

24th MEETING OF THE EBF ASSOCIATES
- Krakow, Poland, 29 June 2007 -

MINUTES

ITEM 1 – OPENING AND WELCOME

Mr. Guiseppe ZADRA, Chairman of the Executive and Associates' committees, chaired the meeting.

Mr. ZADRA welcomed the participants and thanked the organisers, Mr. Krzysztof PIETRASZKIEWICZ, Mr. Andrzej WOLSKI, Mr. Pawel PNIEWSKI and Mr. Szymon STELLMASZYK, for an excellent job in organising the meeting.

Mr. ZADRA also welcomed the representatives of the Montenegrin Banking Association, Mr. Mirko RADONJIĆ and Mr. Nebojša ĐOKOVIĆ, as new EBF Associate members.

(List of Participants is attached; PowerPoint presentations are available on the MemberNet under 24th Meeting of the Associates, in the respective Item folders.)

ITEM 2 – ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING

The members approved the minutes of the 23rd Meeting of the Associates, held in on 7 December 2006 in Brussels, Belgium.

ITEM 3 – EBF MEMBERSHIP UPDATE

The Chairman informed on the recent developments in the EBF membership: the Association of Bulgarian Banks became a full EBF Member in April 2007 following the Executive Committee decision at their 104th meeting in Lisbon on 20 April 2007. The Association of Montenegrin Banks was accepted by the Council of Europe on 11 May 2007 and hence automatically became a full EBF Associate (EBF letter Nr. 0396 on 14.05.2007 welcomed the Association to EBF). Mr. ZADRA congratulated the two representatives with these developments.

Mrs. Irina MARTSEVA informed that the Bulgarian Banking Association was created in 1992; in 1995 it acquired an EBF Associate member status, and in 2007 it has become a full member. The Association has a typical structure and is looking forward to enjoying the EBF membership, as well as to working together with other Associations.

Mr. Nebojša ĐOKOVIĆ reported that Montenegro has 10 private banks (80% foreign and 20% local capital), the sector's total assets amount to €1.4 billion and employ about 2,000 people. The Association of Montenegrin Banks began in 2002 and has 7 Working Groups and Committees. Today all Montenegrin-based banks are members of the Association. Since 2002, Montenegro uses the euro as national currency; the country's population is 650,000 inhabitants, GDP is €2 billion and inflation is about 2.5% p.a.

Mr. Radu NEGREA shared the news that the General Assembly of the Romanian Banking Association has decided to become a full member of EBF as of 1 January 2008. A formal application will follow.

Mr. ZADRA welcomed the decision of the Romanian Banking Association. The Chairman reminded that EBF currently has 9 Associates: Albania, Andorra, Armenia, Croatia, Monaco, Montenegro, Romania, Russia, and Turkey.

ITEM 4 – HISTORY OF THE POLISH BANKING SECTOR

Mr. Andrzej WOLSKI, the General Director of the Polish Banking Association, presented the Polish banking sector development in the recent years (PowerPoint Presentation Item 4).

Polish economy is growing at a steady rate of 5.8% p.a., and the standard of living constitutes 51% of the EU-25 average. Unemployment is around 13%, inflation is 2.3%.

Banks in Poland fulfil the function of a transmission belt for centrally allocated funds. The evolution of Polish legislation in the banking domain helped liberalise the sector and create 1600 cooperative banks. The transformation of the national economy between 1993 and 2006 presented a danger of bad debts at the beginning of the above-mentioned period. The Polish government developed a prudent policy of strengthening the NBP (central bank of Poland) position, initiated financial restructuring, created a deposit-guarantee fund, organised a special foreign licensing policy, and consolidated the cooperative banking sector.

These developments led to a drastic reduction in state-owned banks to just one bank in 2006, and to only 584 cooperative banks, while creating a solid basis for 50 commercial banks in 2006. In September 2006, 30% of banks' assets were domestically owned, 59% belonged to EU.

The **Polish Bank Association** ([PBA](#)) was founded by the Chamber of Commerce (100 banks); it is financed by its members' contributions only by 27%; the rest is financed through the infrastructural projects of the PBA (which are fully taxed economic activities). Already in 1991, the year of PBA's establishment, they started a National Clearing Chamber, and later invested into Telecoms; POLCards (a card operator); Banking Register (1992); Deposit Guarantee Fund (1994); Credit information Bureau (1997); Euro-Elixir (system creating the euro currency). Such active economic activity of the Association helped them invest into education and training of highly skilled specialists in such areas as e.g. credit risk, as well as organise conferences. Only a third of the Association's staff is directly working at the Association; the rest are located in various local banks.

