



PRESS INFORMATION

Savings and socially committed retail banks call on the G20 to ensure a pluralistic banking sector for stability

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The 110 members of the World Savings Banks Institute and European Savings Banks Group (WSBI/ESBG) have called for steps forward in the international finance arena which would ensure a pluralistic market structure to increase stability. WSBI/ESBG represents 6,500 banking institutions in 92 countries throughout the world including savings and socially committed retail banks in Europe, Asia, Africa and the Americas. In Europe, ESBG represents approximately one third of the entire European retail banking market.

WSBI/ESBG members expressed concerns and submitted proposals on a number of items including the following:

- Recent events have evidenced that a pluralistic market culture, with banking players with different business models, scopes and sizes, is a great asset.
- It is important to adequately oversee and examine mega-banks and financial conglomerates operating across financial sectors (banking, insurance, securities) and across countries. The question of whether the development of such financial institutions should be supported at all also deserves to be raised.
- However, the much-needed efforts to improve international and cross-sectoral cooperation to better supervise financial mega-institutions should not be made to the detriment of other financial services players, and especially proximity banking institutions. It is essential that these different types of banking institutions, despite their differences, can operate on a level playing field.
- Capital requirements increases should strictly target and apply to the risky activities and transactions where a lack of regulatory capital has been demonstrated, and which have therefore been at the source of most of the current problems. Stricter capital requirements should in no way be imposed in a generalised manner and affect business lines which have proved to be adequately regulated.
- The objective of “better” quality capital should take into account the diversity of banking players and of their ownership structures. The planned harmonization of capital should not refer only to the model of banks organised as public limited-liability companies with shareholders and voting rights.
- The envisaged additional capital requirements should be introduced only once the effects of the crisis have passed and markets have recovered.
- Any proposal to increase capital requirements should be preceded by an impact assessment.





- Regarding excessive leverage in the financial system, there is a need for a proper consultation process with the industry and of conducting an in-depth impact assessment in order to identify the appropriate way to achieve the objective of avoiding excessive leverage.
- Compensation incentives within an institution should support long-term, firm-wide profitability. However, it should be remembered that remuneration policies are very institution-specific and a “one-size-fits-all” approach is not appropriate. Hence there is a need for principles-based regulation.

Chris De Noose, Managing Director of WSBI/ESBG said “savings and socially responsible retail banks have served as a beacon of sensibility and stability in this crisis – providing finance to the ‘real’ economy and focusing on traditional banking activities. It is absolutely critical that any efforts to alter the international financial system take into account the importance of a pluralistic market and a level playing field for future stability.”

Attachment: *WSBI/ESBG Contribution to Pittsburgh Summit on Recovery and Reform*