

Brussels, 27 April 2009

European Banks committed to financing the economy and supporting regulatory reforms

At the meeting of the Board of the European Banking Federation (EBF), held on Friday 24 April in Stockholm, Presidents of the national banking associations reaffirmed their commitment to support the economy. “Despite the current crisis, banks continue to compete actively to offer good quality services, and remain committed to financing the Economy through lending” declared Alessandro Profumo, President of the EBF and CEO of Unicredit Group. The EBF Board members stressed the necessity to maintain universal financial institutions in Europe to help the European economy be successful and recover rapidly from the crisis.

The Board members closely examined the impact of the state support measures on the banking industry. Initiatives taken so far by national governments have been of paramount importance to avert the risk of a systemic financial crisis, but competitive distortions among Member States and banks should be limited as much as possible.

“Transparency is key in this process,” stressed Profumo. “The conditions which accompany any state aid measure must be clear and transparent, in order to allow the market to understand the degree of distortion of the competitive conditions and countervailing measures”, he added. “And at the same time, exit strategies must systematically be part of the measures. Only then can we ensure healthy competition which will help restore the health of the markets.” The EBF Board members indeed called for a return as soon as possible to a free market without direct or indirect government intervention.

European banks are firmly engaged in the establishment of a better regulatory architecture. As regards supervision, the EBF reiterated its welcome of the recommendations of the de Larosière Group report, as well as the ensuing proposals put forward by the European Commission and the G20. The EBF particularly supports the introduction of macro-prudential supervision and would welcome the further strengthening of the colleges of supervisors, notably through the participation of a European-level central authority in the colleges. Such measures will ensure common core rules, consistent practices and a closer integration of European financial markets.

The EBF also welcomed the G20 commitments to reinforce the fabric of the global economy, in particular, by reforming the regulatory and supervisory frameworks. It also supported the idea to transform the Financial Stability Forum into a global regulatory coordinator, to strengthen adherence to international prudential standards and to achieve consistency in valuation and accountancy methods. European bankers acknowledged the international agreement to only apply more stringent capital requirement measures once markets have clearly recovered.

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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 represent the interests of some 5000 European banks: large and small, wholesale retail, local and cross-border financial institutions.

The members of the Board of the EBF are the Presidents of the national Banking Associations from 31 countries, CEOs of major European banks.

The possible introduction of a leverage ratio was also discussed. Applicable accounting rules and own funds definitions need to be harmonised at global level, before any measure could capture leverage in a sensible and meaningful manner. Moreover, any leverage measure should not serve as substitute to the risk-based approach of Basel II.

On the issue of remuneration, the EBF supports the principles adopted by the Committee of European Banking Supervisors and other bodies, according to which, remuneration policy must be aligned with risk. Companies, including financial institutions, need to align compensation incentives with the overall long term interests of consumers, shareholders and the company itself.

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