

# PRESS INFORMATION



EUROPEAN SAVINGS BANKS GROUP

Brussels, 7 December 2004

## **ESBG supports ECOFIN Council's approach to new capital requirements framework.**

**But highlights room to improve definition of retail exposure.**

In reaction to the ECOFIN Council's adoption of its General Approach today, ESBG members welcome the Council's confirmation of the main direction of the proposal for the new capital requirements directive.

ESBG would like to communicate its specific appreciation of the adoption of:

- The staggered implementation of the new directive;
- The proposed framework for the supervision of pan-European banking groups. In particular, the ESBG explicitly welcomes the scope of application of the 'consolidating supervisor' framework, and is of the opinion that any extension of this framework to other areas of banking supervision would be premature.

### **ESBG would however, like to highlight that there is room for the definition of retail exposure to be improved**

ESBG believes that the current definition of retail exposure should be improved by removing the 'negative' incentives. That means incentives for banks to avoid the pursuit of optimal SME credit exposure management techniques.

*"The individual monitoring of loans to SMEs should not be used as a criterion to exclude such loans from the retail exposure class,"* said Mr. Chris De Noose, Chairman of the Management Committee, ESBG. *"The close follow-up of an exposure should rather be regarded as a sound practice, leading to an improved ability for a bank to support and serve its customers."*

In addition, ESBG believes that strict application by the competent authorities of the criteria contained in the definition of retail exposure could result in high costs for the banks as well as serious practical problems in terms of ensuring compliance. Accordingly, ESBG asks that supervisors be required to provide flexibility in the practical application of thresholds.

\*\* ENDS \*\*

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## Notes to Editors:

### **About ESG members**

ESBG members are typically savings and retail banks with a **retail, return-oriented, responsible** approach and a **regional** market-focus on individuals, households, SMEs and local authorities.

### **About the European Savings Banks Group (ESBG):**

Established in 1963 and based in Brussels, the European Savings Banks Group represents the needs and interests of its members and generates, facilitates and supports the management of cross-border banking projects. ESG represents 24 members from 24 pan-European countries, comprising almost 1,000 individual savings and retail banks, operating 65,000 branches and employing 757,000 people. At the start of 2003, total assets of ESG members amounted to €4,355bn and total non-bank loans to €2,195bn.

Visit: [www.savings-banks.com](http://www.savings-banks.com)

Concerning the new capital requirement rules, ESG issued press releases on 15 July 2004, 7 May 2003. To consult these press releases, please visit the ESG pressroom at [www.savings-banks.com](http://www.savings-banks.com)

### **Milestones:**

1999	Following advancements in risk management practices and a desire to develop the existing 'one-size fits all' approach, the Basel Committee on Banking Supervision launched discussions for a new capital adequacy framework.
1999-2003	The Basel Committee and the European Commission issued 3 consultation papers and performed 3 quantitative impact studies respectively.
July 2003	Final comments were submitted by industry to the Basel Committee's 3 <sup>rd</sup> consultative paper.
October 2003	Final comments were submitted by industry to the European Commission's 3 <sup>rd</sup> consultative paper (CP3).
26 June 2004	The new Basel II, Revised International Capital Framework was published.
14 July 2004	The European Commission publishes its proposal for a revised European capital adequacy framework, which will translate the Basel II, Revised International Capital Framework into legislation. This involved the updating of the Directive 93/6/EEC on the Capital Adequacy of investment firms and credit institutions, an updated Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions, and the thereby related technical annexes. This new capital adequacy framework, which upgrades the 1988 original Basel Accord, will improve the risk management practices of all credit institutions across Europe.
Following publication in the EC official journal	The formal co-decision procedure starts.
7 December 2004	The ECOFIN Council adopts its General Approach on the Commission's proposal.
End 2006	Optional implementation date for simple and intermediate approaches to the new framework.
End 2007	Mandatory implementation date of the new framework for all banks and investment firms across the European Union.