

PRESS STATEMENT

Friday 26 March 2010

Council Conclusions need fine-tuning, say European Banks

While generally in agreement with the principles expressed by the European Council in its conclusions, in relation to financial services issues, the European Banking Federation (EBF) wishes to express its views on some of the more specific positions of the Council.

The EBF is fully supportive of the various reforms aimed at enhancing the stability of the financial system, particularly as the efforts for coordination are placed in the context of the 2020 agenda. The Federation itself is actively involved in helping to devise solutions for a sustainable recovery and future. It is in particular strongly in favour of the creation of the Systemic Risk Board, as a central measure to monitor and address systemic concerns.

Similarly, the EBF welcomes the Council's commitment to the G20 process. "It is indeed crucial that measures are devised at international level and that a level-playing field is maintained", said Guido Ravoet, Secretary General of the EBF, "but first of all the actual objectives of new regulation must be clearly defined before deciding on the most appropriate way of achieving them. Then, it is for international standard-setters to discuss the technical aspects and ensure consistency."

Clearly, while rapid progress is needed, European banks are concerned that a sweeping wave of regulatory or financial retribution imposed on the banking sector, could have a negative impact on the real economy and may achieve adverse effects on liquidity in the markets.

"We do acknowledge that some increase in capital requirements are necessary, but at the same time, we truly believe that over-burdening the banks with stringent financial measures would prevent them from fully playing their part as providers of credit to the economy at large", explained Guido Ravoet, Secretary General of the EBF. "Various studies have already been carried out which prove this, and we are in the process of finalising our own impact assessment on the proposals put forward by the Basel Committee on capital and liquidity requirements" he added.

On the issue of Credit Default Swaps (CDSs), the EBF has always been supportive of their clearing through CCPs (central counterparty clearing houses). It stresses that the industry is already clearing the majority of CDS through clearing houses, where counterparty risk associated with CDS is efficiently managed. It feels that the focus should be more on actual market integrity and on policing possible market abuses rather than on abrupt solutions like bans.

Finally, regarding remuneration policies, the EBF strongly supports the Financial Stability Board principles, which create stronger incentives in remuneration schemes for sustainable business policies. "We already see that these principles could contribute to a level playing field if implemented consistently and simultaneously", commented Ravoet. "For us, it is imperative to maintain a level - playing field within the EU and on a global level, but also across the different sectors of the financial services industry. Banks have already taken quite a number of important measures to improve their remuneration policies in order to create a better balance between the taking of risks and the awarding of variable income. They should be given the opportunity to make the FSB principles work."

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Note to the Editor

Set up in 1960, the European Banking Federation is the voice of the European banking sector (EU and EFTA countries). The EBF represents the interests of some 5000 European banks: large and small, wholesale and retail, local and cross-border financial institutions