



Press release

13 February 2009

Co-operative Banks advocate better regulation, more convergence of supervision and macro-economic oversight in the EU.

In their comments to the High Level Group on Supervision, chaired by Jacques de Larosière, Europe's Cooperative Banks expressed their expectations regarding the future of banking supervision and regulation in the EU.

The EACB President, **Mr. Piet Moerland** (Board member Rabobank Nederland), pointed out: ***"The current crisis poses serious challenges in many areas. Among them is the urgent need to avoid new forms of financial protectionism as well as an overdose of regulation."***

A majority of Co-operative banks in Europe take the view that a single European regulator or a European System of Supervisors would be a premature step which would not be warranted at this stage as important political, legal and economic preconditions for such move are not fulfilled. Nevertheless, credible answers must be found to speed up supervisory convergence in Europe regarding the rulebook, the interpretations of rules and supervisory practices by strengthening colleges of supervisors. The current crisis should not be taken as an argument to re-focus primarily on national supervisory arrangements, but to intensify cross border co-operation.

A European Financial Stability Council (EFSC) should be created. This new entity collects data on the prudential situation of financial institutions as well as the whole financial sector. Based on their analysis this new body could create more awareness on threats to financial stability and provide orientations for supervisors, the Council, the Commission, the European Parliament and the Level 3 Committees.

At the same time, **Mr. Moerland demands better regulation and warns against "regulatory activism"** resulting in inappropriate and overly burdensome rules: *"Many of the root causes of the financial crisis have not really been identified yet in a consistent manner, what is indispensable to address the underlying causes of the problems. Furthermore, trying to fix certain issues at a time when the vulnerability of the financial system is still high by tightening regulation and supervision could aggravate the crisis rather than help to resolve it. We need better regulation, not necessarily more regulation."*

While no banking group can isolate itself from the repercussions of the current severe crisis Europe's co-operative banking groups see themselves less affected than most other groups in this first part of the crisis. The primary purpose of a co-operative bank being to promote its members' economic interest, not to generate maximum profit implies a sustainable business model that has turned out to be healthy and sustainable over the longer term. In this context, "decision makers and regulators alike should consider the specificities and the role of co-operative banks when analyzing the crisis and suggesting regulatory changes"

"While state intervention has been inevitable to some degree to stabilize the banking system, and very efficient, especially in the liquidity crisis, such interference has to be

AN ASSOCIATION ON THE MOVE



strictly limited to the degree necessary. It would be highly detrimental for competition and the common market, if banks that rely on state aid could put their competitors, who manage financial strains by themselves, under pressure with “unfair” pricing policies, Mr. Moerland stated.

The comment paper can be found on www.europcoopbanks.coop

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About the EACB

The European Association of Co-operative Banks (EACB) is the voice of the co-operative banks in Europe. The EACB represents the interests of 28 co-operative banking associations at the European level. Founded in 1970, the organisation promotes co-operation amongst its members and represents the co-operative banking sector both in EU institutions as well as in dealings with the European Central Bank. With 4,500 institutions and 64,000 branches, co-operative banks are well represented within the European Union and play a leading role in the European economies and financial markets. They have a long tradition in serving 160 million customers, mainly consumers, retailers, SMEs and local communities. The co-operative banks in Europe have 49 million members, employ 746,000 staff members and have an average market share of 21 percent.