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Executive Committee

22nd MEETING OF THE ASSOCIATES
- Istanbul, 19 May 2006 -

ITEM 7 OF THE AGENDA: STUDY ON THE REGULATORY BURDEN

As you may recall, the Croatian Banking Association commissioned a study on "Indicators of Regulatory Burden on Banks in six Central European Countries and Croatia" last year. The results of the study were presented by Mr. Zoran BOHACEK at our last meeting of the FBE Associates in December 2005 in Brussels.

The entire study is about 100 pages long and it can be obtained from the Croatian Banking Association.

During the discussion following the presentation it was acknowledged by the participants that a similar project on an EU scale would also be more than welcome.

Following these discussions the Croatian Banking Association has prepared a draft document mentioning what could be done to expand the study both in geographical and methodological scope. This document was circulated to all FBE Members and Associates by Secretariat letter Nr. C0122 of 1st of February 2006. By the same letter FBE Members and Associates were invited to make comments on the scope, methodology, aims and other aspects of the project's vision directly to the Croatian Banking Association.

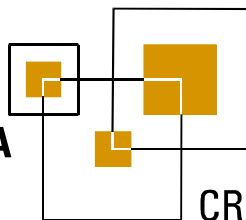
It was mentioned that the different aspects and further actions with regard to this project could be discussed during the next meeting of the FBE Associates on 19th of May in Istanbul. It was also mentioned that the Croatian Banking Association would like to host an international conference late in 2006 on this topic.

Following the feedback received on the letter and as a preparation for the discussions under this Agenda Item, the Croatian Banking Association has circulated a letter (enclosed) to follow up on the issue, including some suggestions regarding the possible further steps to take in this respect.

Enclosures: 1

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HRVATSKA UDRUGA BANAKA



CROATIAN BANKING ASSOCIATION

**European Banking Federation
Mr. Guido Ravoet
General Secretary**

Zagreb, May 10, 2006

Subject: COSTS AND BENEFITS OF BANKING REGULATION

Dear Mr. Ravoet,

Following the presentation of our Study on Regulatory Burden and main conclusions made at the 21st Meeting of the FBE Associates in Brussels, the letter Croatian Banking Association (CBA) sent to the FBE, and FBE letter (EKC0122Eencl-2006-00178-01-E) here is the follow up as a preparation for the Item 7 on the Agenda of the 22nd meeting of the FBE Associates.

We have received written expressions of interest from the The Irish Bankers' Federation (IBF) and Associazione Bancaria Italiana (ABI) both mentioning the Regulatory Impact Assessment (RIA) methodologies and consultation processes, stressing the need to develop a common methodology among banking associations. ABI suggests the coordinating role of the FBE to make easier comparative analyses of regulation.

In other occasions, I've heard about efforts in Germany (measure cost of supervision) and Netherlands' government commitment to reduce the overall burden. Austrian study on operating expenses was briefly presented in December by Mme Geyer, and an economic institute in Bulgaria is interested to do a study similar to our there.

Obviously, the interest exists, and the topic of "better regulation" is one of the pillars in the EC White Paper. However, since setting up a multinational, multilateral study may be difficult to define quickly, our suggestion, as a first step is to host a conference under the working title "Costs and benefits of banking regulation" late in 2006 in Croatia (Zagreb).

For this conference, we are inviting the FBE to take active role in such a conference. We envision your role in inviting speakers from institutions that you keep permanent contacts and cooperation, as are the EC (Mr. Tertak is already informed about our idea), ECB, CEBS, IBFed and alike. Following FBE's acceptance of participation, the Croatian Banking Association would invite all members of FBE to present their experiences, studies and ideas on the topic.

We have received positive feedback from the World Bank's Convergence project, too.

Regarding the timing, we propose the following schedule:

- this proposal is discussed at the 22nd Meeting of the Associates,
- if it is accepted, and amended with ideas from the participants, FBE Executive Committee makes the decision on the FBE participation and role,
- by end of June we have a final joint decision on organising such a conference and preliminary list of speakers and topics,
- at the same time the CBA finalises the dates and the format of the event.

For your information, an update of our original Study, with the situation at the end of 2005 can be found on <http://www.hub.hr/default.asp?gl=2005080400000001>

I am looking forward to discuss this issue in more details in Istanbul or before.

With my best regards,



Zoran Bohacek
Managing Director
Croatian Banking Association