

EUROPEAN ASSOCIATION  
OF CO-OPERATIVE BANKS

CO-OPERATIVE BANKS: DRIVING SOCIETAL AND ECONOMIC GROWTH



# ANNUAL REPORT 2016

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The voice of **4,050** local and retail Banks | **79** million Members | **210** million Customers

European Association of Co-operative Banks A.I.S.B.L.

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**Gerhard Hofmann**  
President

The year 2016 provided a rather challenging environment for co-operative banks to operate in. Economic growth was still sluggish in most European countries, interest rates remained persistently low and the political framework in Europe shook to its foundations. The choice made by the UK to leave the European Union will leave distinct traces on the financial markets and have possibly wider repercussions. In addition, new digital technologies that enable more financial service providers to come to the market are still in their early stages and will most likely continue over the coming years. However, this challenging background did not prevent co-operative banks from staying on course. The trend set in previous years to excel in client-related activities and steadily increase their capital levels and thereby their robustness is persistent. Moreover, many co-operative banks are intensively working out their strategy for digitalisation.

Apart from the economic and political environment, the regulatory environment remains a key challenge to co-operative banks, starting with the effects of the unfolding Banking Union and, more recently, with EBA-ESMA and ECB internal governance draft guidelines and guide. The EACB, as the voice of co-operative banks at the European and international levels, reminds regulators and supervisors that the diversity of the European banking industry is an asset when it comes to financing the real economy and financial stability. Assuming that a one-size-fits-all approach is both efficient and appropriate in the context of the Banking Union would deny this market reality. Furthermore, starting from the governance model of a joint stock company and aligning it by and large unchanged to co-operative banks would be inappropriate. It is essential to highlight the fact that co-operative banks are member-governed institutions. Therefore, the EBA-ESMA and ECB guidelines and guide should contain specific provisions adapted and protective of the co-operative model and its specificities.

The administrative burden, which results from the perma-

# PRESIDENT'S ADDRESS

nent increase in the costs of compliance, is an impediment for the development of local co-operative banks. The most recent package of reforms proposed by the Basel Committee will create a new set of unbearable regulatory burdens on operations and probably an unlevel playing field with the US.

The EACB is asking the regulators and supervisors to implement a more credible model of proportionality in the legislation and to make it less complex for small- and medium-size institutions and those with low risk activities, which themselves are not a threat to financial stability. The EACB supports the European Commission in its efforts to introduce subsidiarity and proportionality into the regulation. In addition, co-operative banks are calling for a stable and reliable legislative framework whose contour and content are not constantly changing and creating a source of uncertainty, such as the discussion on the MREL and TLAC.

Exchange and dialogue are co-operative values which drive the EACB in its relations with the European authorities and international standard setters. This fruitful co-operation, and the willingness to progress while taking account of the co-operative banks' specifics, must continue and intensify at both the political and the technical levels.

Allow me to conclude by addressing some words of praise and gratefulness to my predecessor, Christian Talgorn, to the EACB team and its manager, Hervé Guider, who are at the heart of all these activities, but certainly also to the 200 national experts of our 28 member organisations. The professionalism of the staff of the secretariat and the member organisations is what creates the relevance and success of the dialogue that the co-operative sector has with the regulators. 2016 was another good example of how this professionalism can come to fruition.

I wish you enjoyable reading.



**Hervé Guider**  
General Manager

The aim of this report is to provide stakeholders, members and policymakers in Europe and abroad with a better understanding of the co-operative banking model and an overview of the EACB's core objectives.

Co-operative banks are the main pillar of diversity in the European banking sector. They account for around 20% of the market of EU bank deposits and loans, and they are thus a major feature of the sector. For this reason, they play a pivotal role in the European economy. With 4,050 locally operating banks and 58,000 outlets, co-operative banks are widely represented in the European Union. They serve 210 million customers – around half of the population of the EU – mainly consumers, retailers, SMEs and communities.

Co-operative banks call for a balanced calibration of the rules, which will allow them to continue to play a key role in funding the real economy, stimulating growth and boosting local employment.

With Europe's Single Supervisor now firmly in place, co-operative banks started feeling its presence more clearly in 2016. Getting involved with the Single Supervisor was thus one of the big priorities for the EACB this year. Several high level and technical meetings were held to establish a continuous dialogue. Additionally, the Single Resolution Mechanism deserved attention as it became fully operational at the end of 2015. In terms of regulation, 2016 was the year in which the European Commission proposal for the European Deposit Insurance Scheme (EDIS) was intensively discussed on both the Council and Parliament level. EACB proposed to opt for a reinsurance system, with cost neutrality for the banking sector. All this while the negotiations at the Basel Committee on capital requirements under the Standardized Approach and Advanced Approaches already held the potential of raising new and darker clouds over the prudential horizon, with the risk of capital floors rising to levels that could seriously hurt EU banks in comparison to US banks. Finally, by the end of the year the Commission services sub-

# WELCOME TO THE EACB

mitted a proposal for a review of European Banking Regulation (CCR/CRD) to implement numerous agreements at the Basel level by simply adjusting existing rules. The review could have an impact on the capacity of the banks to develop financing of the economy.

On the operational and client-facing side of co-operative banks, the regulatory challenges of 2016 were focused on the implementation of earlier adopted product-oriented legislation. With a lot of the complex legislation detailing implementation rules not being available, it was important for co-operative banks that the date of application for the overall framework for selling investment products (MIFID II and PRIIPs) was delayed by a year. On the side of payments and accounts, contentious discussions were held on the security requirements for access to bank accounts by third parties and on the standardisation of information to clients.

More forward looking, work on the Capital Markets Union (CMU) project and on initiatives to regulate digitally enabled business models also demanded attention. On the CMU side, high on the agenda of co-operative banks as key providers of finance to SMEs were the building blocks designed by the Commission for the new securitisation framework, the Commission's proposal for a selected review of the Capital Requirements framework, the Commission's proposal for a revised Prospectus Regulation and the Commission's reflections around a legal framework for covered bonds. Concerning digital matters, the round table discussions between Commissioners Oettinger and Dombrovskis, together with the CEOs of banks, led co-operative banks to reflect on their main concerns regarding the possibilities and threats that digital technology offers and on what topics special attention on the part of the Commission is warranted.

Finally, the EACB has continued its commitment to communicate intensively on the diversity of the co-operative banks' business model and its distinctive features as a pillar of financial stability, sustainability and local growth. The EACB was a partner of the International Summit of Cooperatives and of the International Conference on Cooperatives Studies, organising specific sessions on co-operative banks. It has released new studies in collaboration with universities and has continued engaging in online communication, illustrating the dynamism and the crucial role of the sector.

# ABOUT THE EACB

## CO-OPERATIVE BANKS AT A GLANCE

210 Millions  
CUSTOMERS



79 Millions  
MEMBERS

4 050  
REGIONAL &  
LOCAL BANKS



749 Thousands  
EMPLOYEES

7 Trillions  
BANKING ASSETS



### THE ASSOCIATION

The **EACB** is the leading trade association for the co-operative banking sector with **28 member institutions** and co-operative banks located in **23 countries worldwide**. As the representative of the world's largest co-operative banking cluster, the EACB is the voice of **4,050** small, regional and large member banks at European and international levels. An international non-profit based in Brussels, the EACB is recognised as a key interlocutor for co-operative banks by EU regulators and supervisors.

### WHAT IS THE EACB?

As the official representative of co-operative banking to the international and European institutions, the **EACB** is committed to providing a high-quality, credible voice for co-operative banks. In this regard, the EACB supports the code of conduct on lobbying of the European Commission and is registered in the EU transparency register book (Transparency Book Register 4172526951-19).

The EACB has the largest and most comprehensive policy resources for co-operative banks worldwide.

The association represents, promotes  
and defends the values of the co-  
operative banking model in Europe  
and on the global stage.

**Democracy** is central to these values with the principle of '**one person one vote**' at its core. Other values include a strong commitment to social engagement and close proximity to customers.

The co-operative banks have proved to be **resilient** to the effects of the economic crisis. The **EACB** emphasises the unique characteristics of its members in order to enhance the **diversity** and plurality of the European banking industry for the benefit of Europe's citizens and SMEs.

The EACB is fully dedicated to its members. In line with the **co-operative values**, each full member is given the same weight in the decision-making process, regardless of its size, country of origin or financial contribution. Furthermore, our credo, '**Everything we do – Everything you know**', ensures the commitment of the EACB Secretariat to inform, consult, consider and respect all members' opinions and advice.



## WHO WORKS FOR THE EACB?

The expertise and professionalism of its staff members, working hand in hand with **more than 200 national experts** actively involved in the EACB's specific technical working groups, allows the **EACB** to make relevant contributions to the consultations of the international and European Institutions, European Parliament committees, expert panels and other relevant hearings.

Furthermore, through a broad range of information, trainings, staff expertise and an **EU think tank on co-operative banks**, the EACB provides its members and stakeholders (study tours, other co-operative organisations, visiting delegations of co-operative bankers, etc.) with the tools for increasing their awareness and knowledge of European issues. It helps keep them up to speed with legislative and regulatory developments. It is also **a valuable platform** on which members can defend and promote their banking model. For details of the EACB's team, please visit our website: [www.eacb.coop](http://www.eacb.coop) or see annex

## WHAT IS THE EACB'S AGENDA FOR ACTION?

The **EACB's** value lies in its position as a leading trade association interacting and triggering debate with international and European institutions. As a privileged interlocutor for **co-operative banks** with policymakers and standards setters, the EACB is also considered **a reliable source of information** that delivers solid and representative opinions on key issues with regards to the legislative agenda affecting co-operative banks.

**Diversity is an element of financial stability.**

Laws and regulations should be tailored to take into due consideration a bank's charter, business model, location and risk profile. It is of the utmost importance for decision makers to avoid the negative economic consequences of burdensome and 'one size fits all' banking regulations. **Diversity is an element of financial stability.**



1

**Better understanding of our business model** - research is one of the ways to achieve it

2

**"Fit to purpose" legislation** - to balance efficiency and financial stability while reflecting market realities and diversity to be effective

3

**Simplicity to drastically reduce compliance costs** - compliance with complexity is an impediment for many banks and co-operative banks

4

**Implementation** - to be carefully timed and phased in

5

**Proportionality** - to calibrate regulation on the size, activities and complexity of bank risk

6

**Impact assessment** - all kinds of ownership banks should be part of the representative sample



# THE CO-OPERATIVE DIFFERENCE

**Co-operative banks are the main pillar of diversity in the European banking sector.** They account for about **20% of the market** of EU bank deposits and loans, and they are thus a major feature of the sector. For this reason, they play a pivotal role in the European economy. With **4,050** locally operating banks and **58,000** outlets co-operative banks are widely represented in the European Union. They serve **210 million customers** – around half of the population of the EU – mainly consumers, retailers, SMEs and communities.

## WHAT MAKES THE CO-OPERATIVE BANKING MODEL DIFFERENT ?

### • Member ownership:

Co-operative banks are private institutions. They are owned by their members, who are also their customers (e.g. local entrepreneurs, craftsmen, farmers and households). Diversity of member ownership entails a consensus-driven approach and prevents a strong focus on only one stakeholder. This customer-centric aspect is a distinguishing feature of co-operative banks and is hard to replicate outside the co-operative model.

### • Maximisation of members' benefit/surplus in a long-term relationship:

Compared to shareholder banks, which are primarily focused on maximising their shareholders' profit, co-operative banks are focused on maximising their members' value (i.e. customer satisfaction, earnings stability, etc.) in a non-speculative, long-term strategy.

### • 'One person – one vote' democratic governance, with a bottom-up approach:

The bottom-up approach or inverse pyramid structure is very specific to co-operative banks. It ensures that the interests of members are the top priority of their banks. As opposed to commercial banks, customers and members of co-operative banks are represented in the banks' governance structures and involved in the daily life of their banks (i.e. board meetings, membership councils, general assemblies, etc.). By becoming a member, customers elect the leaders and have a say in the decisions and policies of their banks.

### • Resilience:

Co-operative banks have a lower risk appetite than shareholder-based banks. With their long-term orientation, they also maintain, on average, higher capital reserves. Thanks to their deep roots in local economies, co-operative banks anticipate and adapt to local circumstances. For these reasons co-operative institutions can adapt to changing circumstances and re-invent themselves more than other banks.

### • Strong commitment to social values:

Co-operative banks have a long tradition of commitment to social values and solidarity. They were originally created in the 19th Century in Europe to fight against financial exclusion of social groups and alleviate the plight of rural populations. Furthermore as local contributors co-operative banks are part of the economic and social environment of their customers. They naturally take initiatives that aim to improve their clients' environment, and provide financial services. A proportion of the banks' earnings are invested in local economic initiatives that benefit the local community at the same time.