The Polish Bank Association is very much aware of the growing competition not just from within but also from outside the country. Various banks from the neighbouring countries (e.g. Ukraine, Belarus) are basing their headquarters in Warsaw to conduct their business both in Poland and abroad.

The growth drivers in the Polish banking sector are: mortgages; SME financing; co-financing of EU sponsored projects; private banking (which nowadays is a primary aim), and the investment funds.

ITEM 5 – POST-FSAP TASK FORCE ON BETTER REGULATION

Mr. Jean-Francois PONS, the Chairman of the Post-FSAP Task Force on Better Regulation, presented the Task Force's 107 page report on Better Regulation and Impact Assessment: the objectives; timetable; definitions used; national experiences, and main conclusions. The report also outlines a number of suggested improvements to the EU system for Better Regulation, talks about the EBF internal work shadowing selected EU Impact Assessments, and the next steps to be taken (PowerPoint Presentation Item 5).

Mr. PONS mentioned that the report was approved by the EBF Executive Committee the day before the Associates' meeting. The start case for the EBF's Impact Assessment in 2007 will be on VAT.

ITEM 6 – PRESENTATION OF THE UKRAINIAN BANKING SECTOR

Mr. Mikola LUTAK, Vice-President of the Association of Ukrainian Banks (AUB), presented the Ukrainian banking sector (PowerPoint Presentation Item 6). He highlighted the fact that the AUB is 17 years old, and employs 20 people; it has 125 member banks and approximately 90% of the Ukrainian banking sector's assets.

For a while Ukraine was in the FATF's black list because of lack of Anti-Fraud regulation, and UAB has contributed to taking Ukraine off that list. The Association also works *inter alia* towards increased stability and protection of the sector from the political crises in the country.

On the financial markets side, the Hryvnias/USD exchange rate has stabilised, as did the interest rates in the national currency. Net assets have almost tripled in the past six years (to 63% of GDP in 2006) and loans have augmented almost tenfold over the same period.

Mr. LUTAK added that the legal system is improving but is still unfavourable for the banks, and that the national law needs to be changed.

Mr. G. ZADRA encouraged Mr. LUTAK to consider AUB's Associate status at the EBF, as it is eligible for Associate membership because Ukraine has been a member of the Council of Europe since 9 November 1995.

ITEM 7 – LATEST DEVELOPMENTS IN THE EU LEGISLATION IN FINANCIAL SERVICES

Ms. Viktorija PROSKUROVSKA, EBF Adviser, informed the Associates about the developments in the EU legislation during the last 6 months (PowerPoint Presentation Item 7). The items covered include:

- Adoption of the Payment Services Directive.
- Three items on the retail financial services:
 - I. Expert Group report on Customer Mobility in relation to Bank Accounts;
 - II. Green Paper on Retail Financial Services;
 - III. Closure of public consultations on integration of EU mortgage markets.
- Nine developments in the financial markets:
 - I. EC welcome of the US SEC proposed new rules, simplifying deregistration of non-US companies listed on US capital markets;
 - II. Call for evidence on cross-border investment by expert investors (private placement);
 - III. Creation of an expert working group on open-ended real estate funds and appointment of its members;
 - IV. An outline of possible adjustments to the EU Single Market framework for investment funds (the UCITS Directive);
 - V. Interpretative communication on Efficiency of EU Investment Fund Market;
 - VI. The UCITS Implementing Directive;
 - VII. Supplementary measures on company transparency;
 - VIII. CCSR report on credit rating agencies;
 - IX. Evaluation report on the Financial Collateral Arrangements Directive.

- Two issues in the banking sphere:
 - I. Proposal to tighten the procedures on Supervisory Approval Process for M&A;
 - II. Consultation on the Directive on reorganisation and winding up of credit institutions.
- Three issues on accounting and auditing:
 - I. Appointment of seven members to the Standards Advice Review Group;
 - II. Consultation on Liability Rules in the EU;
 - III. Consultation on its future strategy and priorities on statutory audit in relation to non-EU countries.
- Three items of news on corporate governance:
 - I. Adoption of the Directive on Shareholders' rights;
 - II. Consultation on service providers' Codes of Conduct;
 - III. Report on Implementation of the Directive on Takeover Bids.

ITEM 8 – PUBLIC-PRIVATE PARTNERSHIPS

Mrs. Angela KNIGHT, Chief Executive of the British Bankers' Association, presented the UK experience of Public-Private Partnerships (PPP) (PowerPoint Presentation and additional material in Item 8). In the UK, the Public Finance Initiative (PFI) was introduced in 1992, followed by the PPP initiative in 1997. PFI is a tool that helps deliver government strategy by means of attracting private capital to public projects, and each party contributes to running the project with what they are best at.

