diversity. And a diverse company makes better decisions and is more innovative and creative. Therefore, inclusion is essential in our modern, diverse society.

An important part of inclusion is financial inclusion. Having access to financial services is crucial in our society. This is often necessary for basic needs, such as gaining access to your account, making a payment or taking out a loan. It is therefore important for citizens to have the right skills and a sufficient level of financial literacy. Financial literacy is a basic social need. Well-informed citizens make better financial decisions, both today as well as in the future.

Apart from financial inclusion, digital inclusion is also equally important. The digitisation of our economy and society is progressing at a very rapid pace. This trend is beneficial for our entire society and the best guarantee for safeguarding our prosperity and welfare. More and more people are finding their way successfully in this digital world. But this is not true for everyone.

Therefore, it is necessary to continuously inform people in every age group of the population about all the opportunities and risks associated with new digital applications. It is essential to guide citizens through the digitisation process. Access to the internet and the accompanying digital skills are vital for functioning in modern society. It is everyone's responsibility to ensure that these skills are acquired: from the banking sector to the government, from educational institutions to civil society organisations. While the transition should not be too swift, striving for greater digital inclusion is a must. And this is not limited to banking matters only.

RESPONSES OF THE FINANCIAL SECTOR TO THESE NEEDS

Digital inclusion has been a major focus area for the Belgian banking sector for a long time now. Banks have been listening to their customers' concerns and problems and offering solutions, both at the level of the bank and the sector. For example, Febelfin has signed the Digital Inclusion Charter in Belgium and set up a specific committee - the Digital and Financial Inclusion Committee - to follow up on these needs. In 2021, 10 concrete action points were launched for customers with little or no digital skills. The basic principle is that banks respect the choice of the customer, regardless of whether they opt for digital or analogue banking.

In 2021, the banking sector and the government also signed a charter outlining the principles and terms of a Universal Banking Service (UBS). The purpose of the UBS is to serve the group of customers who have little or no recourse to digital channels for arranging their financial affairs. Any customer who, for whatever reason, is unable to access the online applications offered by banks may rely on the UBS.

In addition to an adapted product range, banks and Febelfin undertake numerous training initiatives to help citizens improve their digital skills. Febelfin organises both physical and online information sessions with various partners on a regular basis. A free e-learning course for digital trainers will also be launched in spring 2023. This will be a point of reference to be used by trainers to guide digital newcomers in the area of digital banking and payments.

At the same time, we do not lose sight of the importance of financial inclusion and literacy among young people. This is why Febelfin has long been committed to developing educational materials and new initiatives among young people to assist them as much as possible in this regard. For example, Febelfin has recently created a new website 'mijngeldenik.be' tailored to young people and, in collaboration with TV personality and teacher Kamal Kharmach, Febelfin will launch a series of presentations at schools to inform young people about how the economy works. Febelfin wants to support

young people as well as the world of education by providing the necessary tools.

In addition to digital inclusion and financial education, Febelfin also takes into account other aspects of inclusion in its policies. In fact, the sector has been the driver of change in a number of areas: for example, it has helped bring about an increased focus on inclusion and diversity in the corporate world. In 2019, a charter advocating more gender diversity in the financial sector was formulated together with Wo.Men in Finance. This charter has since been signed by 50 institutions, representing more than 90% of the sector. The charter focuses on gender diversity but also places importance on diversity and inclusion in general. Here too, the emphasis lies on a diverse approach that leads to better decisions and performance.

The objective is to provide equal, fair opportunities to everyone working in the financial sector. The first step is to raise awareness. The charter wants to help financial firms understand that a healthy company needs diversity at all levels. No other sector in Belgium has incorporated equality of opportunity in its operations in such a systematic way.

FEBELFIN AS A PARTNER OF THE GOVERNMENT

An inclusive society is essential to ensure that everyone feels respected and valued within society. This implies inclusion in terms of gender and diversity as well as financial and digital inclusion. Febelfin would like to offer a few suggestions to help make society as inclusive as possible.

Action 1

Promote financial and digital literacy

▷ RECOMMENDATION 1: Promote financial literacy more strongly

Financial literacy is essential, and for this, it is important that our young people are given the right tools to improve their level of financial literacy. Raising financial literacy levels is a shared responsibility where not only the financial sector but also the government, the world of education and all other stakeholders need to play an important role.

Our proposals:

- Provide opportunities for improving financial literacy through appropriate study and training programmes. Make sure that these are taken into consideration in the attainment targets and that lifelong learning on financial matters is possible via, for example, Wikifin.
- Create platforms with different stakeholders to keep a finger on the pulse at all times. Integrate new products or phenomena, such as the world of cryptocurrency, in training programmes. For this, inspiration could be drawn from foreign initiatives, such as the Money Wise Platform and the Smart in Crypto campaign in the Netherlands.
- Develop training programmes geared to the world of business as well and not just targeted at consumers. Moreover, work on developing the financial literacy of companies in the area of, for example, green bonds or green loans.

