Statement of Dr. Sven Matthiesen
Head of Savings Banks Policy / Banking Supervision
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„Capital Requirements - Global or European?“

- Common objective: an internal market in the EU;
- Question: Is there a need for more integration in the EU financial services market?
- More than 80 % of all regulation in the financial services area are adopted at EU level;
- Securities market: - market fragmentation leads to a need for more harmonisation
  - cross-border activities are "usual" (also for private consumers)
- Other banking business: - wholesale business: cross-border/international;
  - retail business: proximity banking. Still predominantly national, with a small and only modestly growing cross-border dimension.
- Minimum capital requirements: designed initially for internationally active banks;
- EU approach to apply it to all banks is welcome:
  - Alignment of the supervisory capital with the actual risks of credit business corresponds to economic needs;
  - Basel II promotes, if designed adequately, the development of modern and efficient risk management systems in credit institutions;
  - Permanent exclusion of some institutions or groups of institutions from the Basel II application would lead to different rules for the same business, depending on the type of bank;
  - Good risks would migrate to those institutions, that are able to offer better conditions because of their possibility to set aside less capital for these risks
  - The average quality of credit portfolios of Non-Basel II Banks would decrease

   - Substantial differences in the capital requirement provisions – i. e. after the implementation of Basel II into EU-law – would lead to competitive distortions between international banks and EU or national banks

- Problem: national or EU wide specificities; adequately recognised in the European Commission's draft of July 2004?

- Answer: national discretions;

- National discretions are often the only way to find adequate solutions for all kinds of jurisdictions and types of markets;

- The reduction of certain national discretions can lead to less bureaucratic burden for international banks with cross-border activities;

- Our position: Where a national discretion can be exercised in the EU in a uniform or coherent way without affecting the national level playing field, appropriate steps should be taken to remove it;

- But: Where national banks have to apply rules that are mainly tailored for international banks and do not reflect the real national market situation, it would only lead to additional costs for national banks without the possibility to participate at the benefits of less bureaucracy for cross-border activities;

- Principle: Same business, same risk, same rules;

- Proximity banking becomes more and more an important part of relationship-banking (also on the US-market!);

- Wrong way: to create an integrated market by force!

- Acceptability of the rules and their potential impact are important aspects;

- Diversification has always been a model for risk reduction;

- Diversification of market types and specificities, cultures and behaviours is a guarantor for stability!

- Summary: The adaptation and implementation of global rules for minimum capital requirements in the EU and at national level is important and welcome, as long as EU or national specificities are taken into account;

- This can only be reached by the (limited and appropriate) use of national discretions.