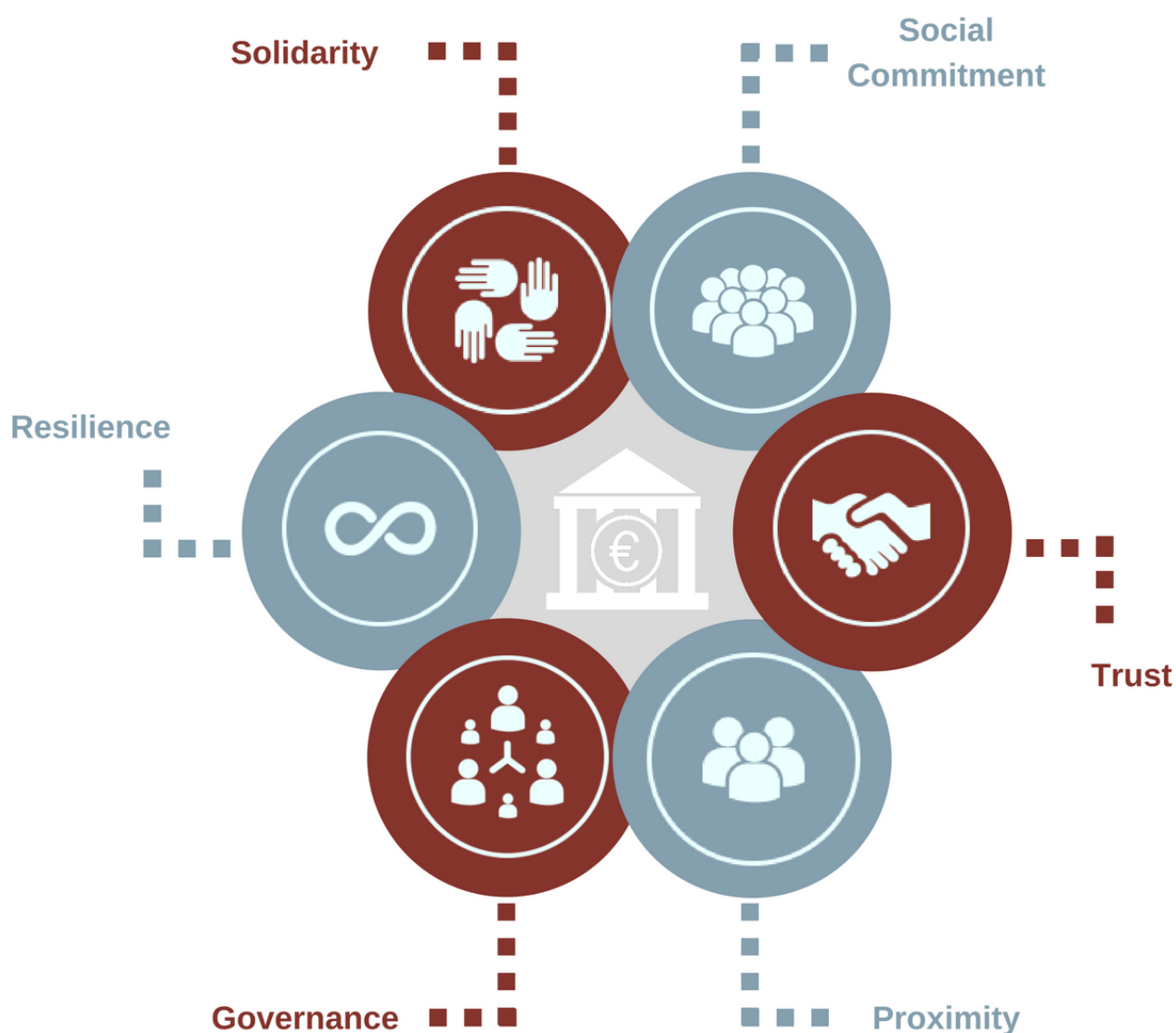
### • Proximity to customers:

Thanks to their dense and decentralised networks of branches, co-operative banks reach even the most remote areas. Through their members, they are locally rooted and an integral part of their community. They understand their customers and speak their language. Co-operative banks are dedicated to sustaining the real economy by creating and fostering local jobs, accompanying key territory actors and giving local communities the means for their own social and economic development. As a result, co-operative banks are often the main employer and serve as financial partners of local households and businesses. Overall, they finance one-third of SMEs in Europe.



## WHAT MAKES THE CO-OPERATIVE BANKING MODEL

### Different ?



# TESTIMONIES OF THE CHAIRMEN

## TESTIMONIES OF THE CHAIRMEN OF THE EACB WORKING GROUPS

The activities of the **EACB** are articulated around **Working Groups** and **Task Forces**, covering topics from banking legislation to customer policy, CSR and Social Affairs. The **Executive Committee**, which is comprised of 40 appointed members, endorses recommendations put forward by the Working Groups members. The testimonies of the chair persons of these Technical Working Groups for the 2016 activities is provided in this section.

### Banking Regulation Working Group

“Over 2016 banking prudential regulation has been under the spotlight all over the globe. The reforms of the Basel Committee for Banking Supervision on the approaches for Credit Risk, in particular, retained a key position in the WG’s activities, given the implications in terms of impact on real economy and capital requirements for all banks. Discussions have increasingly evidenced the need not to harm the market specificities and the growth prospects of the European and global economy by inappropriately calibrated rules.

The SSM has continued in its harmonisation of the options and discretions in EU law, and refined its SREP methodology. The EACB Banking Regulation Working Group has maintained a strong engagement with regulators, supervisors, and policymakers to ensure that reforms are fit for purpose, proportionate to risks and mindful of business models’ specificities.”

”

### Banking Supervision Working Group

“2016 has been an intense year for the banking supervision and resolution legislation. As in previous years we continued our work on the banking structural reform, the Total Loss Absorbency Capacity (TLAC), the Minimum Requirement of own funds and Eligible Liabilities (MREL) and the European Deposit Insurance Scheme (EDIS). The EACB Banking Supervision Working Group has maintained its focus on the specificities of co-operative bank and a strong engagement with the action of regulators and supervisors. We made sure that we were fully engaged in discussions, not only by taking part in public consultations and hearings, but also by attending the Industry Dialogue and bilateral meetings with SRB. We want to ensure that our voice in the debate on EDIS is clearly heard by authorities. In 2017, we will continue to focus our efforts on highlighting the conditions of a European deposit insurance system.”

”



Holger Mielk, BVR



Arnold Kuijpers,  
Rabobank



Rainer Siedler, BVR

#### Consumer Policy Working Group

“Once again consumer rights in financial services have been at the centre of the EU debate from various angles. An additional legal step came from the European Banking Authority (EBA) in putting forward draft regulatory and implanting technical standards to let consumers have a better understanding of fees so that they can compare offers from different payment service providers (PSPs). Another notable legal result is the entry into force of the Data Protection Reform, a major step forward in the implementation of the European Commission’s Digital Single Market (DSM) strategy. The reform consists of two instruments, the General Data Protection Regulation (GDPR) and the Data Protection Directive, and aims to enable citizens to better control their personal data as well as to allow businesses to make the most of the opportunities of the DSM. In the field of digital and innovation, it is also worth mentioning the ESAs’ growing interest in consumer protection (innovative uses of consumer data by financial institutions, automation in financial advice, etc.). 2017 will surely be an active year for co-operative banks, which will be more and more challenged by the digital revolution affecting some of the key core values of co-operative business models”.

#### Corporate Governance and Company Law Working Group

“Management, corporate governance and control with a specific focus on company law, company structures and internal processes have gained increased relevance under CRDIV. Some first experiences on the basis of concrete assessments have resulted in further development regarding perceptions and expectations of supervisory authorities. Right from the start it became evident that the revised rules would have a strong impact on the composition of the management bodies and interfere with remuneration systems. Nevertheless, national authorities still had some room to adjust requirements to national structures and practices. In the meantime, however, the pressure for harmonisation has increased and for prudential authorities to incorporate their new attitudes into revised guidelines. The EACB Working Group, Corporate Governance and Company Law, also monitored these developments in 2016. It was involved in a constructive exchange and defined the position of the European co-operative banking sector. The needs and particularities of co-operatives and especially the principle of proportionality were highlighted and defended in discussions.

The working group will continue its strong involvement in the coming months, especially given that the EBA and the SSM issued several consultation papers in late October/November. The focus will be on the suitability of members of the management body and key function holders, internal governance and the authorisation processes for credit institutions. Their approach must not only be adapted to and protective of the cooperative model ; it should be neutral and respect one-tier and two-tier systems.”

Frank Brogl, DZbank



**Miguel Garcia De Eulate, UNACC**

## Financial Markets Working Group

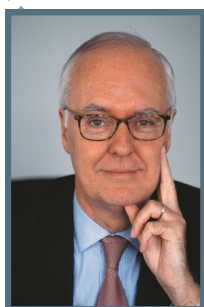
“Financial markets are still in a state of flux due to the ever- evolving regulatory framework with daunting implementation challenges and competition from fintechs. This, of course, affects to a very large extent co-operative banks’ business models and strategies, and their offering to clients. In 2016 we saw that – due to the complexity of the legislation and the fact that its implementation has proven to be a huge challenge not only for banks but for the regulators themselves – the application of a couple of important pieces of legislation such as MiFID II and PRIIPs had to be delayed. This proves that the legislation needs to be well- thought out and designed, and to be based on realistic timelines that allow proper implementation by market participants. At the same time, the Capital Markets Union project has been moving forward with some initiatives which – if well designed – could contribute to growth and could also allow co-operative banks to better diversify risks and unlock capital in order to continue financing and boosting economic growth in their regions. Having said that, the new landscape means that co-operative banks have to become more creative to address new competition, while not compromising their distinct characteristics and nature and the offering of high-quality services to clients.”

## CSR & Co-operative Affairs Working Group

“In the area of CSR, co-operative banks have an original experience due to their founding values, which enables them to demonstrate the difference of their business model and the coherence between their principles and daily reality. In this context, the CSR & Cooperatives Affairs WG has continued its work on the evolution of the regulation as well as on the exchange and dissemination of CSR best practices, especially through their publication on the dedicated website of the EACB.

Following the EACB declaration at COP 21, emphasis has been placed on the financing of local network energy transitions. To this end, contact has been taken with the European Commission and the main competent authorities. The executive committee in December 2016 agreed the WG proposal to set up a specific task force, and the CSR & Cooperatives Affairs WG, in liaison with the concerned WG, will work on this proposal as a priority in 2017.

The EACB, along with other European co-operative groups, were present in the European Union Coordination Committee (EUCC) to promote the co-operative difference, preparing position papers and defining a common co-operative advocacy strategy, for example, in order to take into account co-operatives in the SME policy.”



**Etienne Pflimlin, Crédit Mutuel**



**Narinda You, Crédit Agricole**

## Payment Systems Working Group

“2016 has been once again a very fruitful year in terms of developments affecting retail electronic payments in the European Union. The industry has definitively shaped the rules that will govern the provision of instant payments from November 2017. In this field, the Payment Systems Working Group (PSWG) has been very vigilant to ensure that instant payments will be cleared and settled in a way that fully respects the specificities of co-operative banks regarding their access to payment systems. From a legislative point of view, the PSWG has also engaged in a dialogue with the European supervisors about the development of guidelines and standards on the security of electronic payments. Indeed, the Revised Payment Services Directive gives way to a new liability regime that creates important challenges for the banking industry. In parallel, the EACB has actively supported both the European Payments Council and the Euro Retail Payments Board in various fields such as e-invoicing or mobile payments.”

# CO-OPERATIVE BANKS IN THE BANKING UNION



## THE EUROPEAN CENTRAL BANK (ECB) & A SINGLE SUPERVISORY APPROACH

Over the course of 2016, the **Single Supervisory Mechanism (SSM)** continued its course towards harmonisation of the way supervision is conducted across the Euro area. It also advanced the refinement of the **SREP** methodology, building on best practices across the Euro area and on regulatory products issued by the **EBA**.

In particular, the SSM finalised action on the national options and discretions (NO&Ds) in EU law. While an option is giving supervisors the choice of a range of alternative solutions, a national discretion is giving supervisors the chance to decide on whether to apply or omit such a provision. At the national level, these NO&Ds were exercised differently. For the SSM this created difficulties in ensuring a consistent overall level of regulatory capital and liquidity across Member States and in comparing the capital positions of banks. The SSM issued several elements that make up a guide and establish a common approach for the Single Supervisor, including the assessment of institutional protection schemes for certain prudential requirements.

Furthermore, addressing the legacy of the **Non-Performing Loans (NPLs)** crisis is at the core of supervisory priorities. In 2016, the SSM issued guidance on the

management of NPLs to create a common approach and processes for all **Significant Institutions (SIs)**, based on the identified best practices of European supervisors. The **EACB** emphasised why it is important that the guidelines are applied consistently at the level of NPLs and the business profile of the institutions, so that redundant processes and costs are not imposed on institutions that have low level of NPLs.

The **EACB** has consistently highlighted in its position papers and communications **the importance of a proportionate approach to regulatory initiatives coming from the supervisor as well as the need for supervision that takes into account different risk profiles and the complexities of institutions**. We pointed out the need to develop approaches that are not overly bureaucratic and that do not unduly overburden established and well-functioning operational arrangements of co-operative groups and networks. Allowing a meaningful alignment of resources for the supervisory process should be key, avoiding redundant and complex documentation requirements and not overstepping the mandate set by regulators in the level 1 legislation.

The **EACB** has established a regular and effective technical supervisory dialogue with the SSM, focusing both on elements related to the supervisory process of SIs and on methodologies for oversight of Less Significant Institutions (LSIs). Over the year numerous meetings have been organised with member banks/associations and competent officials to illustrate where supervisory processes can be improved and the importance of an open feedback loop with institutions.

In 2016 the **ECB** also issued a statistical regulation, **AnaCredit** (analytical credit datasets), that obliges banks to provide detailed information on individual bank loans in the euro area, harmonised across all Member States. The EACB has advocated for a reduced reporting population and reduced scope, and for a reporting package that would not unduly burden institutions. The ECB in the final regulation drew some criticism from the industry. For the time being only conventional lending products to legal entities will be subject to data collection, and derogations and exemptions will be provided for smaller institutions. The data collection is scheduled to start in September 2018.



