

EDITORIAL

J-L BANCEL
CHAIRMAN OF
THE ICBA ,
CHAIRMAN OF
CREDIT
COOPERATIF
(FRANCE).

Dear members,

The year 2010 has been driven by a shared willingness to find common answers for a viable economic recovery and growth.

To rebuild a reliable and responsible financial system with a human face is a collective challenge in which cooperative banks have a key role to play. Simply to notice our resilience during the financial crisis, though, is not enough.

The overhaul of the international economic system is double-edged. While it allows us a platform to extend our visibility, promoting the cooperative banking model should be our members' priority. On the other hand, what makes us different has to be promoted and defended if we do not want to be the collateral damage of ongoing reform.

Indeed, this year, cooperative banks have had to defend their interests strongly.

Recognizing the equity status of cooperative bank shares, an important issue raised in 2002, was still at the top of the agenda of the international cooperative lobbying organizations this year.

Even if the accounting boards internationally (IASB and FASB) are now conscious of the interests of cooperative banks, the release of an updated version of the IASB/FASB Joint Project on Financial Instruments with Characteristics of Equity in 2011 demands our utmost attention.

While the accounting regulators finally seem to have taken our particularities into account, the prudential reform led by the Basel Committee represents a new threat by excluding cooperative shares from their core Tier one definition.

Among the opportunities offered to us by the reconstruction of financial institutions, the reassessment of corporate governance by the Basel Committee which aims to address the failures that came to light during the crisis can be a chance for us to grandstand our particular governance model, what makes cooperatives different, and our strengths.

Thus 2010 was a rich and demanding year, and the future looks as engaging for cooperative banks. Ongoing review and reform will bring us a range of new challenges and opportunities. The ICBA annual seminar on September 1st, 2010 in Beijing offers an occasion for us to share our experiences and to learn from our diversity.

Last but not the least, the United Nations International Year of Cooperatives in 2012 will provide us with a great opportunity to raise awareness of the cooperative banking model in a world seeking new solutions.

We need to seize these opportunities and turn them into real advantages for ourselves.

Cooperatively yours,
Jean-Louis Bancel
Chairman of ICBA

“Globalisation and banking regulation: challenges and impacts for cooperative banks”, a speech by Jean-Louis Bancel at the OECD, Paris, March 17, 2010

Jean-Louis Bancel attended the OECD (Organization for Economic Cooperation and Development) symposium on The Overhaul of the International Monetary System.

This forum, which brought together academic specialists as well as practitioners, gave the ICBA President an opportunity to promote the cooperative banking model, to talk about what makes it different and its comparative advantages, and to underline the interests cooperatives have in the reframing of financial structures.

At the heart of today's public debate about the shape of a rebuilt economy, Jean-Louis Bancel defended the cooperative model as a full-fledged participant in sustainable economic recovery.

He spoke of the substantial economic role of the cooperative banking sector around the world, and argued that the interests of cooperative banks should be given real consideration, not as an odd model but as a prosperous and sustainable one.

Prudential reform: impact on the cooperative banking sector

As mentioned in the previous newsletter¹, the **Basel Committee released a consultative paper listing 14 criteria that define the nature of financial instruments included in the Core Tier One². This reform directly threatens cooperative banks by excluding many of our member shares from the Core Tier One.**

An official position was taken by ICBA during its Board meeting in Geneva on November 17, 2009 and a letter was sent to the Basel Committee to defend the interests of cooperative banks.

A unilateral adoption of these 14 criteria would jeopardise the financial stability of some cooperative banks.

In the context of a difficult economic recovery, a drastic increase in solvency and liquidity obligations, as imposed by Basel III, could reduce GDP in Europe annually by an average of about 4 percentage points (according to the IIF report³).

¹ <http://www.icba.coop/activities/icba-newsletter.html>

² <http://www.bis.org/publ/bcbs164.pdf?noframes=1>

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[http://www.fbf.fr/web/internet/content_entreprisebancaire.nsf/\(WebPageList\)/F2D7675C3F20E4F7C125774200460C76/\\$File/Interim_report_IIF_June2010.pdf](http://www.fbf.fr/web/internet/content_entreprisebancaire.nsf/(WebPageList)/F2D7675C3F20E4F7C125774200460C76/$File/Interim_report_IIF_June2010.pdf)

At the European level, on June 14, 2010, the Committee of European Banking Supervisors (CEBS) published implementation guidelines for the European Equity Directive.

The recognition of cooperatives specificities in this text reveals a real will to adapt this reform to the cooperative model. Even if some difficulties remain in the classification of some of our cooperative shares as equity, we can praise the efficacy of the lobbying conducted by cooperative representative organizations, which underscores the importance of such mobilization to promote and defend the interests of cooperatives.

Governance in cooperative banks

The failure of governance within financial institutions and poor risk management came to light during the global financial crisis. This is why enhancing corporate governance is at the top of today's agenda for international regulators.

The Basel Committee and the European Commission⁴ recently released consultative reports on the governance of financial institutions which pinpoints numerous current drawbacks.