▷ RECOMMENDATION 2: Invest in digital inclusion

Our entire society is becoming increasingly digital, and it is important to pay adequate attention to those who have not yet caught up. Promoting greater digital inclusion is essential. Access to the internet and the accompanying digital skills are vital for functioning in modern society. And it is everyone's responsibility to ensure that these skills are acquired: from the banking sector to the government, from educational institutions to civil society organisations.

Our proposals:
- Make digital inclusion a priority at the regional and municipal levels.
- Set up a platform with Febelfin and other stakeholders, such as the Association of Flemish Cities and Municipalities (VVSG), the Union of Cities and Municipalities of Wallonia (UWCV) or the association for elderly persons OKRA, in order to exchange information on digital inclusion and related projects that will encourage such inclusion.
- Help educate trainers so that more training programmes can be given.
- Digital inclusion also goes hand in hand with online security. As a government, invest sufficiently in raising awareness about the dangers of online fraud.

Action 2

Encourage inclusion and diversity

▷ **RECOMMENDATION 3:**
Use the example of Wo.Men in Finance and Febelfin to promote and encourage inclusion and diversity

Ensuring inclusion and diversity is a social challenge that will take time to achieve.

Our proposals:

- Promote the Wo.Men in Finance initiative within government administration and make use of their experience.
- Use and promote the inclusion and diversity toolbox containing 25 tools developed by Febelfin.

6

PARTNER IN

EUROPE

SOCIAL NEEDS

With the creation of the Banking Union and the organisation of banking supervision at the European level, the financial sector is a typical example of European integration. Capital can move freely between Member States and financial regulations are largely established at the European level. The financial sector is the subject of an enormous amount of European regulations. Often it involves highly technical legislation specific to the sector, such as prudential regulations for banks, the obligations of banks in the context of the climate transition plan or clearing and settlement provisions. However, there are also certain laws that affect the financial sector because of their horizontal effect, for example, data legislation such as the GDPR and the Data Act or cybersecurity legislation.

Of course, financial legislation primarily affects financial institutions but much of the seemingly technical legislation also directly affects consumers. For example, a change in the capital requirements imposed on banks could make certain typically Belgian financial products more expensive for consumers or the incorporation of horizontal rules, such as the GDPR, in an already highly regulated sector might lead to suboptimal effects. In dialogue with all stakeholders, Belgian decision-makers should be properly informed at all times of the potential impact of regulations. It would add great value if such a dialogue were to be embedded within the policy process.
As a trusted partner for decision-makers, Febelfin is prepared to take on the task of assessing the impact of legislation.

Action 1

Make Belgium a financial forerunner in Europe

▷ RECOMMENDATION 1: Ensure a stronger and proactive positioning of Belgium at the European level

Our proposals:

- Involve stakeholders in a systematic way in European decision-making. This will ensure that the concrete impact of policies is always clear, even to niche players. In Belgium, there is a wide variety of business models operating within the sector, which is an asset we should nurture because it meets customers' expectations and guarantees the long-term stability of the sector.
- Adopt a Belgian standpoint as early as possible in the decision-making process. Belgium can use this position to influence European policy in relation to the publication of Commission proposals. This will take into account the proactive role played by Belgium in certain files to the maximum possible extent.
- Showcase existing sector and government initiatives at the European level. Both in the area of legislation and innovation, Belgium is ahead of Europe in some areas. Promoting our national best practices will prevent Belgium, as a forerunner, from being disadvantaged in any way.
- To guarantee the competitive position of Belgian financial institutions, Belgium should refrain, as far as possible, from 'gold-plating' when transposing European directives. A level playing field ensures that competitive players can thrive in a unified market. Using opportunities for 'gold-plating' as a bargaining chip in Council negotiations should be absolutely avoided.
- Avoid legal inconsistencies between existing legislation and new horizontal legislation. It is important to always approach legislation from a broader perspective to gain a proper view of the entire legislative landscape.

▷ RECOMMENDATION 2:
Develop Brussels as a financial centre

There is no doubt that Brussels has excellent strengths and potential to develop into the financial centre of Europe. However, the Brexit experience has shown that Belgium is much less successful than its neighbours in capitalising on these strengths More supportive policies are needed so that the potential inherent in our economy can be unleashed. This would benefit our entire society. There is a need for a unique strategy, combined with an active promotion of Belgium as a financial centre.

