



PRESS INFORMATION

27 July 2010

The Basel III update - steps in the right direction?

ESBG, the European Savings Banks Group, and its sister organization WSBI, the World Savings Banks Institute, welcome the 'Basel III' update published by the Basel Committee on 26 July.

After a first and preliminary assessment of the changes to the former reform proposals, we welcome that a judicious approach has been taken in many essential areas. In particular we support efforts to improve design and calibration of the measures on the table and the ambition that the timeframe for introducing important measures should allow for sufficient trial and observation. However, we need to underline our reservations arising from the lack of a complete and consistently calibrated reform package: with a disconnected focus on the reform details there is no certainty that banks will not be overwhelmed by accumulating requirements.

Concerning the details of the revisions put forward we welcome that the definition of capital eligible for core tier 1 has become closer to banks' reality. However, we are not yet assured that the current definition is indeed compatible with all banks organized, like many savings banks, as non-joint stock companies. This, however, is critical!

As regards the leverage ratio, while the serious concerns we have consistently expressed are not alleviated, we recognize that the proposal has become more concrete. We urge to conscientiously assess and observe effect and performance of a leverage ratio before the envisaged Pillar 1 conversion. This would be a highly important step, and should be open to reconsideration depending on the lessons learned in the meanwhile.

On the liquidity standards we appreciate that the calibration now takes better account of the stability of core retail banking activities. Also, we take note of the amendments to the liquidity buffer which will lead to greater balance and compatibility with banking realities; furthermore we agree that the long-term funding requirements should be recalibrated and appreciate that the proposed changes go in the right direction. Here, too, we highlight the importance to keep an open mind during the observation period.

Concerning countercyclical buffers we welcome that a more detailed proposal has been put forward for consultation recently.

This being said, we reiterate that the cumulative effects of the reform package need to be clearly understood. Transparent and decisive efforts have to be made in order to avoid unintended burden arising from the interaction between the individual measures. In this context we further underline the need for a timely and transparent publication of the results of the Quantitative Impact Study.





Regarding the macroeconomic effects we stress that 'Basel III' should not curb banks' ability to finance the real economy at the local and regional level, as this would be detrimental to growth in developed and emerging markets alike. We also take note that the Basel Committee will publish its economic impact assessment in the coming month.

Chris De Noose, ESBG Managing Director declared: "We observe that the Basel Committee has already made efforts to make Basel III compatible with the various banking models existing worldwide and urge for these efforts to be continued. Yet, we need more information and call for more detailed proposals to be published as soon as possible, also given the highly ambitions pace of reform. Without knowing the whole reform package, optimism and confidence do not come easy."

Notes to Editors:

Press Contacts:

Dirk Smet, Tel: +32 2 211 11 90 or dirk.smet@savings-banks.com

About ESBG:

The European Savings Banks Group (ESBG) is an international banking association which represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of almost €6,000 billion (January 2009). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. ESBG member banks have been reinvesting *responsibly* in their region for many decades and they are a distinct benchmark for corporate social responsibility activities throughout Europe and the world.

Please visit www.savings-banks.com for more information.