The governance structure of cooperative banks, however, has as its basis a bottom-up decision making process, requiring constant consultation, which allows members to put their real economic concerns onto the agenda of the leaders of financial cooperatives.

Because of their legal structure and their aims, most cooperative banks have these strong common characteristics, as well as the values of a responsible and community-centred banking model that it conveys.

To enhance financial diversity and global economic development, the specific aspects of cooperative governance have to be protected, promoted and extended.

The driving principles of cooperative banks governance, at the heart of their identity, will be discussed at the next ICBA Board meeting.

⁴ <http://www.bis.org/publ/bcbs168.pdf>

International accounting standards reforms: impacts on cooperative member shares

In February 2010, ICA IAS Working Group members met with the International Accounting Standard Board (IASB) in London to exchange views on the ongoing reform on financial instruments with characteristics of equity.

This meeting, which was attended by the IASB Chairman Sir David Tweedie, was both fruitful and useful since it helped build a constructive dialogue between the two organizations on the accounting treatment of cooperative shares as equity. IASB members are now far more conscious of the impact of their work on the cooperative economic sector.

IASB members suggested that the ICA IAS Working Group join the Standards Accounting Council so as to be more involved in the process of international accounting standards reform. The Standards Accounting Council is a consultative organ of IASB the aim of which is to provide a forum through which the IASB consults representatives of organizations affected by its work. Joining the Standards Accounting Council would thus allow cooperatives to become aware more quickly of the work of the IASB and to respond more promptly and efficiently to it.

Even as the good relationship that is developing between cooperatives and the IASB allows us hopefully to find a favourable outcome to the ongoing reform, the IASB/FASB joint project on principles with characteristics of equity has yet to come to fruition. We need to remain alert to the release of the updated version of the IASB exposure draft which has been scheduled for the beginning of 2011.

ICBA annual seminar: September 1st, 2010 in Beijing, China.

This year's ICBA annual seminar will take place in Beijing, China, on September 1st, during the ICA Asia Pacific General Assembly.

To exchange on the diversity of our experience, the seminar offers an occasion to look at different cooperative models and their comparative advantages for banking inclusion.

Speakers confirmed so far include Bernard Huberdeau, Secretary General of the International Confederation of Popular Banks and a representative of the International Raffeisen Union.

The United Nations International Year of Cooperatives 2012

Declared by the United Nations in 2009, the UN International Year of Cooperatives will take place in 2012. This international event offers us an unprecedented opportunity to raise the visibility of cooperative banks substantially.

Generally the hidden side of the banking world, cooperative banks are nonetheless significant actors.

A sustainable and inclusive economic recovery can only be achieved by reconciling economic and social goals. In the context of a crisis of confidence in the main financial actors, the cooperative banking model embodies another side of the financial world that needs to be actively promoted.

Coordinated by the United Nations, this event nevertheless relies on local and regional activities to produce real success.

For this reason, the ICA has set up a Working Group on the International Year of Cooperatives which will meet in Beijing; the coordinator of this group is Maria-Elena Chavez Hertig (chavez@ica.coop).

CoopEst

CoopEst is a **financial facility** aiming at **initiating and fostering the development of cooperatives, mutual societies, associations, foundations and social enterprises** (which together can be referred to as Social Economy) in **Central and Eastern Europe**⁵.

The creation of CoopEst is based on the evidence that the access to long-term financing (private and public) in Central and Eastern Europe is still very limited and difficult for small and medium enterprises (SME) – mainly due to the weakness of their financial structure.

Therefore, CoopEst aims to **provide long-term financial support** both in terms of equity (subordinated loan), long-term loans and guarantees **to sustainable and socially responsible projects** in the target countries, enabling them to leverage further funding for the development of their activities.

Set up in October 2005 in Brussels as a limited liability company by several financial institutions active in the field of the Social Economy sector in Belgium, France, Italy and Poland, CoopEst is today a 30 million Euro capital entity that actively promotes a renewal of the cooperative model.

For further information: http://coopest.typepad.com/coopest_en/2007/01/the_coopest_com.html

Contacts :

Ms Yaël ZLOTOWSKI (Fr, En)
Tel +33 (1) 47 24 83 39
Fax +33 (1) 47 24 81 91
Email : yael.zlotowski@coopanet.com

Mr Ralph BÖHLKE (Fr, En, De)
Tel +33 (1) 47 24 91 13
Fax +33 (1) 47 24 81 91
Email : ralph.bohlke@coopanet.com

Mr Bruno DUNKEL (Fr, NI, En, De)
Tel +32 (2) 770 15 62
Fax +32 (2) 230 75 41
Email : bruno.dunkel@soficatra.org

If your organisation wants to share in this newsletter an initiative that promotes the cooperative banking model please write to: sandrine.rodriques@credit-cooperatif.coop

⁵ , Hungary, Czech Republic, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Bulgaria, Romania, Croatia, Albania, Bosnia and Herzegovina, the Republic of Macedonia, Montenegro and Serbia