### Pillar II: The impact of establishing the SRB and SRF on the Banking Union/Banking Industry

As of January 2016 the **Single Resolution Board (SRB)** has become fully operational as the resolution authority within the Banking Union. It is at the centre of the **Single Resolution Mechanism (SRM)**, the second pillar of the Banking Union. Its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy and public finances of the participating Member States and beyond. Both SRB and SRF, in its fully operational phase, are essential to facilitate the work and enforcing an effective resolution regime for the European banks, to avoid the possible bail outs or to minimise their impact on the market. SRB works in a close collaboration with national resolution authorities. In 2016, the scope of SRF reached 3762 institutions. The **EACB** attended three Industry Dialogue Meetings (in January, May and November 2016) organised by the Single Resolution Board. Meetings were focused on the further resolution planning, review and implementation of a **Minimum Requirement for own funds and Eligible Liabilities (MREL)** and a **Total Loss Absorption Capacity (TLAC)**, simplified obligations for less significant institutions, as well as the contribution to the Single Resolution Fund. During the meetings the representatives of **EACB** had the possibility to discuss issues raised during the presentations with the SRB, national authorities and European institutions. The last meeting of the year, which was held in November 2016, presented the requirements for resolution planning in 2017 and the structure of ex-ante contributions to the SRF.

Furthermore, the **EACB** focused on developing a technical dialogue among its member banks and the SRB, which will help its members to better understand processes and expectations. Following up on this, the **EACB** was involved in the action of the SRB on banking models. In July 2016, **EACB** secretariat representatives, together with members of the Banking Resolution and Deposit Protection Working Group, participated in the exchange of views on specific aspects of the cooperative model, solidarity mechanism and the case of insolvency for the purpose of the SRB report. These efforts will be continued in 2017.

In 2017, the SRB is planning to focus on resolution readiness, the **Single Resolution Fund**, policy and cooperation and SRB resources, which are going to be key priorities of the relevant **EACB** working groups. Regarding the review of **MREL**, it will be fundamental to focus on the development of entity level within banking groups in the SRB's remit and to address the quality and location of the mini-

mum requirement for own funds and eligible liabilities within banking groups.

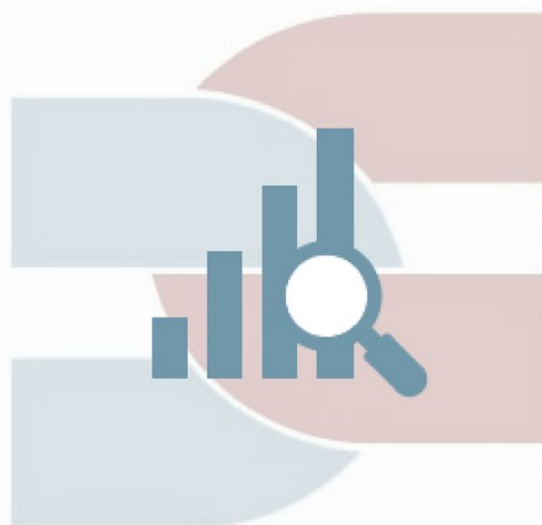
Finally, the **EACB** worked on implementing measures detailed by the EBA, responding to consultations on various aspects of the recovery and resolution framework.

### Pillar III: Ongoing works on the proposal of establishing a European Deposit Insurance Scheme

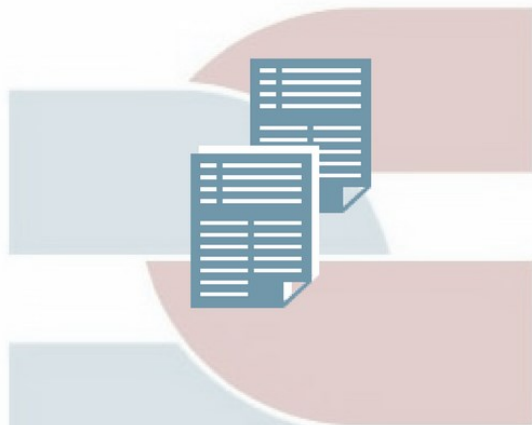
In November 2015, the **European Commission** published a proposal for the establishment of a **European Deposit Insurance Scheme (EDIS)**, as a third pillar of the **Banking Union** in three stages: as a first step a EDIS would be designed as a **reinsurance scheme** providing support when systems face losses. This reinsurance would be replaced by a co-insurance phase, where a **European Deposit Insurance Fund (DIF)** would cover increasing amounts of necessary payouts. By 2024, EDIS would operate as a full-scale, common deposit guarantee scheme at an EU level covering all pay-outs in the EU.

According to the majority of **EACB** members, a reinsurance scheme should be sufficient and there must be, first of all, a steady and sufficient progress on the risk reduction agenda, as well as more convergence in insolvency law and restructuring proceedings across Member States. They believe that, by all means, cost-neutrality for the banking sector and a level playing field within the entire EU must be ensured.

In October 2016, the **European Commission** published the Effect Analysis of **EDIS** Proposal. The outcome of calculations does not provide strong evidence for the predominance of the suggested model. In fact, other solutions (e.g. the reinsurance model) have similar advantages.







In November, the **ECON Committee** published the Draft Report on the EDIS Proposal, which brings forward very substantial changes to the European Commission proposition. A first major difference was the resignation from reaching a fully mutualised scheme and the prevention of integration on the insurance phase. Esther De Lange, ECON Rapporteur, suggested to resign from the middle stage co-insurance scheme and change the nature of the previously fully mutualised last stage. After the first discussion during the ECON Committee meeting, MEPs had a chance to suggest changes to the Ms De Lange's Draft Report. First examination of the tabled amendments made it clear that reaching the agreement may be difficult. Amendments presented by the political groups differ greatly, but even within parties opinions are not homogeneous. The **European Parliament** will proceed with deliberations, consideration of amendments and voting on the Draft Report in the first half of 2017. The **EACB** is closely following these developments and promoting dialogue with the co-legislators in order to achieve a common position. **EACB** members will promote a more critical approach to the **EDIS** proposal that outlines that if **the EU scheme is necessary, it should be set as the reinsurance scheme only**.

## CONTINUED REGULATORY ACTIVITIES

### EU: Continued implementation and impact assessment of the regulation on prudential requirements for credit institutions and investment firms (CRR review including TLAC)

Following a year of intense preparatory activities, the Commission published on 23 November 2016 its regulatory reform package for "risk reduction measures", evidencing a close political link to EDIS and the ongoing work on the Banking Union. The proposal includes a review of several regulatory acts, namely CRR, CRD IV, BRRD and SRMR.

Anticipated by the 'call for evidence' on the appropriateness of the regulatory framework in 2015, the EBA and the Commission launched numerous initiatives and con-

sultations in 2016 on key aspects of the new legislative proposal, such as the mechanics of the Net Stable Funding Ratio (NSFR), the leverage ratio (LR), an extended capital supporting factor for SME loans, the implementation of the revised trading book framework for market risk requirements (i.e. the Basel Fundamental Review of the Trading Book (FRTB)), work on derivatives' requirement, remuneration, reporting and disclosure. The EACB has been actively engaged in this process, participating in consultations, providing technical input and highlighting **the diversity of the banking system**.

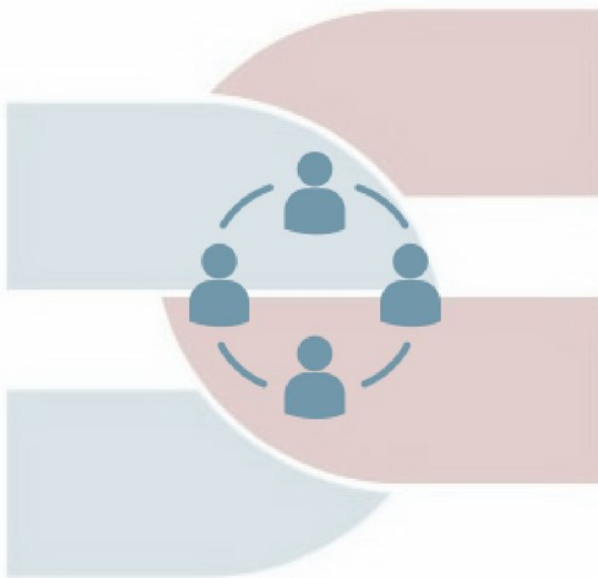
**The EACB repeatedly underlined the importance of a regulatory framework that takes the differentiation of the European banking landscape sufficiently into account while also promoting competition, innovation and productivity. The framework must provide a wider range of banking products for customers and help preserve the diversity and stability of the financial system.**

In the context of these discussions, **proportionality** was a pivotal point. The **EACB** emphasised that policymaking should recognise the suitability of measures (the ability to address the risk), **subsidiarity** and necessity (meaning a lack of a viable alternative instrument) and **proportionality** sensu stricto (meaning that the benefits should outweigh the costs). In this sense, **proportionality** is not a matter of the size of the balance sheet of a bank, but a matter of the scale, nature and complexity of the bank's activities. It is thus applicable to large banks and has a wider business model perspective.

The **EACB** pointed out the necessity to very carefully assess the design and calibration of the requirements to take full account of the specificities European financial markets in various respects (e.g. repo operations, derivatives, intragroup exposures and pass through loans) **to maintain the financing that the real economy needs for sustained growth**.

Ongoing discussions on access to finance for SMEs naturally centre on the so-called SME capital supporting factor (Art. 501 CRR), which reduces the prudential capital requirements for SME loans (applying a 0.76 corrective factor). Policymakers gathered views on this issue in an EBA discussion paper and in the Commission's Call for Evidence. **The EACB strongly made the case for maintaining this measure to support growth and emphasised that the timeframe since introduction of the factor (i.e. January 2014) is too short to justify a repeal, as banks could only recently start to consistently factor in this element in capital planning.**

In this sense, it was very appropriate that in the Commission's proposal for a CRR review, the current SME supporting factor is not only maintained for any exposure up to €1.5 millions but extended over such a threshold (albeit with a stricter correction).



The **Commission's** proposal has also laid out the criteria for the implementation of the loss absorption requirements for Global Systemic institutions (G-SIFIs) designed by the **Financial Stability Board**. The proposal aligns the criteria for the existing EU minimum requirement for own funds and eligible liabilities (**MREL**) with the **TLAC** requirement, for instance in terms of eligibility of liabilities.

The legislative process will keep the co-legislators busy over 2016 and 2017. The **EACB** will maintain its attention and engagement in dialogue with policymakers. Avoiding unintended disruptive consequences on the operational capacities of institutions and maintaining an effective flow of financing to the real economy will be a central topic.

At the same time, the implementation of level 2 regulatory pieces of the **CRR/CRD IV** continued at a steady pace, with a key role being played by the **EBA**.

The **EACB** gave dedicated attention to the regulatory initiatives from the **EBA**, responding to numerous consultations (including, for instance, those on the accounting and risk management of expected credit losses, disclosure requirements and the definition of the group of connected clients for large exposures) and underlining the need for the **EBA** not to go beyond the mandate of the regulation with its own initiative guidelines.

Finally, among regulators and supervisors the debate on the need for a review of the **EU macro-prudential framework** culminated in a consultation launched by the Commission. The **EACB**, in responding to this initiative, **called for more transparency in macro-prudential decisions from competent authorities**, a streamlining of the processes and a clearer definition of the instruments. This topic will remain on the agenda, given that a proposal for the review of the EU framework is expected in 2017.

## Global level : BCBS ongoing activities in redesigning the prudential requirements (SA for credit risk, reshaping IRB models, operational risk, floors for internal models, supervisory best practices

The BCBS launched in 2015 a comprehensive review of the framework for the calculation of capital requirements for credit risk, which touches upon the standardised (SA) and **internal model approaches (IRB)**. The banking industry, the business community at large, policymakers and supervisory bodies have greatly debated the direction of these reforms and their impact on the real economy and banking business models.

Proposals for the introduction of modelling constraints (input floors) and an aggregate backstop for model results (output floors) for IRB models were a critical point of discussion. While the proposals improved between the 2015 and 2016 formulation, a lot of critical aspects were still outstanding.

The **EACB** indicated **strong concerns** with respect to the possible outcomes; the global rule book may be in conflict with regional differences around the world and the consequences for certain business models and financing models would be disruptive. The **EACB** has kept the topic in the spotlight, engaging with regulators and supervisors on multiple levels. Through meetings and detailed technical input, the **EACB** indicated the need to carefully assess impacts and appropriately calibrate the proposals. Particular areas of interest were the treatment of residential real estate, the retail exposures, SME and corporate financing, specialised lending structures, agricultural and collateralised financing, and the overall need to maintain a sufficiently simple structure for the SA and avoid portfolio shifts that would harm the real economy. IRB also needs to remain sensitive to risk. The **EACB** has held numerous exchanges both with representatives of the Committee and with the supervisors and regulators involved in the process from different jurisdictions. Dedicated position papers were provided on both the standardised approach and IRB, along with high-level letters and ad-hoc specific information required by supervisors to better understand the impacts of proposals.

EU officials have expressed their concerns about rules that would hamper growth and the real economy. **Commissioner Dombrovskis** indicated that the Commission, while working on agreed international principles, sees the *"need to find solutions that both ensure financial stability and do not weigh unduly on the financing of the broader economy in Europe"*. Moreover, the **European Parliament** approved a resolution addressing EU concerns about the ongoing **BCBS** process of reform.

