



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS
The Co-operative Banking Difference

EACB Regulatory debate
Celebration of the 200th Raiffeisen's Anniversary

20 MARCH 2018

OPENING SESSION SPEECH

GERHARD HOFMANN

PRESIDENT OF THE EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS

Check Against Delivery



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS

The Co-operative Banking Difference

Opening session: 14h00-14h20

[G. Hofmann, President, EACB; C. Trias Pinto, Member, Economic and Social Committee]

Dear Ladies and Gentlemen,

Dear Colleagues,

It is a pleasure to welcome you today at the second edition of the EACB regulatory debate. I am delighted to renew the successful collaboration with the economic and social committee. Let me take the occasion to thank Mr. Trias Pinto and the other members of the economic section of the Committee for their support. The EESC has contributed at several occasions to highlight the role of co-operative banks to foster social and economic development. Let me mention as illustration the report you adopted a couple of years ago entitled "*the role of co-operative and savings banks in territorial cohesion*". We appreciate your efforts to ensure that the diversity of banking models is taken into account in the EU legislation. Diversity remains an insurance against systemic risk and is an essential element for increased resilience of the financial sector. In this context, co-operative banks have always played a role of stability anchor, particularly for the continued financing of the real economy. Moreover, a regulatory framework that takes the diversity of European banking landscape into account also promotes competition, innovation, sustainability and productivity.

This is a well accepted concept that seems to find the agreement of many stakeholders. However, is it translated in the designing and practices of the regulatory and supervisory framework? Unfortunately not enough. Why? Because the solutions are not easy. The EACB has been at the forefront of many initiatives to correct or ensure that the co-operative model would not be undermined or unduly forced to adjustments due to legislation. Much has been achieved but many issues remain open. This is why I am very glad to see many co-operative bankers and policy makers taking part in our dialogue today. We believe that it is particularly important to address those open issues, as the EU institutions mandate will be renewed next year.

THE TOPICS

It is our purpose to ensure that co-operative banks specificities are understood and taken into account by policy makers and regulators so that the co-operative banks difference in



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS The Co-operative Banking Difference

terms of ownership structure, organizational settings, risk profiles and economic and social role are not undermined.

From this perspective, we will look today into evolutions in both the regulatory and supervisory environment to ask some of the following questions? Is current regulation fit to purpose? Are the different levels from the Basel standards to EU level1, to the regulatory technical standards and ESAs guidelines not becoming too complex and too fast to even be able to assess the impacts? Are the market characteristics of EU member states sufficiently taken into account? Are the co-operative features being respected in the supervisory and resolution toolboxes? We will discuss later on for example MREL and the implication for the existing solidarity mechanisms in co-operative networks or the calibration according to complexity of the institutions. The flexibility of SREP framework is also essential for tailoring the supervisory approach to risk and size.

We will also discuss the overall regulatory framework produced over the last years both on the prudential side (CRR/CRD4) and on the product side (MiFiD2, PRIIPS, EMIR, PSD2, GDPR) to look at the impact on co-operative banks. Can more proportionality be introduced? For example, regarding the governance rules the values of democratic participation of members that are at the heart of our banks could be endangered by formalistic approaches such as the concept of independence.

THE CO-OPERATIVE CHARACTERISTICS

But let me come back to the starting point, that is, as I mentioned earlier: the understanding of the co-operative difference. So what does it mean? Co-operative banks take strength in the values of trust, proximity and participation of members. Indeed, they are private institutions owned by their members, who are also their clients, in other words the local entrepreneurs, craftsmen, farmers or households.

This has consequences in terms of structure and operations:

- co-operative banks are long term oriented, no subject to market pressure with a prudent risk policy.
- they have deep local anchorage and are normally organized in decentralized network with solidarity and joint liability systems.

This bottom up structure, may result as more difficult or complex to understand for regulators, supervisory and resolution authority, compared to the more common and



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS The Co-operative Banking Difference

“straightforward” model of the listed banks with a top down parent company/branches structure.

It is however exactly due to its specific features that our model is able to contribute so much to the local economic and social development of the European territories. Members and clients keep choosing co-operative banks as a model that stands for sharing economy and sustainable banking, ideas that have been rediscovered recently but were at the origin of the co-operative movement. It is those roots and values that we will celebrate later today during the cocktail session that will mark the 200th anniversary of the birth of an important co-operative pioneer Friedrich Raiffeisen. He founded the first co-operative banks inspired by the values of solidarity and self-help. We are still very proud of those values and a model that changed the life of many people in Europe and worldwide. Thanks to their capacity to adapt to members needs, co-operative banks continue to contribute to growth, financial inclusions and sustainable development. They will be able to further do so if the regulatory framework allows them and does not restrict or even call into questions the specific characteristics that have made them successful. After all, Unesco has included the co-operative idea in the official list of the world intangible cultural heritage. We hope that Europe, that gave birth to this idea and were the first co-operative banks were created, will continue defending, promoting and valorizing them!