

“European bankers concerned over accumulation of proposed measures and impact on the real economy”

“European banks wish to draw the lessons from the crisis and take all necessary measures to reinforce the financial system and play their full role as fund providers to the economy”, stated the members of the Board¹ of the European Banking Federation (EBF) after their meeting in Madrid on 16 April.

In this context, European banks re-affirm their support for the G20 measures; in particular, those measures to strengthen the banks’ own funds where risks are greatest. They therefore welcome the Basel Committee proposals on new capital requirements for the trading book and the objective of a harmonisation of the definition of capital.

The EBF however recalls that the impact of these reforms on the economy, capital markets and banking structures requires careful analysis and that enough time should be allowed for the cumulative impact assessment. European banks consider it absolutely essential that the package as a whole - including the results of the calibration - is made available for further consultation and assessment before it is considered final. It also stresses that all reforms must be implemented progressively and simultaneously worldwide, in order to preserve the chances of recovery of our economies, ensure a global level-playing field and avoid distortions of competition and business models. This careful timetable should also apply to the implementation of the various reforms being made to the Capital Requirements Directive which implement the Basel framework in Europe.

When stressing the importance of analysing the impact of reforms, European bankers express their concern about the accumulation and coherence of proposed measures. The EBF is currently participating in an international macro-economic impact assessment of which preliminary results reinforce our concerns: If implemented in their current form the proposed measures would deeply damage the European economy, cost it several percentage points of growth and hamper the development of trade. “In this case,” declared Alessandro Profumo, President of the EBF and CEO of Unicredit Group, “many banks – not least smaller and medium-sized ones – would simply not be able to find enough capital to finance their lending activities and would therefore have to limit them.”

¹ Members of the Board of the EBF are the Presidents of national banking Associations of the 31 EU and EFTA countries.

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Note to the Editor

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Similarly, the liquidity requirements currently proposed by supervisors would mean that banks could no longer play their full part as long-term fund providers to the real economy. “In the end, added Profumo, the new rules could lead to a restriction of banks’ capacity to lend to households and enterprises.”

EBF Board members also insist that provided there is appropriate supervision and adequate regulation on capital requirements for risk taking, the regulatory reforms should not impose any additional legal limits to any particular business model and mix.

Finally, European banks reaffirm that those of them who have benefitted from state aid must reimburse them, with a view to maintaining fair competition. They do not favour the introduction of new taxation mechanisms, which would duplicate the changes to the Basel framework, only reduce further their levels of capital - and therefore their lending capacity - and would by no means enhance the stability of the overall financial system. The banks believe that further work needs to be undertaken on crisis management and the components of crisis management mechanisms, including funding. “Coordination across the EU will be essential for this to work effectively” commented Profumo, “and it will be necessary to establish internationally agreed principles. It is, however, essential to bear in mind at all times that increasing burdens on the banks will have a negative impact on the wider economy”.

He sees the European banking industry as part of the solution: “European banks confirm their commitment to continue working with the policy makers and supervisors to achieve a robust and efficient financial architecture and to bring stability to the financial sector in Europe”.

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