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WSBI/ESBG message to the G20 Leaders Summit
Cannes, 3/4 November 2011

The members of the World Savings Banks Institute (WSBI) and of the European Savings Banks Group (ESBG) are savings and socially committed retail banks that offer their services mainly to private clients, small and medium sized enterprises and local authorities. They work through extensive distribution networks that enable them to offer proximity services and provide regional outreach. They also develop a socially responsible approach to business and to society.

The 112 WSBI/ESBG members, representing 6 000 banking institutions, are active in 89 countries throughout the world, including developing and developed countries. The assets of WSBI/ESBG members active in the G20 countries amount to more than USD 12 000bn and non-bank deposits amount to more than USD 7 000bn¹.

In the perspective of the 3/4 November 2011 Cannes Summit, where important decisions will be made to tackle the root causes of the crisis and to strengthen financial regulation, WSBI/ESBG and its members would like to call the attention of the G20 members on a number of concerns and proposals. The WSBI/ESBG's overall objective is to avoid that the international banking framework detracts some banking institutions – such as savings and socially committed retail banks - and market practices that actually contribute to stabilising the markets and supporting the real economy.

- Regulatory burden for the banking sector

- ✓ WSBI/ESBG welcomes reforms both at international and regional level that aim to reinforce the stability of the financial markets, but asks regulators to consider the impact of these reforms on functions that are crucial for economic growth, such as capital availability for SMEs and long term financing.
- ✓ So far the cumulative impact of the financial regulation currently in force and that which is in the pipeline has not been assessed sufficiently. Therefore, it is absolutely necessary to carry out impact studies on the combined effects e.g. of prudential rules applicable to different sectors, from the macro-economic standpoint, as well as by financing type and company size.
- ✓ Regulators have to guarantee that the transposition of financial reforms does not lead to unintended, potentially harmful, consequences. Therefore it is very important to carefully calibrate each reform project.
- ✓ The wide range of regulatory initiatives undertaken in the banking area do not only entail direct costs for financial institutions, but are also accompanied by an increase in the overall complexity and in reporting and administrative burdens for the banking industry.
- ✓ Furthermore, it has to be ensured that the rules and principles adopted at the international level on financial regulation and prudential rules are implemented in a comprehensive and harmonized manner. It is essential to guarantee the rules' efficiency and to avoid distortion of competition, in the context of market globalization and interdependence between financial institutions. The G20

¹ See list of WSBI member banks in G 20 countries and figures as an Annex



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should serve as a coordinating body for harmonized, fair and efficient implementation of the rules set at international level.

- ✓ Nevertheless, regulators should keep in mind that certain regulation was drawn up to solely target large, internationally operating financial institutions. These provisions should not be transferred to the decentralized banking model.

- **Supervision and prudential framework**

- ✓ WSBI/ESBG appreciates the efforts to construct a more resilient banking sector and to address the weaknesses observed during the crisis. Although the goal to achieve a safer and more stable banking environment is supported, regulators should be cautious of introducing stricter and more demanding requirements and standards on banks as this might have a contradictory effect.
- ✓ The Basel III framework has to be implemented on an international level as it was agreed. It is indispensable to ensure a global level playing field, in order to prevent any regulatory dumping which might result in the emergence of concentrated risk zones.
- ✓ WSBI/ESBG would like to remind regulators to take regional and national specificities into account when implementing Basel III.
- ✓ Basel III was designed as a set of measures for large, internationally active credit institutions. Nevertheless, it is to apply to the entire banking sector in the EU, for which it was originally not intended. A major concern is that the new requirements might penalize those banking models which proved useful towards the entire economy and resilient during the crisis, such as savings banks. As a consequence a decrease in SME lending could occur.

- **Consumer protection**

- ✓ WSBI/ESBG believes that a strong commitment towards fair treatment of customers is a very important tool for establishing long-term banking relationships. It is especially true in the aftermath of the global financial crisis, when in many countries the trust and confidence of the general public in the banking sector is low. In this respect, WSBI/ESBG welcomes the G20 initiative to develop a G20 consumer protection framework.
- ✓ A comprehensive consumer policy combined with an overall responsible approach to doing business is part of the tradition of the “stakeholder” model of WSBI/ESBG members. The principle of fair and clear relations with customers is an integral part of the [WSBI/ESBG Charter on Responsible Business](#). It reflects the commitments of WSBI/ESBG members to build long-standing relationships with clients and to secure customer confidence and satisfaction.
- ✓ WSBI/ESBG is convinced that all consumers should benefit from the same level of security and protection, whatever institution they operate with (bank, non bank financial provider, microfinance institution, financial cooperative etc), in order to foster broad public confidence, and a level playing for service providers. This is a matter of credibility for the whole sector.
- ✓ The G20 should recognize that consumers have rights, but also responsibilities. If financial services have to ask the relevant questions to clients and ensure that the proposed products and services are the best according to their needs and means, it is the consumers’ responsibility to provide relevant, complete and accurate information on their financial situation, when they apply for a banking service and take their personal as well as financial circumstances into account when making their decision.
- ✓ Consumer protection measures should be given specific attention in countries where banking with formal institutions is still emerging. The targeted client groups, by definition, come from the



most vulnerable and low income segments of the population. This is a major challenge for the credibility and the sustainability of the whole financial sector. If not properly addressed, any problem could lead to a long-term mistrust in formal financial institutions and loss of confidence in the banking system altogether.

- *Microfinance*

- ✓ The G20 initiative on microfinance is a positive move towards the institutional recognition of microfinance and of its strength to address the access to finance gap, to empower vulnerable people and to fight social and economic exclusion.
- ✓ Microfinance should be regarded as a tool to enable people without access to the conventional banking sector to get adapted financial services which will help them improve their life and develop income-generating activities. This is a means to an end and not a magic wand to solve all poverty problems in the world.
- ✓ The G20 should encourage measures which could at the same time strengthen the microfinance offer and promote the development of responsible microfinance, pursuing the double objective of social integration and economic development:
 - There is an urgent need to define incentives to keep social impact at the heart of the mission of microfinance institutions (MFIs) and to consider the introduction of tools –such as social reporting or social ratings- to value market players who truly play by the rules.
 - A relation of proximity and trust with the clients should remain at the heart of the microfinance economic model. Consumer policy should be an integral part of the microfinance offer, with specific measures to prevent over-indebtdtness.

- *International accounting standards*

- ✓ The development of updated international accounting standards should be based on two principles: it should reflect the companies' business models and reemphasize the need to find the right balance between amortized cost and fair value. Both guiding principles will serve the objective of achieving financial market stability.
- ✓ In general, quality should be prioritized over pace in the process of drafting new accounting standards and this includes the need to focus on quality rather than on searching for convergence between IFRS and US GAAPs in haste.

- *Social commitments and sustainable development*

- ✓ While lessons from the crisis and new financial regulations are being drawn, it is about time to accelerate initiatives regarding the contribution of financial markets to a sustainable economy. Savings banks would like to emphasise that their double bottom line business model, enables them to maintain their social commitment and their support to local cohesion, in good and bad periods of economic cycles.