Following a meeting on 29 November 2016, the **Basel Committee** submitted its proposals to the **Group of Governors and Heads of Supervision (GHOS)**, which will still have to decide on certain elements such as the level of the output floor. In January 2017, the GHOS postponed its final decision because an agreement at the technical level had not yet been reached.

When the decision comes, an expected implementation period of 2.5 to 3 years will begin, and a transitional period should apply, possibly including grandfathering arrangements. Given the other ongoing legislative processes the EU implementation process is not expected to start before 2018.

The **EACB** has also maintained an open dialogue on the other regulatory initiatives, already trying to fix certain aspects of **IRB models** in the EU with the **EBA** and the **SSM**. For instance, the guidelines on a harmonised **definition of default** (one of the major drivers of RWA variability) constituted an important regulatory aspect that involved **EACB** in the consultation and the technical round tables at **EBA**. In 2017, **EBA** must deliver several other standards and guidelines on specific aspects of the models (e.g. on LGD and PD).

## CORPORATE GOVERNANCE DEVELOPMENTS

In 2016, especially the last few months, **Corporate Governance** aspects came into focus. They will also play an important role in 2017.

### ECB activities (expectations & paper)

**Internal governance** is one of the top supervisory priorities of the **SSM** and one of the key elements of the **Supervisory Review and Evaluation Process (SREP)**. The **SSM** also conducted an assessment of the institutions' management bodies across all SIs in the euro area through a thematic review in 2015. The results of the latter were disclosed to the banks in early 2016. In June 2016 the **SSM** published its '**Supervisory Statement on governance and risk appetite**', which conveys the lessons from the thematic review and describes some of the good practices observed. Moreover, it sets out supervisory expectations regarding the boards of banks and risk appetite framework. In general, the paper makes clear that expectations regarding boards, especially regarding their supervisory function, are more demanding. The **SSM's** guiding idea is that it wants to see evidence that a board can in fact effectively challenge the management. This will have implications on the fitness of board members, the flow of information to the boards and the deliberation culture of the board. In particular, one can expect a tendency towards an increased "professiona-

lisation" of board members in a supervisory function.

In November, the **SSM** published its draft guide to **fit and proper assessments**. An active dialogue on this topic will be maintained with the **SSM** to highlight that the **diversity of governance structures**, especially with regards to co-operative banks, should be respected.

The **EACB** established an open dialogue with **ECB** to better understand how the supervisor commented on the **co-operative banks' corporate governance** matters and on developments such as the **SSM's** expectations for the risk appetite framework.

From a co-operative perspective, the risk appetite framework seems to be largely in line with practice. However, it is fundamental to maintain an open dialogue to illustrate how **the co-operative difference** reflects on issues such as the independence of board members, their formal independence of mind, the proper functioning of the boards and the number of board members who are/were relevant. The **EACB** will maintain its exchange with the supervisor to effectively illustrate the principles and operational elements of **co-operative banks' governance**.

### EBA Draft GL (Fit proper & Internal Governance & CRR review remuneration)

In late 2016, the **EBA** published for consultation its proposals for new guidelines on **fit & proper governance** (Joint **ESMA** and **EBA** Guidelines on the assessment of the suitability of members of the management body and key function holders) and internal governance (Guidelines on internal governance). Both papers built on existing guidelines from 2011 (internal governance) and 2012 (fit and proper), but add new elements introduced by **CRD IV** and exacerbate certain requirements. The consultation for both guidelines closed at the end of January 2017.

**Some of the standards and rules, especially regarding "the independence of mind", diversity and on the approval process could lead to changes in the governance structure of co-operative banks and, in some cases, even affect elements of the co-operative governance model.** The one-tier, as well as two-tier, systems should be respected and more **proportionality** and **subsidiarity** should be taken into consideration. The **EACB** is therefore actively engaged in the consultation processes and beyond.

The **Commission's** proposal for **CRD IV** also tries to remedy difficulties in the current wording of the rules on variable remuneration. The proposal suggests a number of thresholds and de minimis rules, so that the very complex rules for variable remuneration will not become applicable for smaller institutions and low levels of variable remuneration. Moreover, the use of 'synthetic' instruments for remuneration is facilitated. The **EACB** will accompany these

changes, which at least in part correspond to earlier requests..

## OTHER REGULATORY DEVELOPMENTS

### Conceptual Framework

The **IASB** proposed in 2015 a revision to its Conceptual Framework. The **Conceptual Framework** describes the objective of and the concepts for general purpose financial reporting. In parallel, the **IASB** has launched a research project on Financial Instruments with Characteristics of Equity Research. Both could result in some amendments on the equity/liability classification rules. The **EACB** secretariat has therefore addressed the **European Financial Reporting Advisory Group (EFRAG)**, which expressed its full support for reminding the **IASB** Board of the need to address co-operative shares. In a meeting with **EFRAG** and the **EACB**, an **IASB** Board Member confirmed that the **IASB's** intention is not to change the current treatment of co-operative shares under IAS 32 and IFRIC 2. Moreover, it was promised that the **IASB** will take up more references to co-operative shares in relevant working documents.

### Refit, Reporting and disclosure

Given that reporting is one of the major elements of the current administrative burden, the **EACB**, together with the other European banking associations, engaged in a joint initiative within the **European Banking Industry Committee (EBIC)**. A proposal was submitted to the **REFIT Platform**, a permanent and inclusive platform and a part of the **Commission's** Better Regulation agenda. In June 2016, the **REFIT Platform** adopted an opinion in 27/28 June 2016 which asks the **Commission** to take steps in streamlining the reporting burden imposed on banks. The **REFIT** recommendations focus on **proportionality** (business models, size and complexity), a coordinated approach for supervisory/regulatory authorities (in order to avoid duplication of overlaps) and the timeframe (a longer timeframe is needed for financial institutions to adjust IT systems).

The **REFIT Platform** also raised some specific issues in terms of financial reporting. Furthermore, the **EBIC** established an expert group, chaired by the **EACB** in order to raise the financial industry's specific concerns on financial reporting in much more detail and to provide specific evidence on the issues that the **REFIT Platform** has pointed out. The expert group drafted a detailed position paper, which outlines its proposals for simplifying reporting and disclosure requirements. This document was present-

ed to the Commission's officials and communicated to other stakeholders and decision makers as well. Further activities are planned for 2017.



# DEVELOPMENTS AFFECTING RETAIL BANKING OFFER OF CO-OPERATIVE BANKS



## BANK ACCOUNTS AND PAYMENTS

### Towards implementation of key legislation

#### The Directive on Payment Accounts

In 2015, the **EBA** undertook significant work on the design of the rules for the implementation of the **Payment Accounts Directive** (2014/92/EU), notably on the terminology to be used by providers in the communication with clients and on the way in which fee information should be presented. The **EACB** analysed the proposals of the **EBA** in detail with its members and concentrated dialogue with the **EBA** on two key topics: services that **co-operative banks** offer as part of a package; and the level of detail in the draft **Implementing Technical Standards (ITSs)** of the Fee Information Document (FID) and the **Statement of Fees (SoF)**.

In both cases, the **EACB** and its members believe that the draft provisions set by the **EBA** are in contradiction with

the mandate given in the **PAD** and are not suitable to achieve the aims of the directive. The **EACB** put forward some suggestions to reflect the spirit of the directive to allow consumers to better understand and compare payment account fees and offers provided at EU level and provide more relevant information to consumers. The **EBA** will publish its final **RTS** and two **ITSs** after the consultation and submit them to the **European Commission** in 2017.

#### The revised payment services directive

The year 2015 was also an important year for the design of the implementation details of the **Payment Services Directive** (2015/2366/EU). Indeed, the **EBA** issued two consultations on how to implement the principle of strong customer authentication and secure online communication: one to identify what issues should be addressed and one making concrete proposals and asking the market for feedback.

In response to the **EBA** proposals, the **EACB** expressed **concerns** regarding the way in which the exemptions from the application of **strong customer authentication** were configured and asked to clarify that the availability of a performant and dedicated communication interface could replace the direct access to customer accounts. The **EACB** also expressed these concerns to member of the **European Parliament**, with a view to preparing the Parliament's debate on the final proposals that the **EBA** is expected to present early 2017.

Towards the end of the year, the **EBA** issued two consultations on the calculation of the professional indemnity insurance that the **PSD** obliges certain new **PSPs** to take out and on the details of the authorisation/registration of these institutions within the context of **PSD2**. The **EACB** has an interest in answering these two consultations as they have an impact on the liability regime between banks and other **Payment Service Providers (PSPs)**.



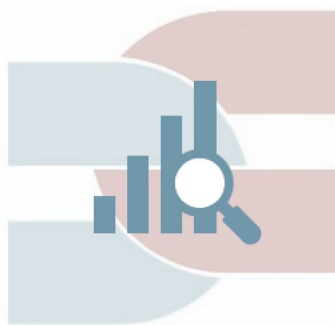
## Self regulatory initiatives in the area of payment services

When it comes to the self regulatory initiatives undertaken by the payment industry, both the **Euro Retail Payments Board (ERPB)** and the **European Payments Council** made important headway on a number of files.

Under the chairmanship of a board member of the **ECB**, the **ERPB** is a strategic body tasked with providing guidelines and directions for the further development of the European payments market. It held two meetings in 2016 that gave a serious impetus to the payments' sector.

As one of the seven supply-side members of this Board, the **EACB** contributed to the guidance the **ERPB** provided to the **European Payments Council (EPC)** in its development of a scheme for instant payments. It also reviewed the work of the multi-stakeholder body looking into **pan European P2P payments** and provided input to the discussions on what is needed to overcome the fragmentation of the e-invoicing market in the EU. In addition, the **EACB** supported the **ERPB** decision to start a new work stream on the harmonisation of payment initiation services. The activities of this new **ERPB Working Group** will be closely monitored by the **EACB** considering its important links with the implementation of **PSD2**. It is also worth noting that the **EACB** renewed its representation to the **ERPB**. Dr Andreas Martin (BVR), a member of the Board of Managing Directors of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, will be the representative.

On the side of the **EPC** (**EACB** is a board member of the council), work on the **SEPA Instant Credit Transfer Scheme Rulebook** dominated 2016. Most of the content of the Rulebook was developed in 2016 and a three-months public consultation involving different stakeholders was organised. The new optional scheme will be ready for adherence by November 2017. Key for the role out of the instant payment scheme is the availability of clearing and settlement mechanisms to support it. The **EACB** participated in a number of exchanges between the **ECB** and clearing houses with a view to ensuring that the access to these mechanisms suits the needs of **co-operative banks**.



## INVESTMENT SERVICES

### Focus on implementation of the revised Markets in Financial Instruments Directive (MiFID II)

**MiFID II** featured quite strongly in the **EACB** work plan for 2016. Indeed, a considerable amount of the **EACB's** resources for this file in 2016 were spent on the need to **delay the implementation date of MiFID II by one year** because many of the implementing rules were not ready in time to allow the market to implement it by January 2017. After many deliberations, this delay was granted. In addition, the **EACB** exchanged with the **European Securities Market Authority (ESMA)** debating the implementation rules around inducements. In this context, it was important for the **EACB** members that the rules on how inducements can be received are flexible enough and take into account the way co-operative groups and networks are organised and not favour online service providers. Finally, given the complexity of **MiFID II/MiFIR**, the **EACB** organised a second implementation workshop on the topic to allow members to exchange best practices and thoughts on the implementation challenges and solutions.

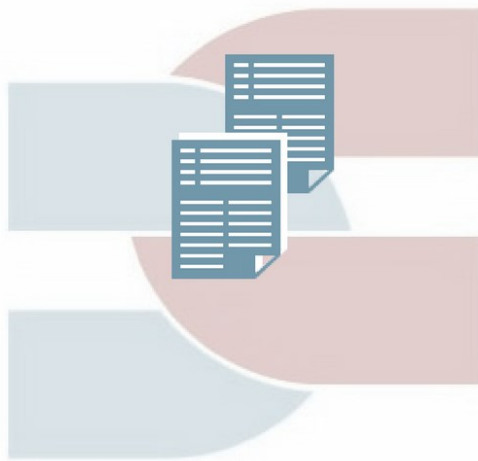
The **EACB** also had a close look at the **ESMA** work on supervisory convergence measures (guidelines and Q&As) in the area of selling practices, product governance, best execution and some OTC-related implementation measures. The **EACB** has and will continue to follow these work streams with the aim of making sure that the market participants are consulted and their concerns are heard in this process. In this context, it is very positive that **ESMA** has finally decided to consult on the implementation (by way of guidelines) of the **product governance requirements under MiFID II** and, in particular, on how a target market should be designed by the manufacturer and/or the distributor of products.

### On the road to implementation of the Packaged retail and insurance-based investment products regulation (PRIIPS)

The regulation on key information documents for **packaged retail and insurance-based investment products (PRIIPs)** introduces a **Key Information Document (KID)** aimed at explaining in a clear and understandable manner collective investment schemes and other 'packaged' investment products offered by banks and insurance companies. It has been introduced to improve the quality and comparability of information provided to retail investors in the EU on often complex investment products.

