

Supervisory convergence and banking culture

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Disclosure & disclaimer

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- **Strict confidentiality in respect of ABoR & BCA functions**

Supervisory practices: towards a European supervisory culture

- ❑ Reminder: 'what is banking union'?
- ❑ SSM= ECB + NCAs
- ❑ Recovery & resolution: second 'leg' of banking union
- ❑ Third 'leg': deposit insurance
- ❑ Based on 'single rulebook' (CRR, CRD IV, BRRD, etc.)
- ❑ Three elements considered necessary to break vicious circle between banks & sovereigns in EU



Convergence and remaining differences

- Joint Supervisory Teams, as a rule headed by a non-national, largely NCA-composed
- Diminishing national exemptions – limiting use of national options
- Intersection issues and ‘mixed’ competences (e.g., testing fit & proper management and shareholders, testing integrity of business)
- EU versus Euro Area (EBA versus ECB), so new divisions alongside harmonisation
- Importance of uniform standards and approaches (Trans-Atlantic and globally)



Higher capital requirements?



- Dutch authorities' intention to make use of option to impose higher **leverage ratio** – Art. 429-430, 499 & 511 CRR (575/2013) & Art. 87 CRD IV
- Macro-prudential national 'add-on' **systemic risk buffer** – Art. 134 CRD IV (2013/36) vs. Art. 5 SSM Regulation (1024/2013): ECB option
- Further capital strengthening ahead: TLAC – FSB consultative paper, November 2014 (*G-SIBs*) – EU's BRRD requirement: **Minimum Requirement on own funds and Eligible Liabilities** (MREL) – to be applied to *all licensed credit institutions* in EU pursuant to the EU's BRRD (2014/59) in context 'bail-in tool' – effective 1 January 2016
['bail-in' tool one of four resolution tools under BRRD]

Developments in banking culture

- Quasi-universal call for change: becoming client-focused and servant to society – *restoring trust*
- Resistance to bank lobby against tsunami of regulation – will regulation & compliance work?
 - E.g., critique that similar risk methods applied globally reinforce systemic risk ('box ticking' exercises; Professor Lex Hoogduin: 'perverse banking', i.e. banks are heeding supervisors' needs rather than engaging in autonomous risk taking)
 - Critique that regulation fails to allow for human wisdom: Barry Schwartz
- Dutch specialties: bank oath, professional rules, bonus cap, higher leverage ratio
- Compliance function versus 'real change'

