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PRESS RELEASE EACB

Cooperative Banks demand “significant” improvements to the Commission services proposal for changes to the CRD

Brussels, 19 June 2008 – The European Association of Co-operative Banks urges to the European Commission services to significantly improve their “potential changes to the Capital Requirements Directive (CRD), which had been out for consultation until the beginning of the week. “The suggested new regime for the management of “Large Exposures” would be over-restrictive and even a danger for the existence of many co-operative groups in Europe”, EACB President Christopher Pleister pointed out. “The rules on Large Exposures impose rigorous limits and seriously hamper the interbank-business, without that we see appropriate benefits from a prudential perspective. The EACB suggests taking an approach to interbank-exposures that is more in line with current standards. “The current turmoil was created by a lack of confidence, not by too large exposures to a single bank. The new regime would not have been helpful, to the contrary, more restrictive limits reduce flexibility and therefore even aggravate difficulties,” Mr. Pleister added. “It even questions the structures of many co-operative groups in Europe.” In many non-consolidating co-operative groups local banks hold important participations in their sectoral central bank, which is managing a big part of their deposits within the framework of liquidity systems. “Liquidity systems internalize risks and are a stabilizing factor for the market. This is something the Commission must not ignore” Mr. Pleister underlined.

The cooperative banks equally see a need to improve the suggestions on hybrid instruments: the new rules allow the use of hybrid instruments to the limit of 50% of core capital only, when instruments can be converted in times of crisis into “ordinary capital”. Due to the fact that normally a member of a co-operative can hold not more than one share, such rule would put co-operative banks at a disadvantage. Therefore, the EACB suggests to admit for that limit instruments that rank *pari passu* with share capital and to give the possibility to convert into capital that is equivalent to share capital from a prudential perspective.

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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 63,000 branches, co-operative banks are well represented within the European Union and play a leading role in the European economies and financial markets. The banking business with 140 million customers, primarily private customers and small and mid-sized corporate clients as well as municipalities has a long tradition. The co-operative banks in Europe have 47 million members, employ 730,000 staff members and have an average market share of 20 percent.

Website: www.eurocoopbanks.coop