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## **EFBS reaffirms criticism of Capital Markets Union**

**Prague** – The European Federation of Building Societies (EFBS) reaffirms its criticism of key components of the planned Capital Markets Union. The action plan recently published by the European Commission shows that Financial Commissioner Jonathan Hill is sticking to his intention to intensify the transfer of savings deposits of private households to the capital markets. “But that is the wrong way”, EFBS President **Herbert Pfeiffer** declared during the Federation’s Annual Meeting on 4-5 November 2015 in Prague. “One thing counts above all for ordinary citizens: the security of their investments.” A recommendation in favour of the securitisation market exposes citizens to risks that they possibly cannot fully understand. Consumer associations too had rightly issued warnings about this.

Pfeiffer once again expressed his regret that, with these plans, the European Commission has completed a U-turn from its earlier thoughts. In the Green Paper of 2013, strengthening the European economy was still based on long-term savings products.

The EFBS also finds the indirect criticism of alleged lack of productivity of saving for home ownership incomprehensible. “Anyone who saves for this purpose not only protects himself against overindebtedness”, EFBS Managing Director **Andreas J. Zehnder** explained. “A sound financing system also provides a guarantee for long-term stability in the construction sector.” If – as already discussed – capital regulations are to be tightened up even further for banks, this could lead to higher capital requirements for lending. Potential home buyers who have invested their savings at high risk would nevertheless be committed if they had to accept losses at the time of financing. Possibly they would then receive no further credit.

Furthermore, according to Zehnder, the effect on wealth formation also has to be taken into consideration. A European comparison shows that where the home ownership rate is high, the capital to income ratio is also high. People who become homeowners therefore build up more assets during their lives than others. Studies have also shown that a higher home ownership rate goes hand in hand with a smaller wealth gap. “Home ownership therefore makes an important contribution to social equity in a society”, Zehnder emphasised. In addition, the advantages of home ownership deriving from rent savings in old age have been shown on several occasions by the OECD in its series “Pensions at a glance”.