



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS

ROADMAP FOR CO-OPERATIVE BANKS

AN APPROACH THAT BALANCES
REGULATION AND STIMULATION OF LOCAL GROWTH

March 2014

WHY A ROADMAP

The 3.700 Co-operative Banks and their 215 million clients play a major role in the European economy, in terms of funding local economy and stimulating local employment. In light of the European elections and the new mandates of the EU Institutions (2014-2019) starting this year, the European Association of Co-operative Banks (EACB) has drawn up a **Roadmap of the Co-operative Banks' concerns and expectations, for an approach that balances regulation and stimulation of local growth.**

The EACB supports all legislative and regulatory initiatives that are in line with the principles and values of the co-operative banking model. Our Members, the Co-operative Banks, call for an appropriate regulatory framework that would allow them to continue playing a key role in funding the real economy, stimulating growth and boosting employment at local level. We hope that the Co-operative Banks' concerns and expectations described herein are taken into due consideration by the new MEPs and Commissioners.

WHO WE ARE

The EACB represents, defends and promotes the Co-operative Banks in Europe

- **3,700 local and regional banks**
- **56 million members**
- **215 million customers**
- **850,000 employees**
- **71,000 outlets**

- Co-operative banks account for **about 20% of the market share of EU bank deposits** and loans and so are a major feature of the sector¹. In countries such as Austria, France, Finland, Italy and the Netherlands, the market share is well above this figure, ranging from 25 to 50%. Co-operative banks are a main lender to European SMEs. In Austria, Italy, Finland, France, Germany and the Netherlands, co-operative banks' market-share of loans ranges between 20% and 45%, and often much higher in urban areas.
- Co-operative banks have shown customer proximity, a focus on SMEs lending, contributions to society and a very high level of stability for more than a century thanks to their strong values and principles. Their key values are:

trust between the bank and its members/clients, democratic and prudent governance, resilience to adverse market developments, close proximity to customers, social commitment and solidarity.

- True to their original mission, co-operative banks offer members and customers well-designed services and products that meet their needs and resources and support them through good and bad times.
- Co-operative banks actively support the sustainable development of their regions by, in some cases, reinvesting a large proportion of their profits back into the community, and by engaging with local members to select the projects that should receive the co-operative dividend.
- Their strategy is not to pay a maximum of dividends or to grow for the sake of growth. Profits are nevertheless necessary to ensure the durability and development of the business.

¹Olivier Wyman report, "The outlook for co-operative banking in Europe in 2012- banking on values, building on agility", December 2012.

CONCERNS AND EXPECTATIONS

Co-operative banks fully support the EU's strategy 'Europe 2020' for "smart, sustainable, inclusive growth" and the European model of social market economy put forward by the strategy.

They are eager to continue "building a better world", as expressed by the motto of the United Nations' International Year of Co-operatives.

Co-operative banks are ready to become a bigger part of the solution to the crisis and believe that they can be a driving force for a more sustainable society and economy. They are resolutely determined to continue funding the European economy and to meet the needs of their customers and territories in the current difficult economic climate.

They are keen to foster new ways of thinking about the co-operative banking sector and to pave the way towards a better understanding of their current and possible future role.

For this purpose co-operative banks would like to point out the following:

1. The strict alignment of the EU regulatory framework with the set of recommendations decided by the Basel Committee without due consideration given to the specificities of European co-operative banks has reached an impasse.
2. Reforms and new regulation should be phased in more carefully and better calibrated to mitigate the effects on the real economy and on the end users such as SMEs and consumers.
3. The extremely large number of regulatory proposals has reached a critical mass which exponentially increases the administrative burden and compliance cost. The adoption of rigid rules and binding technical standards based on the one-size-fits-all principle is not optimal. Co-operative banks express their strong preference for a pragmatic approach with adequate flexibility to accommodate the diversity of the banking industry.
4. The growing complexity of the current regulatory landscape and the accumulation of new legislation leads to disproportionate implementation and compliance costs for co-operative banks. These costs should be in line with the size of the institutions and their human and IT resources.
5. In the context of the stress tests and the implementation of the Single Supervisory Mechanism (SSM), more detailed and more frequent reporting requirements should only be imposed once it has been determined that (1) the information required could not be generated from existing reporting requirements, and (2) the benefits of imposing these requirements far outweigh the costs.
6. For most co-operative banking groups, any new binding constraints on the movement of capital and liquidity, between the apex body and affiliated local/regional banks in order to appropriately manage capital, on liquidity and on risk at the group level could have a significant impact on existing structures and must be avoided.
7. Co-operative banks shall keep the benefit of their solid and strong Institutional Protection Schemes in the context of the Single Resolution Mechanism. In order to avoid distortions between banking sector structures, the risk of default of the bank and the risk of loss of the fund should be the main criteria for the calculation of the contribution to the fund.
8. Given that consumer protection is a combination of 'rights and duties' for both retail banks and consumers, information should be simplified and the 'tick box' behaviour should not be the rule but the exception.
9. Too much focus on pricing should be avoided, as it does not do justice to the values that co-operative banking offer to customers, such as proximity, education and a tailor-made and individualised approach.
10. Co-operative banks do not call for any exemption but for a full recognition of their specificities in the legislation in accordance with article 54 of the Treaty on the Functioning of the European Union.





ABOUT THE EACB

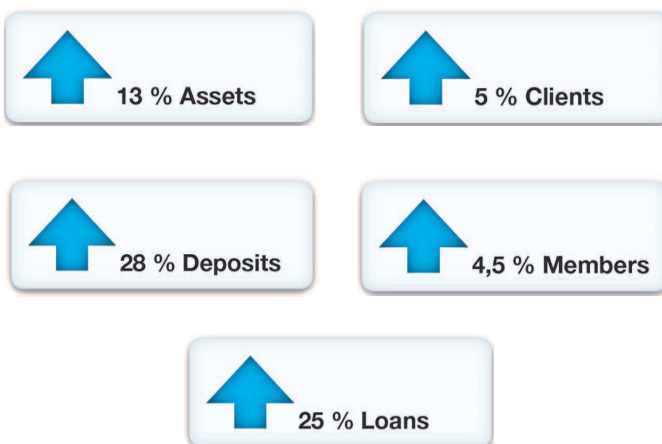
The European Association of Co-operative Banks (EACB) is recognised as the official voice of Co-operative Banks at European and International Level. The Association represents, promotes and defends the common interests of its 29 member organisations and the Co-operative Banks represented by those organisations.

Co-operative Banks from decentralised networks which are subject to banking, as well as co-operative legislation. The EACB voices the specificities of its members in order to contribute significantly to the diversity and the plurality of the banking industry for the benefit of the citizens and small businesses. Following the financial crisis, Co-operative Banks have demonstrated solidity and resilience. They are a key driving force for the economic recovery.

A RELIABLE AND SUSTAINABLE BUSINESS MODEL BASED ON THE FOLLOWING CORE VALUES

- ☐ TRUST
- ☐ GOVERNANCE
- ☐ RESILIENCE
- ☐ PROXIMITY
- ☐ SOCIAL COMMITMENT
- ☐ SOLIDARITY

CO-OPERATIVE BANKS DURING THE CRISIS BETWEEN 2008 & 2012*



* Source : EACB key statistics - www.eacb.coop

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