

*Management Board Meeting
Athens, 3 November 2016*

Joint Statement
Concerning Basel III rules

The lack of regulation and effective supervision in the banking sector has been a major cause of the financial crisis.

After a first wave of financial reforms, a number of which still have to be effectively implemented, the financial industry (lobby) has started claiming that regulation is preventing the traditional operation of the banks as we know it, and therefore, the economic growth, thus asking for a reduction or at least a softer application of the new legislation.

Indeed, regulation with terms of social effectiveness is the prerequisite of a sustainable and responsible economic growth and a fair distribution of wealth.

In relation to this framework opinion, UMF stresses that the current supervisory indicators need to be reviewed **as regards the time range of the adjustment required, as well as numerically.**

These indicators:

- a) should be differentiated according to the exposure of banks or wider financial companies to speculative products and activities** (subprimes, derivatives etc.);
- b) should be correlated to economic growth, recognizing the essential and inherent link between real economy and financial activity.**

In the framework of the European Banking Union, and as a component of the European Integration and the EMU, **it is necessary to immediately apply a uniform and common guarantee for deposits throughout the Eurozone, without any restrictions.** This has not been implemented yet, thus hindering a complete and effective Banking Union, which will serve its primary objective, without any restrictions or disparities. This measure will also contribute in building trust in the financial system in all EU countries, eliminating any discrimination, and will prevent short-term cyclical movements of deposits from one country to another, which undermine the same existence of our common currency.

The desired stability of the system must be supported essentially and in all its parameters, since the parallel implementation of fiscal austerity policies in many EU

countries, undermines the stability of the financial system both in terms of liquidity as well as of NPL's.

Further, the mentioned European Commission's proposal for a Capital Markets Union, clearly pushing to shift retail savings from bank deposits to capital markets and shadow banking, may have adverse consequences: **a reduction of bank deposits would reduce the core funding source of smaller traditional banks, threatening their ability to lend.**

New legislation is needed to strengthen local traditional banks, who have shown to be more focused on lending to the real economy.

Consequently, a different, more flexible and fair regulatory framework is required, with proper categorization of the banks and including the "shadow banking sector", according to the degree of their exposure to speculative activities. In that way, the regulatory principle of proportionality can apply, in particular with regard to the regulation on capital requirements and the rigorousness of the regulatory framework.

We propose the following basic distinction between:

- **investment global banks and speculative companies of the shadow sector**, imposing on them the strictest possible requirements,
- **European systemic commercial banks**, with comparatively less strict requirements, provided that they are not involved extensively in risky speculative investment activities (subprimes, speculative derivatives etc.),
- **national and/or local commercial and cooperative banks**, without speculative activities, to which apply different, more flexible capital requirements.

Finally:

we, as trade-unions representing finance employees, do not underestimate the impact that the implementation of such regulations has been having and is having on the daily amount of work and degree of responsibility for most employees, especially those who are at the same time overloaded by sales pressures. In the framework of a comprehensive social dialogue, we stress out the need to find the appropriate balance between effective implementation of the concerned rules, socially sustainable finance products on sale and working conditions enabling all finance employees to reconcile productivity, dignity at work and social responsibility.

Athens, 3rd November 2016

UMF Management Board