Doc 0302/2012
Vers. 1.1.

19 March 2012
CBM/CGO

# WSBI-ESBG MESSAGES IN RESPONSE TO THE CONSULTATION ON CORE PRINCIPLES ON BANKING SUPERVISION

As a general consideration, WSBI-ESBG agrees with the idea that strengthening supervision standards through the setting-up of universal principles is the right approach for supervisors to ensure a universal and effective assessment of the financial system. Therefore, we welcome the implementation of a set of universal core principles on effective banking supervision.

Nevertheless, there are two principles that spark concerns amongst our members. These are Article 16 and Article 24. Indeed we are concerned about the consequences that the strict application of these principles regarding capital adequacy and liquidity risk could cause to some of our members. Consequently, WSBI-ESBG is of the opinion that an explicit mention of the proportionality concept should have been included within the drafting of these principles

Principle 16 refers to the application of an accurate supervision in the field of capital adequacy, and principle 24 refers to the application of an accurate supervision in the field of liquidity ratios. Whereas WSBI-ESBG understands the rationale which inspires these two principles, WSBI-ESBG is of the opinion that an explicit mention to the proportionality principle is necessary. Indeed the implementation of these principles could significantly harm some retail financial institutions, especially those which do not yet apply the Basel II and III frameworks. Therefore, WSBI-ESBG advocates either for an explicit mention to proportionality rules to the savings banks which are non-internationally active and based on customer services, or at least for transitional periods. Appropriate and proportionate supervision practices should be precisely defined so that those mentioned institutions would not be hit as a consequence of a stricter application of rules that disregard the specific situation of their national financial system.

As a conclusive message, WSBI-ESBG would like to encourage the Basel Committee on Banking Supervion to adopt an approach which acknowledges that many financial institutions are going through a delicate moment in Europe and elsewhere. Besides, it should have been taken into account that the kind of issues faced are different from one country to another. Some leeway has to be given in order to adapt the level of requirements to the economic environment, and also to the complexity of the financial system. Indeed, a strict application of these principles in some countries (such as the developing ones) could be counterproductive and could weaken the savings banks sector which proved, including during the crisis, its commitment to serve the economy and its actors. A framework respectful of the countries' circumstances and specificities would make the implementation of an effective banking supervision more efficient.

World Savings Banks Institute - aisbl – European Savings Banks Group - aisbl
Rue Marie-Thérèse, 11 ▪ B-1000 Bruxelles ▪ Tel: + 32 2 211 11 11 ▪ Fax: + 32 2 211 11 99
E-mail: first name.surname@savings-banks.com ▪ Website: www.savings-banks.com