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Press Release EACB

CO-OPERATIVE BANKS POINT OUT THE PARADOX : NEGATIVELY AFFECTED BY THE NEW EU REGULATIONS WHILST VITAL ACTORS FOR FINANCING SME'S AND THE ECONOMY

Brussels, 14 March 2011 – Co-operative banks have weathered the financial storm well, their unique features meet the "new" characteristics requested in the new financial system. A much stronger customer focus, integrity, ethics, a responsible risk attitude and a long-term perspective are in co-operative banks DNA. However, the current overregulation is hampering the capacity of co-operative banks to finance SME's and the economy. This is the warning given by the top leaders of co-operative banks during an exchange of views with Commissioner for internal market, Michel Barnier, at the occasion of the EACB (European Association of Co-operative Banks) Executive Committee meeting last Friday in Brussels.

"We have to cope with the new wave of legislation that is primarily aimed at reducing the risks of wholesale banking activities, but that will eventually hit the safer retail banks. Co-operative banks deliver an important contribution to the real economy. It would be paradoxical to force us, for regulatory reasons, to reduce our capacity to finance small and medium enterprises and at the same time to call for developing social entrepreneurship in Europe as quoted in the Single Market Act for a highly competitive social market economy. In other words the "one size-fits all" approach should be avoided" commented Piet Moerland, EACB President and Chair of the Executive Board of Rabobank.

Leaders of co-operative banks expressed particular concerns for the Basel 3 measures. "The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) can have a much stronger effect on the EU economy where bank intermediation plays a much stronger role than in the USA. There is a risk of overregulation with negative effects for the whole economy. Therefore, the transition period for their implementation has to be used to carefully assess their impact and improve the concept. Moreover, it has to be ensured that the specific mechanisms and liquidity management processes of co-operative banks, making them less vulnerable to market turbulences, and being at the core of their financial solidity, are not undermined" said Hervé Guider, EACB General Manager. Moreover, the extent and size of the envisaged measures is such that the need of an in-depth cumulative impact analysis remains a crucial concern.

Moreover EACB addressed a letter to the Commission highlighting the adverse effects of the new Basel 3 regulation for small and medium sized co-operative banks. "The risk weights assigned to SMEs and corporate in the standardised approach should be revised. A specific and well calibrated reduction of these risk weights is necessary to avoid undesirable economic side effect of Basel 3", commented Hervé Guider.

EACB Contact:

General Manager: Hervé GUIDER (Tél.: 02 230 11 24) h.guider@eurocoopbanks.coop
Communication officer: Elisa BEVILACQUA (Tel: 02 286 98 42) e.bevilacqua@eurocoopbanks.coop

About the EACB: The European Association of Co-operative Banks (EACB) has been the voice of co-operative banks since 1970. It represents, promotes and defends the common interests of its 27 member institutions and of cooperative banks in general. Co-operative banks form decentralized networks which are subject to banking as well as co-operative legislation. With 4,000 locally operating banks and 65,000 outlets, co-operative banks play a major role in the financial and economic system. They serve more than 176 million customers, mainly consumers, SMEs and communities. Europe's cooperative banks represent 50 million members and 782,000 employees and have an average market share of about 20%. Their resilience during the crisis make co-operative banks a key driving force in the economic recovery. www.eurocoopbanks.coop

The voice of 4.200 local and retail banks, 50 million members, 176 million customers

EACB AISBL – Secretariat • Rue de l'Industrie 26-38 • B-1040 Brussels

Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19

www.eurocoopbanks.coop • e-mail : secretariat@eurocoopbanks.coop