



CHANGE FINANCE TO CHANGE EUROPE!

Ethical Finance Engages European Parliament Candidates MAY 2019 ELECTIONS

Elections for the European Parliament represent a very important step, perhaps crucial for the European Union future.

Young people from all over the world – especially from Europe – are asking for a radical turning point towards a more sustainable economy: Now it's the time for the European institutions to answer!

Today the ideal that the founding fathers have promoted seem a pale memory in a Europe smashed between nationalist instincts, the Brexit puzzle and policies that are very often seen as too far away from citizens life and from the common good. An Europe dominated by a mercantilistic vision where interest and power of the economic lobbies seem often more important than social, environmental and democratic matters.

Finance is one of the most emblematic sector of such a mood. «*The most evident reason for the crisis that is hitting Europe since 2007 is certainly the development model undertaken, since the beginning of the Nineties, by the global finance. The financial markets have been growing out of control, but such a development will not have been possible without permissive and condescending regulations and political decisions, and in the last twenty years politics have progressively submissive to the financial world. By the way, due to these global trends, citizens feel often helpless, just "audience" of process apparently far away from the daily problems, and that cannot be affected*»: that is what we wrote in 2014.¹

After the crash of the crisis in 2008 there has been a formal commitment to close **the financial casinò, ten years after such commitment has almost completely been disregarded.**

Some steps further have been taken, for instance more transparency for the derivatives (clearing in OTC), but they are just occasional initiatives and most of all completely inadequate. Speculative activities have not been lowered, tax heavens thrive, finance is more and more marked by very short terms horizons and by the only matter to make money through money, without helping economy and society.

ETHICAL FINANCE DEMANDES TO THE CANDIDATES TO THE EUROPEAN PARLIAMENT

Fiscal Justice

There is a specific need for **fiscal justice**. Within the European Union some countries act as real tax heavens, with devastating consequences on inequalities, on competition and on the credibility and confidence of the institutions. A country-by-country report of corporation will be a first step, but the existing frame must be strengthened and supported by other regulations to counteract tax evasion and avoidance, money laundering and crime, for tax harmonization and fair taxation for enterprises, starting with Tech giants.²

Global reform for the financial system

We call for a new path to a **global reform of the financial system** to get it back to serve society, so to give its contribution to manage climate crisis, for a stable financial system to serve economy and society, instead of causing instability and crisis and, at the same time, pretending to lay down the law.³

¹ See FEBEA's roll call for european election 2014: <http://febea.org/febea/news/appeal-candidates-european-elections-2014>

² See Shareholders for Change report "Bad Connection" about tax behavior of some telephone companies: <https://www.shareholdersforchange.eu/sfc-launches-bad-connection-a-report-on-lacking-tax-transparency-in-the-european-telecommunications-sector/>

³ See Finance Watch report "How to make finance serve society - Finance Watch's vision for a reformed financial system"

Separation of commercial and investment banking; financial transactions tax

European institutions have not been able to approve regulations that they have proposed. In example, after 2008 the European Union has commissioned independent experts led by the Governor of the Finnish National Bank, Liikanen, to write a report containing the most important reforms to undertake. In first place the report underlined the **separation of commercial and investment banks**, but after many years of discussion and criss-cross vetoes among the State members, the proposal has been withdrawn. Same thing for the **financial transactions tax**, in spite of the positive vote of the European Parliament and of the draft of the Directive published by the European Commission.

We strongly reaffirm the necessity to resume the path toward approval of such regulation.

Promotion of a healthy finance

Next to urgent and necessary regulations to counteract speculation and harmful conducts, is equally important to develop a different banking and financial system. To answer to many needs of our society we need different banking models, a sort of **"banking biodiversity"** diametrically opposed to *one-size-fits-all*, too often promoted at European scale.

Ethical and sustainable finance has underlined in these years better performances not "only" in environmental and social terms, but also by an economic point of view⁴. European institutions have started a path to define and promote sustainable finance (the so-called *Sustainable Finance Action Plan*): it's an encouraging start, but at the moment too shy. It's lacking of specific tools that may have a relevant importance to strengthen ethical and sustainable finance path.

Therefore we ask the candidates to the European election, if elected, to commit themselves to:

- ▶ **strengthen Sustainable Finance Action Plan**, setting clear and strict criteria to define sustainable finance and of governance; and references to counteract speculation and tax evasion;
- ▶ **define sustainability for financial products** taking into account not only the specific product or the funding provided, but also the comprehensive behavior of the bank or of the fund manager. Article 111bis of the Banking Act defining ethical and sustainable finance in Italy is going exactly in this direction. A similar approach should be taken into account at European scale.
- ▶ **Recognizing a "social supporting factor"**: that means conditions to facilitate provision of credit to support projects and initiatives of enterprises and organizations implying positive impacts for society such as the introduction of a *green and social supporting factor*. The measure should enable to impair the capital absorption for funding dedicated to promote activities in the area of agriculture and bio, clean energy, sustainability, culture and to support enterprises in the social economy. This kind of tool – by reducing provision charges of capital for banks funding projects with a strong social impact – it's a very important one to facilitate investments and access to credit for enterprises of the social economy and near to the values of ethical finance.

A fundamental change is necessary for the future of the European Union. **Changing finance to change Europe** is even more true and urgent. If there is a positive signal that gives us hope in the future, is the growing number of citizens gaining awareness and asking for a similar proposal. Changing the financial system, besides its relevance, means **equip itself to meet the economic, social and environmental challenges we are facing**. Climate crisis and inequality, fiscal justice and jobs: we need a financial system at the service of society and the planet, going from being a relevant part of the problem to being part of the solution. We call the candidates to the European Parliament to commit themselves to such a new direction.

⁴ See the second Report on ethical and sustainable finance in Europe: http://finanzaetica.info/wp-content/uploads/2019/02/IlrapFINANZAetica-ENG_gen19.pdf