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Press release

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Basel IV – don't place European banks at a disadvantage : content more important than a timetable

Banking associations in the two major nations France and Germany have sounded the alarm in a joint letter to Federal Minister of Finance Wolfgang Schäuble and his French counterpart Michel Sapin. They warn emphatically of the adverse effects on the European economy if the Basel IV plans are realised in the form currently discussed at the final meeting of the Basel Committee in Santiago de Chile on completing the Basel capital framework.

The purpose of this meeting is to put an end to months of wrestling over the precise design of the capital requirements (Basel III). But Hans-Walter Peters, President of the Association of German Banks (BdB) fears: "The objective is to stick to the timetable come what may. The final screws are stubbornly being tightened without considering the consequences, especially for Europe." His French counterpart Philippe Brassac, President of the Fédération Bancaire Française (FBF) stresses: "We need to preserve the risk-sensitivity of banks internal models necessary for a better appreciation of risks and maintaining financial stability."

Both French and Germans strongly warn that the Basel Committee is currently assessing the consequences of the reform merely for the world economy as a whole and is failing to consider the serious ramifications for regional economies. Johannes-Jörg Riegler, President of the Association of German Public Banks (VÖB), emphasises: "Banks in France and Germany have built up highly developed risk management systems which take appropriate account of the specificities of regional banking markets, the funding of small and medium-sized businesses and the well-established tradition of using property as security."

But some Basel Committee members favour regulatory approaches aimed at increasing comparability by standardising measurement methods worldwide. Hans-Walter Peters: "European strengths and special characteristics, as well as tried and tested risk management systems, are simply being ignored. Philippe Brassac underlined: "Basel must take stock of the specific characteristics of risks and funding in Europe. This is key to maintaining banks' ability to support growth and jobs." Johannes-Jörg Riegler Riegler added: "Standardised risk measurement methods do not take the many challenges of banking into account and will encourage herd behaviour."

French and German banking associations fear that banks will no longer be able to fulfil their key function, or will only be able to do so to a limited extent: namely to provide funding for the European economy. For this reason, the leading banking associations of the two countries have repeatedly contacted their finance ministers and urged them to ensure that highly developed risk measurement systems can continue to be used when calculating capital requirements in the area of credit risk and operational risk.

CONTATCTS

Kerstin Altendorf Spokeswoman
Bundesverband deutscher Banken
kerstin.altendorf@bdb.de - Tel.: +49 30 1663-1250

Céline Castex
Media Relations
Fédération Bancaire Française
ccastex@fbf.fr - Tel.: +33 1 48 00 52 66

Norman Schirmer
Deputy Spokesman
Bundesverband öffentlicher Banken
Tel.: +49 30 81 92 163