



Mr. Wayne Byres

Secretary General

Basel Committee on Banking Supervision

Centralbahnplatz 2

Basel

Switzerland

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VH/HS/B2/12-062

E-MAIL

EACB concerns on liquidity provisions

Dear Mr. Byres,

Following our meetings on 17th February and 5th April, we have the pleasure to reiterate the main concerns of cooperative banks with regards to the definition of the liquidity ratio:

- The definition of highly liquid assets is an issue that remains highly relevant for our Members given that the cooperative system is organized around retail banks which collect savings and grant loans to the real economy. We would be grateful if you would consider a more appropriate definition taking into consideration liquid assets eligible for central bank refinancing. We are particularly worried about the current definition which excludes these assets while favouring sovereign debt although the recent sovereign debt crisis has shown that sovereign bonds can become illiquid very quickly.
- Secondly, the definition of corporate deposits needs to be revised. The 1M€ threshold between retail and corporate deposits is easily reached for local companies. They would be hence classified in a punitive weightings category. We would rather suggest the categorization of the companies not only according to their levels of deposits but also according to their economic nature. The current definition of "operational relationship" is too narrow because it is limited to deposits from customers that have clearing, cash management and custody services. We therefore propose the creation of a new definition of the notion of "established relationship" allowing for a distinction between stable and unstable corporate deposits
- Moreover, we think that the 75% cap on inflows is not appropriate. Institutions would be obliged to acquire an amount of highly liquid assets that goes beyond the necessary minimum to meet the criteria of LCR. In addition, it is not realistic to presume that between banks certain monies simply disappear as in liquidity systems for co-operative banks.

We would like to remind you that cooperative banks are one of the key credit providers to SMEs and to the local economy and in this respect the definition of the liquidity ratio may impact their activities.



We hope that our concerns will be taken into account in order to allow our institutions to continue financing the real economy.

If you need further explanation, please do not hesitate to contact us.

We remain available to present our positions to your specific group set up by the Basel Committee on liquidity issues.

Yours sincerely,

Hervé GUIDER
Secretary General

Volker HEEGEMANN
Head of Unit