The **European Supervisory Authorities (ESAs)**, namely





**ESMA, EBA and EIOPA**, have been charged with proposing measures for the implementation of **PRIIPS** (also called Regulatory Technical Standards (RTS)) to the Commission. In formulating these standards, the **ESAs** issued several consultations to gather feedback from market participants and stakeholders, and the **EACB** responded by submitting to the **Commission** its proposal on how these draft RTS should be formulated. The **ESAs** proposal was adopted by the **European Commission** in June 2016. The **EACB** and many other market participants raised concerns about the adoption of the **RTS** proposed by the **Commission**, highlighting that many issues were not adequately addressed. As a result, the **European Parliament** rejected the draft **PRIIPS/RTS** in September.

The **EACB** also urged the Commission and Parliament to delay the application date for the regulation, originally set for January 2017, given that the RTS would not be ready in time. The **EACB** is pleased to note that this request for a delay has been picked up by both Parliament and Council and that after several weeks of negotiations the Commission issued a proposal for postponing the application of **PRIIPS** by a year.

The **EACB** is currently monitoring the relevant developments and will pursue further contacts with the **ESAs**, the Commission and the Parliament, with a view to ensuring that some further points of concern are adequately addressed and that **PRIIPS** implementation is smooth and efficient.

### Implementation and revision of the Regulation of Over the Counter (OTC) Derivatives, Central Counterparties (CCPs) and Trade Repositories (TRS) (EMIR)

**EMIR** came into force on 16 August, 2012, and introduced requirements aimed at improving the transparency of OTC derivatives' markets and at reducing the risks associated with those markets. In order to achieve this aim, **EMIR** requires that OTC derivatives, which meet certain require-

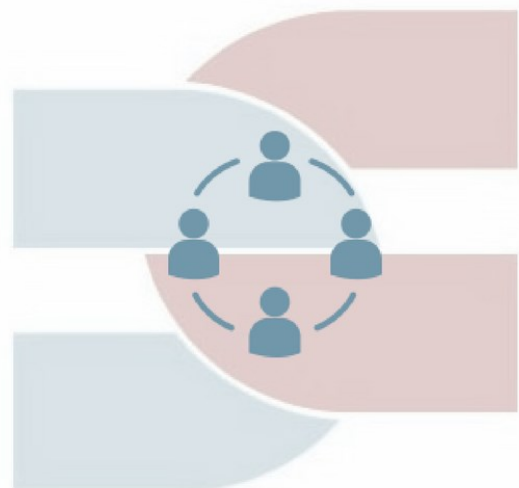
ments, are subject to the clearing obligation and that risk mitigation techniques apply for all OTC derivatives that are not centrally cleared. In addition, all derivatives transactions need to be reported to Trade Repositories (TRs).

**The EACB has been advocating for quite some time the need to provide solutions to smaller co-operative banks and building societies that cannot obtain access to the institutions that are supposed to clear derivative transactions.**

This lack of access means that they are at the risk of not being able to hedge their risks for variable interest rate mortgages, for example. And this in turn means that they would either have to stop offering these or not comply with the law .

As a positive reaction to **EACB** efforts, the **ESMA** asked the **Commission** to delay the requirement of central clearing for small financial counterparties with a limited volume of activity in OTC derivatives until 21 June 2019. Although the delayed phase-in does not solve the problems, it reduces their impacts and provides time for them to be properly addressed.

In parallel to the final parts of **EMIR 1** still being under implementation, the Commission has started a review of **EMIR** as required by the review clause of the regulation. The **EACB** will use this review as another opportunity to address the issues faced by smaller counterparties in accessing CCPs and examine the possibility to introduce an exemption from the clearing obligation for smaller financial counterparties with limited volume of activity in OTC contacts. In addition, the **EACB** will further support the concerns of the larger **EACB** members which face implementation issues arising from the differing and sometimes contradictory regulations of the EU and the US. Moreover, the **EACB** has proposed some improvements that could make **EMIR** more efficient and less complex and burdensome, in particular, when it comes to reporting.



## The Capital Markets Union project and the idea to simplify and make legislation more efficient (Prospectus Regulation, Securitisation Framework, covered bonds, EC call for evidence)

On 30 September 2015, the **Commission** adopted an action plan setting out a list of key measures to achieve a true **single market for capital in Europe (CMU)**.

### - a Review of the Prospectus Regulation:

This **CMU** action plan involved the revision of the **Prospectus Directive** with the objective of improving certain requirements in order to alleviate the burden for companies which draw up a prospectus (especially SMEs) and to make the prospectus a more valuable information tool for potential investors.

The **EACB** strongly supported the objective of the Commission but considered that some further improvements would be desirable to make it easier for firms, including smaller **co-operative banks**, to fulfil their administrative obligations, but in a way that investors are still well informed about the products in which they are investing.

For this purpose it shared with the European Parliament its ideas on how to make the relevant framework more efficient (e.g. increasing the threshold for smaller credit institution and not disadvantaging non-listed companies). It seems only a few of the **EACB** ideas received adequate support and that the revision was not as ambitious as **EACB** had hoped for. The **EACB** is monitoring the relevant work stream and intends to follow its implementation by way of level-2 measures with a view to ensuring that the prospectus fulfils its purpose.

### - creation of a securitisation framework:

In the context of the CMU project, the European Commission proposed a securitisation framework consisting of a proposal for a **Securitisation Regulation** setting out the criteria for simple, **transparent and standardised (STS)** securitisation and of a proposal to amend the **Capital Requirements Regulation** in order to have proper capital treatment for these kind of products. The overall objective of the two proposals is to promote a safe, deep, liquid and robust market for securitisation, which is able to attract a broader and more stable investor base to help allocate finance to where it is most needed in the economy.

The file has attracted the attention of the **EACB** members as they share the view that a well-functioning securitisation market – supplementing bank loans as a main financing instrument – is essential for supporting growth and for providing sufficient credit to companies, particularly SMEs.

Securitisation is indeed a very important element, also from the perspective as co-operative banks, as it occupies a 'middle ground' between direct bank lending and pure capital markets funding. Allowing smaller banks (for instance within co-operative networks) to finance their lending to SMEs and individuals through access to the capital markets makes it possible to generate high-rated securities backed by this kind of retail lending. It also allows them to better diversify risks and unlock capital in order to improve local lenders' ability to continue financing and boosting economic growth in their regions.

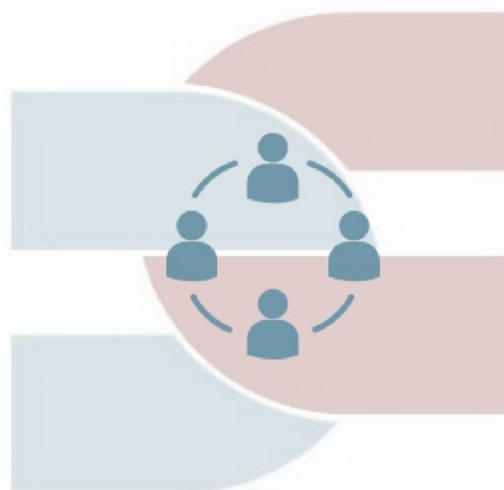
With this in mind the **EACB** has followed the relevant discussions in the **ECON** of the European Parliament and has been sharing with MEPs its concerns and proposals for further improvements. The final outcome in the **ECON** is not what the **EACB** was hoping to see and raises concerns about whether an efficient securitisation market will actually develop. The **EACB** is now waiting for the trialogues to start and will continue to feed its ideas to co-legislators with the aim of enhancing the effectiveness of this initiative and supporting smaller regional and decentralised banking groups in their core activities.

### - European Commission Call for Evidence:

In the context of the CMU project, the Commission has also issued a **Call for Evidence** regarding the **EU regulatory framework for financial services**.

The different working groups of **EACB** worked together to submit a comprehensive response on identified topics in an effort to provide the Commission with a better understanding of the interaction of the individual rules and cumulative impact of the legislation as a whole (including potential overlaps, inconsistencies and gaps).

The Commission has just issued its assessment of the feedback received by different stakeholders and the **EACB** is ready to follow up further with the relevant work streams.



## Towards a Digital Single Market

The year 2016 marked the entry into force of the new data protection rules, the **General Data Protection Regulation (GDPR)** and the **Data Protection Directive**. Data protection reform is a key enabler of the **Digital Single Market (DSM)** strategy of the **European Commission**.

The DSM strategy for Europe of 6 May 2015 includes a set of targeted actions and is built on three pillars: better access for consumers and businesses to digital goods and services across Europe; creating the right conditions and a level playing field for digital networks and innovative services to flourish; and maximising the growth potential of the digital economy. Even though the banking sector was not mentioned in the DSM strategy, **some of the key issues outlined in the Commission Communication might impact the offering of and access to retail financial products and consumer protection**. Among the key issues outlined in the strategy were the role of online platforms and intermediaries and the review of the **ePrivacy Directive** (along with the GDPR, which came into force on 25 May 2016 and provides the legal framework for ensuring digital privacy for EU citizens).

With regards to platforms, in 2015 the Commission launched a stakeholder consultation to better understand the **social and economic role of platforms** and the various business models underpinning platforms as well as to gather evidence on the regulatory environment for liability of intermediaries, data and cloud, and the collaborative economy. As a result of the consultation, two of the key topics identified by the Commission for future work are the review of **ePrivacy Directive** and the **Free Flow of Data** initiative (both set to be announced on 11 January 2017).

On the **ePrivacy Directive**, the Commission launched in April 2016 a public consultation on the rules which govern the processing of **personal data** and the approach towards privacy in the electronic communications sector. The idea behind this consultation was to start a review of the ePrivacy Directive to ensure that it is fit for the digital age.

The **EACB** participated in both the Platforms and ePrivacy consultations, as it believes both are crucial for the digitalisation of the banking sector. The EACB also participated in the CEO Banking Round Table that the Commission organised on Digitalisation in November. During this Round Table the EACB Chairman highlighted to Commissioner Günther Oettinger and Commission Vice President Valdis Dombrovskis which digitalisation trends and issues are the most important for **co-operative banks** and how it would like the Commission to approach them.

## Supervisory concerns

The founding regulations of the European Supervisory Authorities (ESAs) gives it a mandate to "monitor new and existing financial activities" and "to adopt guidelines and recommendations with a view to promoting the safety and soundness of markets and convergence in regulatory practice".

In order to fulfill their mandates, the **ESAs** launched two key consultations: in December 2015 a joint discussion paper on **automation in financial advice** and in May 2016 an **EBA discussion paper on innovative uses of consumer data by financial institutions**. On the former, the ESAs have noted that even though automation in financial advice is not presently observed equally across all financial sectors and EU Member States, the phenomenon has the potential to continue to grow. For this reason, the ESAs have assessed the potential benefits and risks of automation in financial advice, with a view to determining whether regulatory and/or supervisory actions, if any, may be needed to mitigate the risks, while at the same time harnessing the potential benefits. With regards to the EBA discussion paper, the ESAs have noted that while financial institutions have always used the data that consumers provide in various ways, in recent years some financial institutions and new entrants in the market, such as FinTech companies, have started using such data in innovative ways. For this reason, the EBA has assessed the risks (e.g. information asymmetries, the misuse of data, data security and reputational risks for financial institutions) and potential benefits (e.g. cost reductions, improved product quality and new sources of revenue for financial institutions) of innovative uses of data to consumers and financial institutions.

In both cases, the **EACB**, together with its members, have been involved in addressing its key concerns, which focused on **the need for a level playing field between bank and non-bank players**, the need to see automated financial advice in the context of existing legal requirements such as **MIFID 2** and **MCD** and the need not to forget about the added value of face-to-face interaction compared to digitally offered services

The ESAs will assess the feedback to these Discussion Papers in order to make a better informed decision on which regulatory and/or supervisory actions are required, if any.

## Challenges for cooperative banks

The digital revolution has changed the way people and businesses, including **co-operative banks**, interact and relate to each other. Digitalisation is an accelerator for innovation, growth and jobs. At the same time, it may challenge some business models and values such as those of co-operative banks. **In particular, digitalisation challenges the way co-operative banking groups are and have been operating.** Digitalisation challenges the proximity value: how to weigh the benefits and cost of branch networks and face-to-face exchanges against digitally supported/mobile technology-based interaction? Digitalisation challenges the organisational structure of co-operative banking groups and drives centralisation, whereas co-operative banking structures tend to be decentralised. Digitalisation challenges the interaction and relationship with co-operative bank clients and members: branch networks and face-to-face exchanges again must be weighed up against going down the digital path. **Digitalisation challenges the services co-operative banks offer to their clients.** Finally, from the perspective of banking organisations that have customers who are also members, the debate on customer data has an additional dimension: over and beyond being custodians of customers' financial and personal data, co-operative banks are custodians of their members' data.

To respond to some of the challenges created by digitalisation, the EACB organised the workshop '**Co-operative Bank Digital Day**' for executive managers, chief digital officers and heads of innovation of co-operative banks on 1 December 2016. The objective of the event was to obtain initial feedback from EACB members on the main challenges from a regulatory perspective and to exchange views on how digitalisation in general impacts the specific governance model of co-operative banks and what the co-operative bank of the future could look like.

## Compliance with anti-money laundering requirements

In 2016, the EACB pursued its work in the field of **anti-money laundering (AML)** by contributing to the different consultations issued in 2016, such as:

- Two European Supervisory Authorities' (ESAs ) consultations were launched on **risk factors and the application of enhanced/simplified due diligence as well as on AML risk-based supervision.** The Secretariat answered the consultation on risk factors within the framework of the EBIC.
- The **Financial Action Task Force** consulted the private sector on **the development of guidance on a risk-**

**based approach to correspondent banking and money or value transfer services (MVTs).** The Secretariat also answered this consultation within the framework of EBIC.

