FINANCIAL SECTOR AS AN ENGINE OF GROWTH AND WELFARE

A GOVERNMENT PROGRAMME DISCUSSION PAPER

FFI – FOR BETTER FINANCES

The Federation of Finnish Financial Services (FFI) is a lobbying and trade association for the financial sector.

FFI represents:
- banks
- insurance companies
- authorised pension providers
- finance houses
- securities intermediaries
- fund management companies
- financial sector employers.

Read more about us at www.fkl.fi
WELL-FUNCTIONING FINANCIAL MARKET CREATES EMPLOYMENT AND ENTREPRENEURSHIP

The financial sector directs savings to various investments, helps in risk management, and takes care of everyday payment flows. Without a healthy and well-functioning financial sector, economic growth is impossible to attain. A significant part of the new regulation created recently has been necessary, but the risk of over-regulation is high.

● **Churning out of new regulation must stop**
  Over-regulation makes financing more expensive and less accessible, and thus suffocates growth. Additional national requirements weaken Finnish competitiveness.

● **EU at risk of losing its legislative powers to authorities**
  Financial sector supervisory authorities have absorbed too much legislative powers from member states and the EU Parliament. This must not continue. The preparation of regulations must be transparent, open, and democratic. Interest groups and stakeholders must be closely involved in the process.

● **No single deposit guarantee scheme**
  The adoption of a single European deposit guarantee scheme would further increase the joint liability of banks. The Finnish Deposit Guarantee Fund’s assets must be used only to cover depositors in Finnish banks.

● **Banking activities should not be separated**
  Separating market making from other banking activities would be especially harmful for securities-based financing of corporations. Structural restrictions could encumber the Nordic countries more than others.

● **No further additional costs for the financial sector**
  Introducing additional burdens on the Finnish financial sector carries the risk of market participants moving to other countries. It would also make corporate and household financing more expensive. The Financial Transaction Tax, for example, would increase the costs of financial intermediation and weaken market liquidity. The tax would have a direct, detrimental effect on the return on Finnish earnings-related pension funds.

● **SME loans’ risk weight reductions should be continued**
  To secure financing, the risk weight reductions of SME loans must be kept in EU banks’ capital requirements. Risk weight reductions lower SME financing costs in the entire EU area.

● **Global rules for the prevention of tax evasion**
  Unilateral EU measures are inefficient and benefit other countries. We need a mutual assistance directive that enables automated information exchange. The size of the government expenditure allocated to the prevention of the grey economy should be restored to the 2011–2014 level.
FINANCIAL SECTOR
PROMOTES EFFICIENT AND SECURE E-SERVICES

The financial sector wants to co-operate in the implementation of a national information society strategy with the government and the other major sectors. Through co-operation, we can give a boost to the spread of digital services, and thus improve the competitiveness of Finland.

● An electronic register of shares in housing companies is needed
An electronic register of shares in limited liability housing companies would make the operations of authorities and companies more efficient throughout the entire chain. According to an analysis by the Ministry of the Environment, the social benefits of the register would amount to €7.5 million per year.

● Patient invoice and insurance compensation data should be transmitted electronically
The digitalisation of public services must take account of the entire service process – with particular emphasis on identification, electronic invoicing and payments, and information sharing that streamlines the process.

● Tax authorities should receive VAT information directly from e-invoices
The administrative burden of companies should be reduced with digitalisation and with more efficient data transmission and reporting. Already existing information should be utilised more, for example in supervisory reporting.

● Electronic identification must be further developed
The financial sector participates in the development of information society by maintaining secure and easy-to-use identification tools. The tools allow Finnish citizens to access services that require electronic identification. The development of these tools is done together with service providers such as public sector participants and companies that use the identification services.
PRIVATE PROPERTY
FINANCES HEALTH AND WELFARE SERVICES

Population ageing increases public expenditures and reduces the amount of labour. We can maintain the current welfare model by simplifying the financing channels of social welfare and health care services, and by reforming the production of services. Public funding needs to be supplemented with private property to finance welfare.

- **Decentralised model of the earnings-related pension scheme must be secured**
  Earnings-related pension assets must be only used for earnings-related pensions. They must be invested profitably and securely also in the future. This is supported by the decentralisation of the system, which must be strengthened in the reform of the Pension Funds Act and Public Insurance Funds Act. The statutory earnings-related pension system must stay in national control.

- **Overall assessment of welfare services is needed**
  The total cost of current and future welfare services promised to the citizens must be calculated. Citizens also must be informed about what services and service levels will in the future be publicly funded – and which services they should financially prepare for themselves.

- **Property should not affect care fees**
  Finns are willing to use their own assets and savings to fund their own welfare, but do not want it to be compulsory. Preparing financially for old age should be made easier and more attractive than it now is.

- **Personal provision for old age should be increased**
  The Income Tax Act must be amended to remove the penalising taxation of single-premium and other non-deductible pension insurances. Insurance contributions would not be tax deductible, but paid supplementary pensions would be only taxed for their return part. The benefits of single-premium and other non-deductible pension insurances would be tax-exempt when their payment begins after the earliest eligibility age for old-age pension and when they are paid out in equal instalments during the recipient’s remaining lifetime.

- **Service voucher system must be harmonised**
  The use of service vouchers must be increased so that citizens can more easily use their personal funding to purchase health and welfare services. The municipal service voucher system must also be harmonised.