The cost of the PPP projects is only 2% higher than the fully government-financed option, however, it is the timing and quality that make the difference. Although often a good solution, this form of business had not always been the best value for money. Learning from mistakes, the UK government established standard contract guidance to provide a framework for individual project negotiations.

Further discussion on the topic revealed that the private sector side does not pose problems; it is usually the local government authorities that bring the PPP projects into difficulties (administrative burden, bureaucracy, etc).

In Ireland, the Civil Service opposes PPP practice by arguing that government can borrow more cheaply, therefore need not seek financial support from the private sector. The overlooked higher speed of project implementation (crucial in e.g. construction of hospitals, roads, *etc.*), is what makes the capital difference between purely government-run and PPP projects.

In Germany, infrastructure is present and ready to run such projects, however, the mentality has not yet been adapted. It was concluded that it is the political will that makes the PPP work politically. Simultaneously, at the organisational level, banks need to be involved from the beginning of the planning process rather than at the very end, so they can contribute their expertise and knowledge of money flows, *etc.*

At the EU level, the European Investment Bank ([EIB](#)) is an active supporter of the PPP.

ITEM 9 – UPDATE ON PAYMENTS SERVICES DIRECTIVE; SEPA

Mr. Guido RAVOET, EBF Secretary General, informed members about the recent changes with the Payment Services Directive (PSD). In particular, he noted that the European Parliament has adopted the PSD on 24 April 2007.

Two out of three SEPA deliverables (credit transfer and direct debit and card framework) are running on time: the banks have 27 weeks to apply SEPA by 31 January 2008; SEPA Credit Transfer and Card Framework are running on schedule. However, due to a significant divergence across countries in Direct Debit practices and the delay with adoption of the PSD, establishing a pan-European scheme is a challenge and takes longer than expected; therefore its implementation is delayed until November 2009.

In order to promote the information on SEPA benefits, national websites are under construction in all relevant countries. They will generally be independent from the national banking Association's websites, but there will be links from them to access the domestic SEPA information pages. Some of them already exist (e.g. Belgium).

The legal model for the SEPA Credit Transfer and SEPA Direct Debits is based on adherence agreements between banks and payment institutions and the Scheme Management Entity (SME). SME is an evolving function of the European Payments Council ([EPC](#)) for managing and governing the Rulebooks. The EPC owns the Schemes, and will implement two activities: development and evolution of the Schemes on the one hand and administration and compliance on the other hand. Domestic payment schemes will gradually be replaced with the pan-European one.

ITEM 10 – ANY OTHER BUSINESS

Mr. Zoran BOKAČEK informed the meeting that the Croatian Banking Association is challenging their national Central Bank on the grounds that separate monitoring of the basis of accounts' registration of compulsory treasury bonds is unconstitutional.

ITEM 11 – DATE OF THE NEXT MEETING

The Chairman of the meeting announced that the next Associates meeting will take place in the EBF premises, in Brussels, on 6 December.

The format of the meeting may be slightly different: the Annual Conference is planned for the afternoon, preceding the EBF Annual Cocktail.

* * *

24th MEETING OF THE EBF ASSOCIATES
- Krakow, Poland, 29 June 2007 -

LIST OF PARTICIPANTS

Zadra Giuseppe (Chairman)	EBF
Ravoet Guido (General Director)	EBF
Proskurovska Viktorija	EBF
Geyer Maria	Austria
Vermaerke Michel	Belgium
Martseva Irina	Bulgaria
Bohacek Zoran	Croatia
Spacek Petr	Czech Republic
Horwitz Jorgen	Denmark
Taliharm Katrin	Estonia
Kivisaari Esko	Finland
Pons Jean-Francois	France
Brabaender Bernd	Germany
Gortsos Christos	Greece
Nyers Rezso	Hungary
Granata Enrico	Italy
Lauber Michael	Liechtenstein
Rommes Jean-Jacques	Luxembourg
Radonjić Mirko	Montenegro
Đoković Nebojša	Montenegro
Blocks Hein	Netherlands
Skaug Arne	Norway
Pietraszkiewicz Krzysztof	Poland
Wolski Andrzej	Poland
Pniewski Pawel	Poland
Negrea Valentin Radis	Romania
Mozel Konstantin	Russia
Hocevar Dusan	Slovenia
Villasante Pedro Pablo	Spain
Lundquist Ulla	Sweden
Roth Urs	Switzerland
Mumcu Melike	Turkey
Lutak Mykola	Ukraine
Knight Angela	United Kingdom

* * *