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**European banks renew support to global financial regulatory reform**

On the occasion of the G20 Summit in Pittsburgh on 24 and 25 September, the European Banking Federation commends the authorities for the progress made to date on the regulatory reform action plan leaders commonly agreed on almost one year ago in Washington. European banks also reiterate their commitment to fully respect the principles and standards defined by the international community.

“The current reforms need to be pursued in an internationally coordinated manner and it is crucial that the various global standard setters work together in order to optimise the recovery of the economy and the stability of the financial system.” declared Alessandro Profumo, President of the EBF and Chairman of Unicredit Group, in a letter sent today to Gordon Brown, Chairman of the G20.

In the letter, the EBF calls on the G20 leaders to pay particular attention to a number of considerations related to among others, the cumulative impact of the individual measures that will demand higher capital requirements of banks (including the possible introduction of a non-risk-based leverage ratio), which will have an impact on their ability to contribute to economic recovery. European banks acknowledge that levels of capital need to be reinforced in some areas, but warn against the piecemeal approach to date that lacks a comprehensive impact assessment.

They also continue calling for closer cooperation between accounting standard setters, and regulatory banking authorities, with a view to better reflect the economics behind financial transactions.

European banks welcome initiatives to enhance corporate governance and clarify open questions around remuneration. The EBF stresses that many European banks are already assessing their remuneration practices, where bonus/malus factors and minimal retention periods are becoming common reference benchmarks. It also supports setting up policies commensurate to risk profile as well as the review by the supervisory authorities of banks’ remuneration practices. The EBF notes that whereas in Europe the industry has put in place or cooperated with authorities to develop suitable risk-adjusted practices, this is not universally true and it would welcome the introduction of such practices in all G20 territories.

European banks generally encourage G20 governments, central banks and supervisors to analyse the scale and scope of potential competitive distortions in the market place, as a result of the government support plans and to identify the required exit strategies.

Finally, as regards the banking institutions that can affect systemic stability, the EBF considers that their oversight can be strengthened by means of supervisory and regulatory measures such as tailor made stress tests and contingency plans for crisis situations. “Adequate implementation of such measures would make the building up of more capital requirements unnecessary” said Profumo. The EBF supports the calls for the establishment of an internationally consistent intervention and resolution scheme for complex banks. “This will bring legal certainty in cross border commercial operations and reduce complexity” Profumo added.

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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