On 12 October 2016, the ESAs also held a **Private Sector Roundtable on future Guidelines under Article 25 of Regulation 2015/847/EU on information accompanying transfers of funds.** The EACB participated in the round table, which was planned to be followed up by the publication of a consultation paper at the end of the year.

Additionally, the EACB participated in two meetings organised by the European Commission to exchange with the industry on the risks of money laundering and terrorist financing affecting the internal market and relating to cross-border activities (supranational risk assessment).

In parallel, the EACB also engaged in discussions at international forums about correspondent banking and the obstacles to information sharing. Indeed, in April, the Secretariat attended the **Private Sector Consultative Forum** in Vienna that was organised by the **Financial Action Task Force.**

Finally, in light of the key changes to legislative framework in a relatively short space of time and the implementation questions facing EACB members, the EACB organised a dedicated workshop to discuss the **implementation of the Directive 849/2015/EU on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing** (4th AML Directive).



EUROPEAN ASSOCIATION  
OF CO-OPERATIVE BANKS

# CO-OPERATIVE (BANKS)

## Social Responsibility & SMEs Financing

### CO-OPERATIVE SOCIAL RESPONSIBILITY AND RELATED INITIATIVES

The global financial crisis of the past few years as well as current reflection and concerns about the impact of climate change have reinforced calls for a more responsible, trustworthy and **sustainable banking sector** and society at large.

In 2016, EU Institutions announced an ambitious European agenda for **sustainable finance**, while on an international level the G-20 is progressing rapidly in the field of **climate finance**. Responsibility has traditionally been the cornerstone for **co-operative banks** in the way they do business.

Owned by their clients/members, **co-operative banks** are key players at local and regional level in fuelling economies, empowering people and financing projects, thus reinvesting in the societies to which they belong. In line with those principles, **they act in a responsible and sustainable manner and encourage their clients/**

As mentioned, responsibility towards members, their local communities and the environment at large one is at the heart of co-operative banking. In this light, the **EACB** in 2016 was involved in several discussions and initiatives at EU and International levels. In particular, the EACB monitored and reported back to its members developments on the **Non-Financial Information Directive**, which aims to introduce assessments on economic, social and governance performance for companies at EU level. Along with providing internal mapping to track the transposition and implementation of the new directive at national level, the **EACB** coordinated exchanges on the responses of the its members to the consultation on the **non-binding guidelines on the methodology for reporting non-financial information in the EU**. The Commission will issue its final non-binding guidelines in December 2016. Another new development in 2016 was the participation of an **EACB** expert in the **Commission's Energy Efficiency Financial Institutions Group (EEFIG)**, which was launched in November. A new **De-risking Energy Efficiency Platform (DEEP)** was also established. It holds more than 7,800 projects in an open-source, pan-EU database to improve the sharing and transparent analysis of existing energy efficiency projects in buildings and industry – with the aim of supporting de-risk energy efficiency investments for new financial institutions entering this market

The **EACB** expressed its full support for the announcement by Commission Vice-President Valdis Dombrovskis that it will set up a **High Level Expert Group** charged with devising a European strategy on **sustainable finance**. Emphasising the importance of a **diverse banking sector**, the **EACB** insisted on the need to have **co-operative banks** representatives around the table. It regretted, however, that co-operative banks are not represented in the final composition of the **High Level Expert Group on Sustainable Finance**.





At international level, following the **EACB** Members' **COP21** conference statement on their commitment to provide better financing for the energy transition towards green growth, **the EACB launched a new work stream on climate finance** and initiated dialogue with several stakeholders, including the UNEP Inquiry and OECD. This work stream will be at the top of the 2017's agenda of the **CSR & Co-operative Affairs Working Group**. The commitment of co-operatives (and co-operative banks) to sustainable development and the Millennium Goals were also at the core of the International Cooperative Summit in October 2016 in Quebec where the EACB was present as partner of the event (see page 27).

Finally, the **EACB** launched a dedicated webpage on its website to showcase the connection between co-operative banking activities and projects, the co-operatives' difference and their specific approach to CSR and sustainability. On this page the best practices of its members in this field are displayed on a weekly basis (see also [www.eacb.coop](http://www.eacb.coop)).

**an Banking Industry Associations**, has been working on identifying those 'high-level principles' that ensure that appropriate feedback is given by banks to declined SME credit applications. This was done with the common understanding that European legislation and supervision are risk adverse and that this is detrimental to lending to SMEs. Nevertheless, banks continue to fulfill their role as **key financiers of SME** and most SME applications for loan finance are successful. In addition, several Member States have already implemented effective initiatives. These European principles should therefore respect the **subsidiarity** and **proportionality** principles.

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## FINANCING OF SMALL AND MEDIUM-SIZED ENTERPRISES

Through their distinctive business model based on their **proximity** to local communities, **co-operative banks are the main partners of SMEs in Europe**. In this capacity, co-operative banks have provided a liquidity and stability anchor to the whole market throughout the financial crisis.

From the perspective of co-operative banks, the year 2016 was characterised by two work streams :

- In July 2016, following two years of negotiations, the **EIB group** launched a new product: the **EREM Co-operative Banks and Smaller Institutions instruments (i.e. CBSI)**. The total envelop for 2014-2020 is €500 million, with an initial allocation of €125 million. The launch of the instrument was accompanied by a working paper (see Section 5) that illustrates **the crucial role of local co-operative banks in financing SMEs** and the need for an adapted tool to facilitate them. (Description of the new EREM CBSI window, p. 31-37 of the working paper).
- Following a request from the former Commissioner Jonathan Hill in the context of the Capital Markets Union Project , the **EACB**, together with the other **Europe-**



# COMMUNICATION & RESEARCH

## PUBLIC EVENTS

### EACB sectoral meeting: Banking and Financial Services, "The Efficiency of the Co-operative Banking Model" - International Summit of Co-operatives

In October 2016, the **International Summit of Co-operatives 2016** was held in Quebec, Canada. The biennial event gathered **2,950 attendees from 116 countries**. The **EACB** was present as partner of the summit and organised the sectoral meeting for banking and financial services on **the efficiency of the co-operative banking model** on 12 October 2016. The sectoral meeting was a real success attracting **more than 300 attendees** from all across the world. The event focussed on the efficiency of the co-operative banking model in the light of post-crisis regulation.

The **co-operative banks** are particularly hit by the current rules that impose heavy burdens at the detriment of growth. In this context, the first round table, '**How to Stimulate Growth Through Appropriate Regulations**', addressed the following topics: how is the current regulatory framework affecting co-operative banks? How can they continue to play a key role in funding the local and regional economy? What are the policy recommendations for integrating the co-operative specificities into international rules? The high-level speakers gave valuable insights and offered inspiring reflections leading to shared outcomes and recommendations.

The second round table focussed on views of researchers on the co-operative banks model performance and efficiency. The following issues were debated: what are the results compared to the rest of the banking sector? What are the challenges and opportunities for the future? Why is the co-operative difference important? Why should regulators take it into account? **Academics have highlighted the importance of a diverse banking system** where a range of banking model with different purposes and organisational structures co-exist, reiterating the need to avoid one-size-fits-all regulation.

In line with its communication policy, the **EACB** has continued to inform policy and opinion makers of the concerns and expectations of co-operative banks. During the course of 2016, several initiatives and activities were undertaken to highlight the distinct features of co-operative banks, one of which being the **EACB** sectoral meeting at the International Summit of Co-operatives

The principles of **subsidiarity, proportionality and better regulation** were at the core of the work of the new Commission. Via various means (organisation of public events, studies, key data etc.), the **EACB** and its members have continued to highlight that **diversity is an element of financial stability and growth**. A selection of relevant activities for 2016 is provided in this section.



ISCOOP 2016, Québec



ICCS 2016, Luzern @Janmaat Fotografie, Johanna Unternährer

At this event, **three new studies** were presented that illustrated the important contribution of **co-operative banks** to stability and to local growth and the impact of regulation. Their specific governance model and network structure was also debated. The President of the **EACB** provided his views and take-backs from the event in an interview published on the **EACB website**. Pictures of the event can also be found online.

### EACB Fifth Academics and Stakeholders' day

On 1 June 2016, the **EACB** held the **Fifth Academics and Stakeholders' Day** which took place at the **European Parliament** and was hosted by Costas Mavrides, an MEP on ECON (S&D Group). The main goal of this academic conference, organised on an annual basis by the **EACB**, is to outline state-of-the-art research on co-operative banking and to highlight important points and the challenges ahead for the co-operative banking sector. Top researchers from the universities and institutions of a range of European countries, as well as European stakeholders and policymakers, attended this successful day. The event was also marked by the presentations of the **new Tias study** (Business School of Tilburg University and Eindhoven University of Technology in the Netherlands) '**A Snapshot of European Co-operative banking**' (see also Section 5.B3 below) and the **new European Investment Fund study**, '**The role of cooperative banks and smaller institutions for the financing of SMEs and small midcaps in Europe**'. Moreover, Giorgio Caselli, the winner of the **EACB Award for young researchers**, gave an insight into his main findings on the role of '**biodiversity**' in **European banking with regards to monetary policy, bank risk taking and financial stability**'. Underlining the value of the initiative, the ceremony for awarding the prize took place at the end of the event, gathering together members of the jury, participants and other stakeholders.

### EACB session at the XVIII International Conference on Co-operative Studies

The **EACB** has been a partner of the **International Conference on Co-operative Studies** held at the **University of Lucerne** on 14-16 September 2016. The conference, which attracted around 1.000 delegates, focused on '**Co-operative Identity and Growth**' and featured a range of practitioners and scientific panels. The **EACB** co-organised the panel '**Cooperative banks and the enabling environment**' on 15 September that discussed different issues related to the institutional and competitive environment: which factors are important for success and what is the current state of **European co-operative banks**? What opportunities should be grasped and what are the problems to be addressed? The event has been an opportunity to share the different viewpoints of academics, practitioners and lobbyists as well as stimulate debate on challenges and opportunities ahead.

The **EACB** was also a co-organiser of the workshop '**Member Participation in the Age of Digitalisation**' on 15 September. Co-operatives traditionally place great emphasis on the participation of their members. As co-owners of their co-operative, the members determine the course of their enterprise. In this light, the following questions were addressed: does digitalisation offer co-operatives banks the opportunity to restore closer contact with their members, to integrate them into the continuing development of the enterprise through new processes and to consolidate the business relationship? Which approaches and tools are available for that purpose? Several practices and case studies were presented and debated, strongly engaging participants on a topic that is a top priority for many **co-operative banks**.



SMEs Forum, Brussels @EESC

## The 7th Forum on co-operative banks and SMEs in Brussels

The **7th European Forum on Co-operative Banks and SMEs, 'Co-operative Banks and innovation in SMEs Financing'**, was held in Brussels on 9 November 2016. In line with the previous editions, it was organised by **EACB**, **CIBP**, **UNICO** and by the **European Economic and Social Committee (EESC)**, the host of the event in partnership with **UEAPME** (the EU umbrella SME organisation). The forum attracted around 100 participants from EU institutions, universities, co-operative banks and representatives of SMEs. It provided a good opportunity to reaffirm the **key role of co-operative banks in financing local SMEs**, to address the concerns about regulation and to present initiatives undertaken in terms of the innovation by **EACB** banks and by the EU institutions with enlarged product offering. Georges Dassis, president of the EESC, EU Commission representatives, EIB representatives and the EESC speakers expressed their support for co-operative banks, **proportionate legislation**, stressing the importance of **diversity in the banking industry**. A summary of the discussions can be found on the EACB website.

### RESEARCH AND SURVEYS

#### The EU think tank on co-operative banks in Europe and relations with research centres

The growing interest of the academic community and stakeholders in the **specificities of the co-operative banking model** and the need to **stimulate further research** on the sector are among the reasons behind the setting up of the **Think Tank on Co-operative Banks** in Europe in 2008. The think tank is composed of around 20 academic experts in the co-operative banking field and provides an important platform for discussion and exchange of infor-

mation. Over the past year, several papers were produced and discussed by the members and their research networks. The topics covered the most important features of the co-operative banking model, and ranged from governance and memberships to performances. Moreover, the **EACB** continues synergies with other think tanks and research institutions specialised in co-operative finance, such as the **International Research Centre on Co-operative Finance (HEC Montreal)** and **EURICSE**. In particular, the **EACB** is a partner of EURICSE's annual workshop on co-operative finance and sustainable development that held its seventh edition in 2016.

#### Stimulating new research : The EACB Award for young researchers on co-operative banking

In 2016, the **EACB**, in collaboration with its academic Think Tank, awarded the winners of its **Fourth award for young researchers on co-operative banks**. The initiative aims to raise interest and knowledge of the co-operative banking model among researchers, specifically younger ones, and the academic community as a whole. Despite the role played by the co-operative banking system in Europe, it is estimated that only 1% of research is devoted to co-operative banks. For its fourth award, the **EACB** received applications on a broad range of subjects from difference in ownership models and financial stability to co-operative banks' role in monetary policy transmission and credit supply as well as their role in SMEs financing, credit co-operatives and ESG performance. Following careful examination, the scientific committee selected **Giorgio Caselli** as winner for his research on **'Monetary policy, bank risk taking & financial stability: the role of 'biodiversity' in European banking'**. The second best paper was awarded to **Marco Migliorelli** for his work on **'The transmission of the monetary policy in the Euro Area: the role of the banks' business model'**. The award ceremony took place during the 2106 **Academic and Stakeholders day** (See p. 28). A new **call for papers** for the **'Fifth EACB Award for Young researchers'** was launched with a deadline for submitting paper of mid-December 2016. The scientific committee is currently in the process of evaluating the submissions. The winner will be announced in spring 2017.

