

Brussels, 14 April 2011

Policy Statement Christian Clausen, EBF President

European banks are steadily regaining stability after the financial crisis. A solid and well functioning financial sector is instrumental in the recovery and long-term development of Europe's economy. The European Banking Federation (EBF) is determined to cooperate with policy-makers, companies and citizens to enhance economic growth and resilience. That will be the priority for the two years of my mandate as president of the EBF.

As stated by the EBF Board at its recent meeting, the EBF supports the objectives of the regulatory reform in the financial sector, to take sound actions to prevent new financial crises. In particular, we actively seek to contribute to an efficient codification of the agreed international standards for capital and liquidity; the new European supervisory structures; and the European framework for crisis prevention and management currently under discussion.

Stability remains the primary objective. It can only be achieved if the right balance is struck between capital increase, liquidity requirements and lending capacity. In the past, many banks have been operating with insufficient capital. Having small buffers has made them vulnerable to sudden and intense economic down-turns. The EBF therefore in general supports the proposed Basel III capital requirements, while underlining the uncertainties that remain in terms of liquidity requirements and the impact they may have on the financing of the economy.

In the implementation of Basel III, it is vital to ensure a level playing field between countries. The challenges imposed on many banks by Basel III obligations are significant. Before raising the requirements in Europe or in individual countries, focus should be put on raising all European banks to the proposed common minimum.

As the EBF, we wish to engage with policy-makers, supervisors, regulators, financial institutions and consumer representatives in more regular dialogue, ensuring a constructive and pragmatic approach, where the common goal is to ensure efficient and stringent regulation without imposing undue burdens on households, companies, societies and growth in Europe.

The EBF cooperation partners include of course the newly established European Banking Authority (EBA), the European Supervisory Markets Authority (ESMA) and the European Systemic Risk Board (ESRB). The Federation is traditionally supportive of strong and effective supervision, a prerequisite for the stability of the financial sector. We are therefore committed to contributing to the success of the new agencies, especially the EBA. We are also determined to ensure that it receives adequate support, as the Authority is building its competence and reputation in the market and vis-à-vis local banking supervisors.

The new regulatory regime will require successful and effective cooperation between national supervisors and the new European supervisory authorities. National measures and divergence in implementation of new regulations should not be allowed if we are to maintain a level playing field in Europe as well as globally.

Furthermore, the EBF endorses the objectives put forward by the European Commission on crisis prevention and management. There is no full insurance against any future crises since they generally stem from a series of interlinked events and causes. But it is possible to minimise their probability and reduce their impact.

Taxpayers should not be forced to carry burdens of crises or bail out failing financial institutions. The EBF is committed to helping policy-makers reach this goal. An economically integrated Europe has to be able to agree on cross-border recovery and resolution issues. With an effective crisis management framework, competition and efficiency harming suggestions such as special rules around Systemically Important Financial Institutions will become less meaningful and needed.

Banks play a pivotal role as intermediaries in our economic system. Within the European Union, banks serve some 400 million individuals and lend the equivalent of 144% of the EU Gross Domestic Product to households and businesses. Part of their strength is being able to operate also in an international market, at European and global level. In this respect, the integration of European financial services remains a mid-term objective. Should the European market fall victim to fragmentation, i.e. if national rules were adopted versus coordinated European ones, our economy would become weaker. International measures must also be implemented similarly across the international market. The industry, policy-makers and national governments will need to do this together if they are to succeed.

Moreover, in defining and implementing new measures it is important to ensure that an excessively strict or even over-regulated environment is not created, since that will have significant effect on households, companies and countries' economies. A proper balance between ambitions for economic growth and resilience has to be maintained.

The banking business should be based on trust and transparency. These are dimensions which have been eroded in parts of our industry in recent years, and the consequences will take some time to be remedied. In this context, I wish to reiterate the EBF's commitment to support, cooperation and integration, and thus to fostering stability and a more resilient banking sector. I look forward to putting this commitment into practice.

Note to the Editors:

Christian Clausen was appointed President of the European Banking Federation as of 1st January this year. He is President and Group CEO of Nordea Bank. The EBF, which just celebrated its 50th Anniversary, represents the interests of 31 national banking associations, from the EU and EFTA.