Bankers' oath



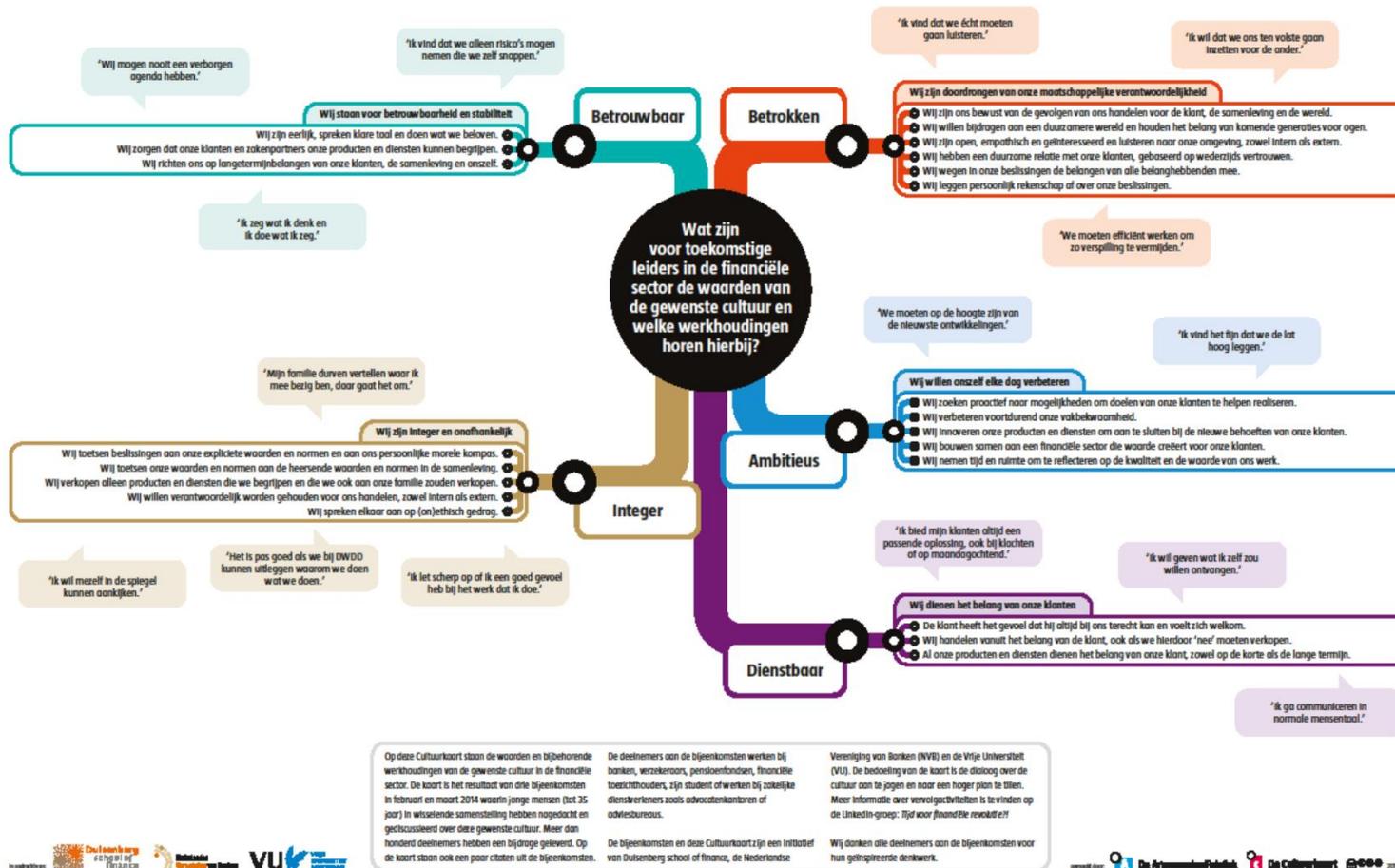
Statutorily compulsory for managers, voluntarily applied to all bank staff:

I swear/promise within the limits of my role that I perform at any moment in the banking sector:

- " that I will perform my duties with integrity and care;*
- " that I will carefully consider all the interests involved in company, i.e. those of the*
- " clients, the shareholders, the employees and the society in which the company*
- " operates;*
- " that in this consideration, I will give paramount importance to the client's interests;*
- " that I will comply with the laws, regulations and codes of conduct applicable to me;*
- " that I will observe confidentiality in respect of matters entrusted to me;*
- " that I will not abuse my knowledge;*
- " that I will act in an open and assessable manner and I know my responsibility towards society;*
- " that I will endeavour to maintain and promote confidence in the financial sector.*

So help me God/This I declare and promise.

Cultuurkaart Financiële Sector



‘Culture map’ financial sector – Co-sponsor: Dutch Bankers’ Association

- Values:
- > Trustworthy
 - > Involved
 - > Ambitious
 - > Honest
 - > Servant

Even a children's council,
for out-of-the box input into banking industry's development

What use for outside input, from clients/stakeholders, in bank affairs?



Dutch Princess Laurentien and children, assembled in an advisory council by Dutch Banking Association, December 2014

Critical assessment and concluding remarks

- ❑ Supervisory and banking culture challenges
- ❑ Local specificities (Dutch examples) and EU banking market balkanisation thwart internal market and are challenges for effective EU-(EA-) wide supervision