#### TIAS and EACB publication : 'The current state of affairs in the European co-operative banking sector'

In 2016, the **EACB** continued its collaboration with the **Business School of Tilburg University and Eindhoven University of Technology (TIAS)**. It released a new edition of the publication, **'A Snapshot of European Co-operative Banking'**. Responses to the 2015 edition generally pointed out the merits of having a concise document that summarises the facts and figures of **European co-operative banking groups**, thus contributing to a greater understanding and increased awareness of the model, in light of present



EACB Award, Brussels @EACB



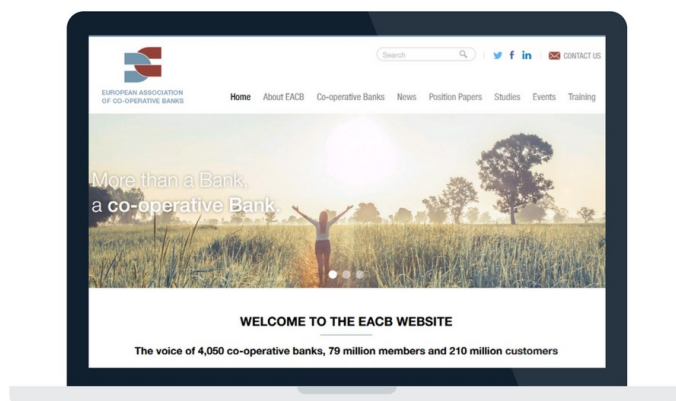
economic and financial perspectives and the crucial developments in banking driven by new supervision and regulation. The publication analyses facts and figures and the overall performance of 14 European co-operative banking groups in 10 European countries over the period of 2011 to 2014 on the basis of a range of selected indicators. Their average performance is compared to that of the entire banking sector and valuable conclusions are drawn in terms of the different nature, business model and orientation of co-operative banks and their close ties to the real economy.

### Training : the EACB Course

The post-financial crisis regulatory reforms have set a totally new environment for financial institutions. Co-operative banks are facing challenges related to the new legislative framework: Basel 3, the Banking Union and the new consumer protection and investors rules. In this context, the **European Association of Co-operative Banks** has decided to launch a new training programme, '**The EACB Course on EU Regulation and Supervision of Co-operative Banks**'. The course is offered to EACB Members and co-operative bankers from national, regional, local federations or from central institutions. This course is a unique opportunity to gain an introduction to **how the EU works**, the new **regulatory and supervisory framework** in Europe for co-operative banks and the role of the EACB as a **lobbying association**. Three sessions were organised in 2016 with a total of 44 participants from a range of countries. The course has therefore been an excellent **opportunity for networking**, sharing experiences and exchanging practices among co-operative banks. The assessments received are very positive and have encouraged the EACB secretariat to continue to hold the training sessions in 2017. For more information visit the dedicated page of our website.



## DIGITAL COMMUNICATION



### A new website

The website ([www.eacb.coop](http://www.eacb.coop)) provides a **key platform** on which to communicate the strengths of co-operative banks, the specificities of their business model and the role of the EACB in advocating their concerns in a constructive dialogue. On 20 September, it launched a **new public section** of the website with the aim of providing high-quality information in a easily accessible way. The '**News**' section provides fast access to what's happening at the EACB, as well as the wider co-operative banking field, and the '**Virtual library**' offers access to the latest research publications on co-operative banks. A members section will be launched in April 2017.

### Social media channels

Nowadays, social media is a really important and inevitable communication tool to pass on messages and advertise events. It allows for extremely quick and easy access to information, as well as the opportunity to interact with the public. The EACB is now active on **Twitter/LinkedIn/Facebook/YouTube**.

### Focus on Twitter

The EACB is present on **Twitter** and has almost **1.000 followers** including EU representatives, journalists, bloggers and members. Please note that, Vladis Dombrovskis, EU Commissioner for Euro and Social Dialogue, is also following the EACB Twitter account.

Over 2016, the visibility of the EACB on Twitter considerably increased. Indeed, the account was **visited 24,300 times** compared to 9,000 in 2015.

**All the EACB team is on now on Twitter**, following and covering the topics of their working groups. This ensures a

good coverage and allows them to be quickly informed on the latest trends.

Throughout 2016, the communication team launched various online campaigns with the view of informing the public of the co-operative banking business model.

## Follow us !



European Association  
of Co-operative Banks



@EACB\_News



/eurocoopbanks

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# GLOSSARY OF ABBREVIATIONS

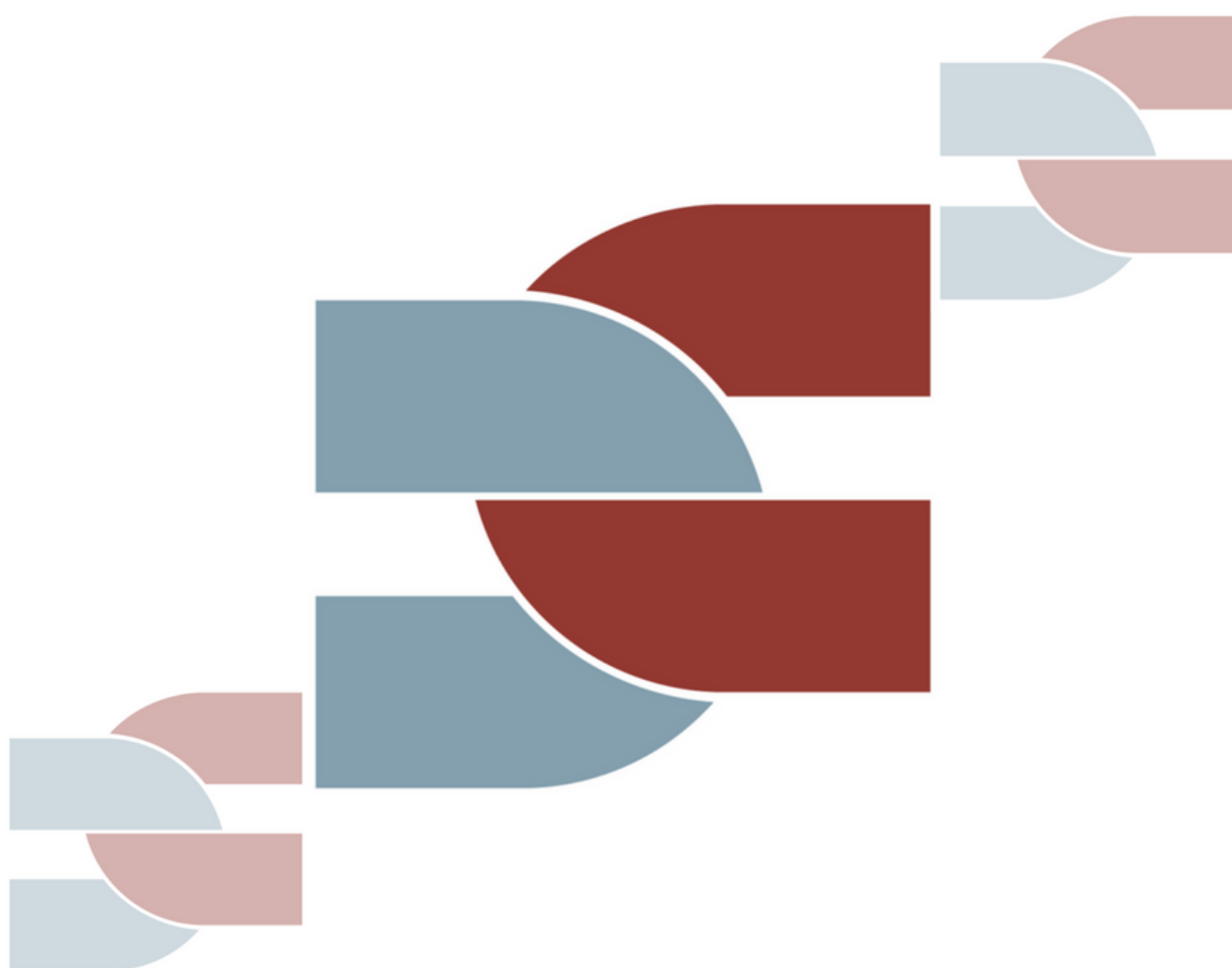
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<b>AML:</b>	Anti-Money Laundering	<b>NPLs:</b>	Non-Performing Loans
<b>BRRD:</b>	Bank Recovery and Resolution Directive	<b>NSFR:</b>	Net Stable Funding Ratio
<b>CEO:</b>	Chief Executive Office	<b>PAD:</b>	Payment Accounts Directive
<b>CMU:</b>	Capital Markets Union	<b>PRIIPs:</b>	Regulation on key information documents for packaged retail and insurance-based investment products
<b>CRR/CRD:</b>	Capital requirements regulation and directive	<b>PSP:</b>	Payment Service Provider
<b>CSR:</b>	Corporate Social Responsibility	<b>RTS:</b>	Regulatory Technical Standards
<b>DG CONNECT:</b>	Directorate-General for Communications Networks, Content and Technology	<b>RWAs:</b>	Risk-Weighted Assets
<b>DG FISMA:</b>	Directorate-General for Financial Stability, Financial Services and Capital Markets Union	<b>SA:</b>	Standardised Approach
<b>DGS:</b>	Deposit Guarantee Scheme	<b>SRB:</b>	Single Resolution Board
<b>DSM:</b>	Digital Single Market	<b>SREP:</b>	Supervisory review and evaluation process
<b>EACB:</b>	European Association of Co-operative Banks	<b>SRMR:</b>	Single Resolution Mechanism Regulation
<b>EBA:</b>	European Banking Authority	<b>SSM:</b>	Single Supervisory Mechanism
<b>EC:</b>	European Commission	<b>TLAC:</b>	Total Loss-Absorbing Capacity requirements
<b>EDIS:</b>	European Deposit Insurance Scheme		
<b>EIB:</b>	European Investment Bank		
<b>EIOPA:</b>	European Insurance and Occupational Pensions Authority		
<b>EMIR:</b>	European Market Infrastructure Regulation		
<b>EPC:</b>	European Payments Council		
<b>ERPb:</b>	European Retail Payments Board		
<b>ESAs:</b>	European Supervisory Authorities		
<b>ESMA:</b>	European Securities and Markets Authority		
<b>FRTB:</b>	Fundamental review of the trading book		
<b>FTTF:</b>	Financial Technology Task Force		
<b>GDPR:</b>	General Data Protection Regulation		
<b>IRB:</b>	Internal Ratings Based model		
<b>ITSS:</b>	Implementing Technical Standards		
<b>KID:</b>	Key Information Document		
<b>MIFID2:</b>	Revised Directive on Markets in Financial Instruments		
<b>MIFIR:</b>	Regulation on Markets in Financial Instruments (MiFIR)		
<b>MREL:</b>	Minimum Requirement For Own Funds And Eligible Liabilities		
<b>NODs:</b>	National Options And Discretions		



# ANNEXES

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## KEY STATISTICS (FINANCIAL INDICATORS) ON 31.12.15

EU Countries	ECONOMIC INDICATORS					
	Total assets (EUROmio)	Total deposits from customers (EUROmio)	Total loans to customers (EUROmio)	Net profit after taxes (EUROmio)	Total equity (EUROmio)	Leverage Ratio (%)
<b>Austria</b>						
Österreichische Raiffeisenbanken	279,611	182,316	185,187	1,554	17,846	n.a.
Österreichischer Volksbanken	27,815	22,342	22,691	-67	1,818	n.a.
<b>Bulgaria</b>						
Central Co-operative Bank	2,374	2,130	1,051	3	194	8.2 **
<b>Cyprus</b>						
Co-operative Central Bank	14,307	12,744	12,797	-166	1,306	8.8
<b>Denmark</b>						
Nykredit	185,432	8,388	149,963	428	8,772	4.4
<b>Finland</b>						
OP Financial Group	125,145	58,220	75,192	853	9,324	7.5
<b>France</b>						
Crédit Agricole	1,698,859	663,135	740,386	6,043	97,421	5.7
Crédit Mutuel	739,809	328,800	386,000	3,095	47,055	6.2
BPCE	1,166,535	499,711	617,465	3,242	65,193	4.9
<b>Germany</b>						
BVR	1,162,519	739,218	700,608	6,967	93,007	6.9
<b>Greece</b>						
Association of Cooperative Banks of Greece	2,539	1,880	2,647	n.a.	171	6.7
<b>Hungary</b>						
National Federation of Savings Co-operatives (a)	6,386	4,366	2,707	30 **	463 **	7.3 **
<b>Italy</b>						
Federkasse (BCC)	221,100	161,800	134,000	-96	20,300	11.4
<b>Lithuania</b>						
Association of Lithuanian credit unions (a)	477	403	265	-12	39.00	8.20
<b>Luxembourg</b>						
Banque Raiffeissen	7,222	6,057	5,181	18	328	4.7
<b>Netherlands</b>						
Rabobank	670,373	337,593	426,157	2,214	41,280	5.1
<b>Poland</b>						
National Union of Co-operative Banks (KZBS)	32,784	21,042	16,231	137	2,815	9.7 <sup>6</sup>
<b>Portugal</b>						
Crédito Agrícola	14,936	10,910	8,373	54	1,203	8.1
<b>Romania</b>						
Creditcoop (a)	199	134	132	1 **	6.3 **	n.a.
<b>Slovenia</b>						
Dezeln Banka Slovenije d.d. (a)	856	646	530	-17	45	n.a.
<b>Spain</b>						
Unión Nacional de Cooperativas de Crédito	90,945	70,468	51,967	371	7,361	8.1
Banco de Crédito Cooperativo (BCC)	40,461	31,895	30,125	70	2,798	6.0
<b>United Kingdom</b>						
Building Societies Association	466,405	335,386	363,937	2,021	25,689	4.6
<b>Total <sup>8</sup></b>	<b>6,957,089</b>	<b>3,499,584</b>	<b>3,933,592</b>			
<b>Non-European Union Countries</b>						
<b>Canada</b>						
Desjardins Group	164,323	102,699	105,632	1,297	14,089	7.8
<b>Japan</b>						
The Norinchukin Bank / JA Bank Group	784,166	471,738	58,263	2,127	55,867	6.1
<b>Switzerland</b>						
Raiffeisen Schweiz	189,200	139,701	153,089	743	12,247	6.7
<b>Total (Non-EU)</b>	<b>1,137,688</b>	<b>714,138</b>	<b>316,985</b>			