- Develop an approach in which the government performs its role as regulator and protector of consumers while also ensuring a sustainable development of the sector.
- Promote and support developments in the area of finance where Belgium has demonstrated its strengths. Be proud of the areas in which a small country can be truly great instead of focusing on any imperfections. Consider examples such as the Towards Sustainability label, the Belgian banking apps and Itsme.
- Ensure that Belgian financial policies are proportionate compared to those of our neighbouring countries. This mainly refers to tax rates and the operational costs of financial institutions for reporting and administration; however, the creation of an efficient framework for exchanging data on anti-money laundering and cybersecurity matters could also be considered.
- Use the experience of regional agencies, such as Flanders Investment and Trade and the Wallonia Export and Investment Agency, to attract investments in the area of financial technology to Belgium.

Action 2

Advocate the creation of an appropriate, proportional European framework for the financial sector

▷ **RECOMMENDATION 3:**
Ensure a level playing field internationally in terms of prudential requirements, both with respect to non-euro area Member States as well as non-European economies

To allow Belgian financial institutions to fully play their role in financing the economy in a healthy way, it is more important than ever to ensure a level and proportional playing field in terms of prudential requirements, with respect to other European Member States (banking union vs non-banking union, Brexit). Compliance with regulations and reporting requirements comes at a high cost. Therefore, sufficient attention must be paid to proportionality in supervision, so that the rules and the costs of compliance are sufficiently adapted to the realities of the diverse Belgian financial landscape.

- Support all initiatives aimed at bringing about a greater convergence between supervisory authorities and supervisory practices. Moreover, the national supervisory authorities should also be urged to refrain from initiatives that might thwart such initiatives.
- Belgium could do more to defend and promote the diversified Belgian banking landscape in European forums and counter the demand for further consolidation that exists among some European regulators and supervisory authorities. In addition to many other arguments, an excessive level of consolidation and standardisation is a systemic risk in itself. In addition, it would not be an exaggeration to say that the financial sector should be considered as a strategic sector, where the creation of locally anchored decision centres is essential for the sector to remain a complete partner for Belgian society in the future.

▷ RECOMMENDATION 4:
Apply the principle of ‘risk reduction before risk sharing’ as a guideline for completing the establishment of the Banking Union

It is desirable to continue developing the Banking Union project and finalise it further, provided certain conditions are met. We have a healthy and stable financial sector in Belgium, so it is important to be careful not to expose depositors to risks that lie beyond the control of Belgian banks and policy-makers if the economic conditions for this are not yet in place.

- At present, the conditions for taking steps towards a European Deposit Insurance Scheme (EDIS) are not yet in place. This is due to the significant amounts of government-bond holdings in some countries.
- The process of establishing a unified deposit insurance scheme can only start after the risks in Member States’ banking systems have been sufficiently reduced (risk reduction before risk sharing).
- Effective and prior risk reduction is an absolutely necessary prerequisite for initiating the process of additional risk sharing.
- For this sharing of risks, only the minimum imposed by the EU in its Deposit Guarantee System Directive can be applied, i.e. 0.8% of the covered deposits.
- Moreover, the contributions made by banks in the past should taken into account for any future contribution obligations, if a decision were to be made to embark on a path towards an EDIS.

▷ RECOMMENDATION 5:
Take the ‘define once-report once’ principle as a starting point and criterion

Current reporting requirements for financial institutions are cumbersome, disproportionate and increasingly complex. The ECB aims to integrate its statistical reporting requirements into a single framework. The intention is to standardise, harmonise and integrate, to the maximum possible extent, the existing requirements for collecting statistical information from financial institutions. At the same time, the EBA is evaluating options to redesign and integrate regulatory reporting, with a specific focus on governance and data models. Febelfin supports initiatives for such an integrated, standardised and proportional reporting framework. This will improve data quality and reduce the reporting burden.

- Contribute to developing a common European vision on data models and data governance
- Systematically apply the ‘define once-report once’ principle. This kind of exercise in efficiency requires a holistic approach that looks at reporting requirements across borders and areas of authority. In this regard, Febelfin recommends that all regulatory reporting flows should be included within the Integrated Reporting Framework. This would reduce the overall reporting burden and be more cost-efficient for both the sector as well as for government agencies.

Conclusion

Not only does the financial sector play an important economic role but it is almost impossible to imagine a society without financial institutions. Therefore, Febelfin wants to make a commitment, as a constructive and proactive partner, to help build the society of tomorrow.

Based on the recommendations in this document, we want to provide concrete inputs to policymakers and also help in jointly identifying efficient and appropriate solutions for future challenges.

The financial sector can optimally deliver added value to society only within an appropriate legislative framework. Hence, we have proposed a number of concrete pathways and suggestions that we, as a sector, are convinced can help improve the general regulatory framework, and therefore, the sector's ability to finance the economy and support sustainable and inclusive growth. Moreover, this will provide financial institutions with additional tools to help build a reliable, efficient and secure economy, with a focus on further innovation and digitisation.

Febelfin hopes to engage in dialogue with policymakers on this issue. Achieving real progress and growth requires a healthy collaboration.

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Belgian Financial Sector Federation

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