	PROFITABILITY INDICATORS			CAPITAL SOLIDITY INDICATORS
EU Countries	ROA (%)	ROE after taxes (%)	Cost/Income Ratio (%)	Total capital ratio (%)
<b>Austria</b>				
Österreichische Raiffeisenbanken	0.56 **	8.1	66.6	9.3 (tier 1 ratio)
Österreichischer Volksbanken	-0.24 **	-3.7 **	85.4	15.4
<b>Bulgaria</b>				
Central Co-operative Bank	0.2	1.8	75.5	15.2
<b>Cyprus</b>				
Co-operative Central Bank	-1.2	-12.90	43.9	15.6
<b>Denmark</b>				
Nykredit	0.23	5.2	41.9	23.9
<b>Finland</b>				
OP Financial Group	0.72	10.3	53.0	22.9
<b>France</b>				
Crédit Agricole			62.3	18.1
Crédit Mutuel	0.43	6.7	63.1	18.5
BPCE	0.28 **	6.0 **	68.1	16.8
<b>Germany</b>				
BVR	0.60	7.5	63.6	15.8
<b>Greece</b>				
Association of Cooperative Banks of Greece	n.a.	n.a.	n.a.	n.a.
<b>Hungary</b>				
National Federation of Savings Co-operatives (a)	0.47	6.48	72.25	7.07
<b>Italy</b>				
Federkasse (BCC)	-0.04	-0.50	59.2	17.0
<b>Lithuania</b>				
Association of Lithuanian credit unions (a)	-2.44	-30.80	57.5	21.7
<b>Luxembourg</b>				
Banque Raiffeisen	0.24	5.4	75.1	12.7
<b>Netherlands</b>				
Rabobank	0.33	6.5	62.6	23.2
<b>Poland</b>				
National Union of Co-operative Banks (KZBS)	0.5 <sup>6</sup>	5.0 <sup>6</sup>	75.4 <sup>6</sup>	15.9 <sup>6</sup>
<b>Portugal</b>				
Crédito Agrícola	0.36	4.9	63.8	13.5
<b>Romania</b>				
Creditcoop (a)	0.42	1.33	98.0	22
<b>Slovenia</b>				
Deželna Banka Slovenije d.d. (a)	-2.27	-28.40	62.5	9.83
<b>Spain</b>				
Unión Nacional de Cooperativas de Crédito	0.41	5.00	52.4	n.a.
Banco de Crédito Cooperativo (BCC)	0.17 **	2.5 **	57.4 **	11.6 **
<b>United Kingdom</b>				
Building Societies Association	0.4	9.6	57	18.4
<b>Total <sup>8</sup></b>				
<b>Non-European Union Countries</b>				
<b>Canada</b>	0.79	9.1	71.1	17.2
Desjardins Group				
<b>Japan</b>	0.27	4.3	74.7	19.0
The Norinchukin Bank / JA Bank Group				
<b>Switzerland</b>	0.40	6.4	62.6	16.4
Raiffeisen Schweiz				
<b>Total (Non-EU)</b>				

EU Countries	OTHER INDICATORS					
	Nb Employees Full-time equivalent	Nb Clients	Nb of legally independent local OR regional co-	Nb of branches (in home country)	Nb members	Nb of domestic ATMs
<b>Austria</b>						
Österreichische Raiffeisenbanken	29,000	3,600,000	477	1,578	1,700,000	n.a.
Österreichischer Volksbanken	4,994	1,060,000	37	464	688,000	n.a.
<b>Bulgaria</b>						
Central Co-operative Bank	2,087	1,621,872	n.a.	50	6,626	501
<b>Cyprus</b>						
Co-operative Central Bank	2,749	n.a.	19	251	600,000	n.a.
<b>Denmark</b>						
Nykredit	3,757	1,065,000	59	864	350,000	58
<b>Finland</b>						
OP Financial Group	12,130	4,303,000	178	450	1,491,000	n.a.
<b>France</b>						
Crédit Agricole	140,000	50,000,000	39	11,100	8,789,841	n.a.
Crédit Mutuel	78,800	30,700,000	18	5,260	7,700,000	8,861
BPCE	108,000	35,000,000	35	8,000	8,900,000	n.a.
<b>Germany</b>						
BVR	187,616	31,000,000 **	1,021	12,260	18,283,324	19,364
<b>Greece</b>						
Association of Cooperative Banks of Greece	864	352,285	9	112	163,628	n.a.
<b>Hungary</b>						
National Federation of Savings Co-operatives (a)	7,326	1,150,000	105	1,484	84,000	n.a.
<b>Italy</b>						
Federkasse (BCC)	36,500	6,000,000	364	4,414	1,248,724	5,401
<b>Lithuania</b>						
Association of Lithuanian credit unions (a)	598	2,656	63	126	142,601	n.a.
<b>Luxembourg</b>						
Banque Raiffeisen	609	114,754	13	42	22,373	52
<b>Netherlands</b>						
Rabobank	45,658	8,600,000	106	506	1,945,000	2,206
<b>Poland</b>						
National Union of Co-operative Banks (KZBS)	32,006	n.a.	561	4,732	994,263	3,800
<b>Portugal</b>						
Crédito Agrícola	4,121	1,200,000	82	675	400,000	1,497
<b>Romania</b>						
Creditcoop (a)	2,235	919,467	763	46	660,000	n.a.
<b>Slovenia</b>						
Deželna Banka Slovenije d.d. (a)	355	85,000	1	85	260	39
<b>Spain</b>						
Unión Nacional de Cooperativas de Crédito	12,337	7,117,302	43	3,394	1,405,187	3,500
Banco de Crédito Cooperativo (BCC)	6,678	3,353,747	19	1,257	1,417,051	1,353
<b>United Kingdom</b>						
Building Societies Association	30,400	22,400,000 <sup>7</sup>	44	1,563	22,400,000	1,466
<b>Total <sup>8</sup></b>	<b>748,820</b>	<b>209,645,083</b>	<b>4,056</b>	<b>58,713</b>	<b>79,391,878</b>	

#### Non-European Union Countries

<b>Canada</b>						
Desjardins Group	47,654	4,413,607	321	795	4,413,607	2,152
<b>Japan</b>						
The Norinchukin Bank / JA Bank Group	3,561	n/a	749	7,960	3,677	94,000
<b>Switzerland</b>						
Raiffeisen Schweiz	9,286	3,717,987	292	994	1,862,032	1,635
<b>Total (Non-EU)</b>	<b>60,501</b>	<b>8,131,594</b>	<b>1,362</b>	<b>9,749</b>	<b>6,279,316</b>	<b>97,787</b>

EU Countries	MARKET SHARE			
	Domestic market share deposits (%)	Domestic market share loans (%)	Mortgage market share (%)	Market share SMEs (%) <sup>1</sup>
<b>Austria</b>				
Österreichische Raiffeisenbanken	30.3	28.3	24.4 **	n.a.
Österreichischer Volksbanken	4.7	7.5	7.9 **	20
<b>Bulgaria</b>				
Central Co-operative Bank	6.5	4.0	1.2	n.a.
<b>Cyprus</b>				
Co-operative Central Bank	28.0	20.0	36.0	7.0
<b>Denmark</b>				
Nykredit	3.9	30.5	42.2	n.a.
<b>Finland</b>				
OP Financial Group	37.1	34.9	38.6	37.5 <sup>3</sup>
<b>France</b>				
Crédit Agricole	24.4	21.1	29.1	36.0
Crédit Mutuel	15.2	17.2	19.8	16.0
BPCE	22.2	20.7	25.8	n.a.
<b>Germany</b>				
BVR	21.0	20.7	27.8	33.4
<b>Greece</b>				
Association of Cooperative Banks of Greece	1.0	0.8	n.a.	15
<b>Hungary</b>				
National Federation of Savings Co-operatives (a)	8.69	4.44	n.a.	n.a.
<b>Italy</b>				
Federkasse (BCC)	7.7	7.2	n.a.	22.4
<b>Lithuania</b>				
Association of Lithuanian credit unions (a)	2.9	1.8	0.4	4.5
<b>Luxembourg</b>				
Banque Raiffeissen	20.0 <sup>5</sup>	13.0	12.0	n.a.
<b>Netherlands</b>				
Rabobank	35.0	n.a.	20.0 <sup>2</sup>	42.0
<b>Poland</b>				
National Union of Co-operative Banks (KZBS)	9.4	7.5	1.9 <sup>6</sup>	14.2
<b>Portugal</b>				
Crédito Agrícola	6.5	4.2	2.5	n.a.
<b>Romania</b>				
Creditcoop (a)	n.a.	n.a.	n.a.	n.a.
<b>Slovenia</b>				
Dezelna Banka Slovenije d.d. (a)	2.34	2.22	n.a.	n.a.
<b>Spain</b>				
Unión Nacional de Cooperativas de Crédito	5.6	4.2	n.a.	n.a.
Banco de Crédito Cooperativo (BCC)	2.2	2.6	n.a.	n.a.
<b>United Kingdom</b>				
Building Societies Association	18.3	n.a.	20.8	n/a
<b>Total <sup>8</sup></b>				
<b>Non-European Union Countries</b>				
<b>Canada</b>				
Desjardins Group	42.9	n.a.	36	28
<b>Japan</b>				
The Norinchukin Bank / JA Bank Group	10	n.a.	n.a.	n.a.
<b>Switzerland</b>				
Raiffeisen Schweiz	19.5	n.a.	16.9	n.a.
<b>Total (Non-EU)</b>				

customer has to be a member.  
 8) Totals are based on reported data, i.e. data for some co-operative banks were not available. The Totals for 2015 are not comparable with those of previous years. Due to a reform in Italy, data for all banche popolari (popular banks) are excluded as from 2015.  
 a) data 2013

2) Market share new mortgages  
 3) Market share corporate loans  
 4) Just FTEs; no parttime employees are included  
 5) Market share domestic deposits instead of total deposits  
 6) Data refers to co-operative banks without the two Polish affiliating banks  
 7) Total number of clients equals total number of members, because every

\* Table elaborated in collaboration with TIAS School for Business and Society of Tilburg University and based on Members input  
 \*\* These indicators are calculated by TIAS which bears the full and sole responsibility. These figures are neither reported nor formally approved by the respective co-operative banks.  
 1) Cooperative banks do not apply a similar definition of the SME sector.



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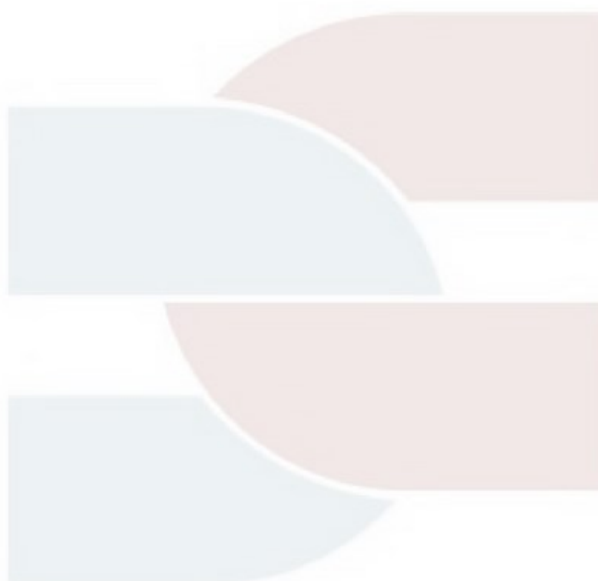
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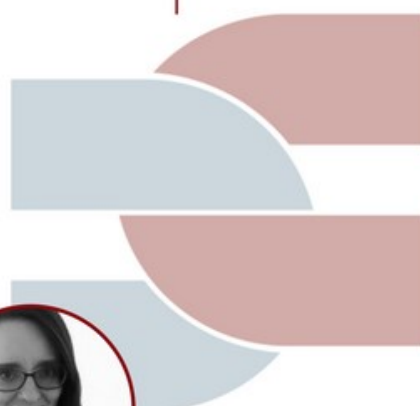
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