



How To Get The Authorities To Hear Your Views?

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Progressive Authorities Understand Market Forces Well

- “It is crucial to be aware that market-led progress does require co-operation among economic (public and private) agents. The driver of co-operation should be, as much as possible, moved by the private sector, i.e. by an enlightened perception of the private interest. [...] The necessary co-operation among private market participants does not materialize unless public authorities play an important role in promoting it”.

Tommaso Padoa-Schioppa, Executive Board Member, European Central Bank

- “We recognized early on that where intervention was judged to be necessary – in the interest of market transparency or of prudential or behavioral conduct – it needed to be informed by those who properly understood the subtleties of the market if we were to reduce the risk of unforeseen consequences or unnecessarily obstruct market innovation.”

Sir Edward George, Governor, Bank of England

Progressive Bankers Are Learning To Talk “Policy”

- The traditional mission of “representation” of the interests of the banking industry, focused on responding to public actions, is inadequate to promoting an enabling regulatory environment in support of new business strategies.
- Rapid changes in financial services make it now possible for market participants to pursue a more ambitious mission:
 - To become ACTIVE players in:
 - helping shape the definition and application of rules;
 - producing solutions to enhance the system’s competitiveness and synergies.

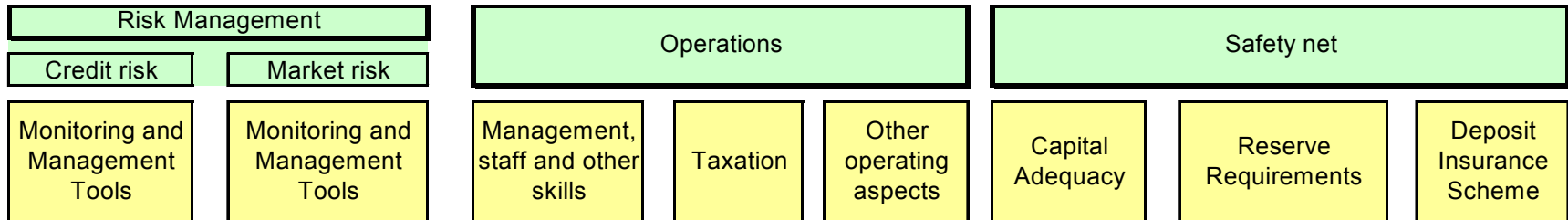
Financial Sector Efficiency: Several Facets

- Not only prudential requirements
 - Reserve requirements, capital adequacy,...
- Many other issues of public interest
 - General Market Infrastructure
 - Inter-bank, payment & settlement systems, credit bureau
 - Roll-out of New Products
 - Specialized finance, securities based
 - Contract Enforcement and Taxation

...The Devil Is In The Detail...

A Large “Treasury Map” For Banks

Internal Efficiency

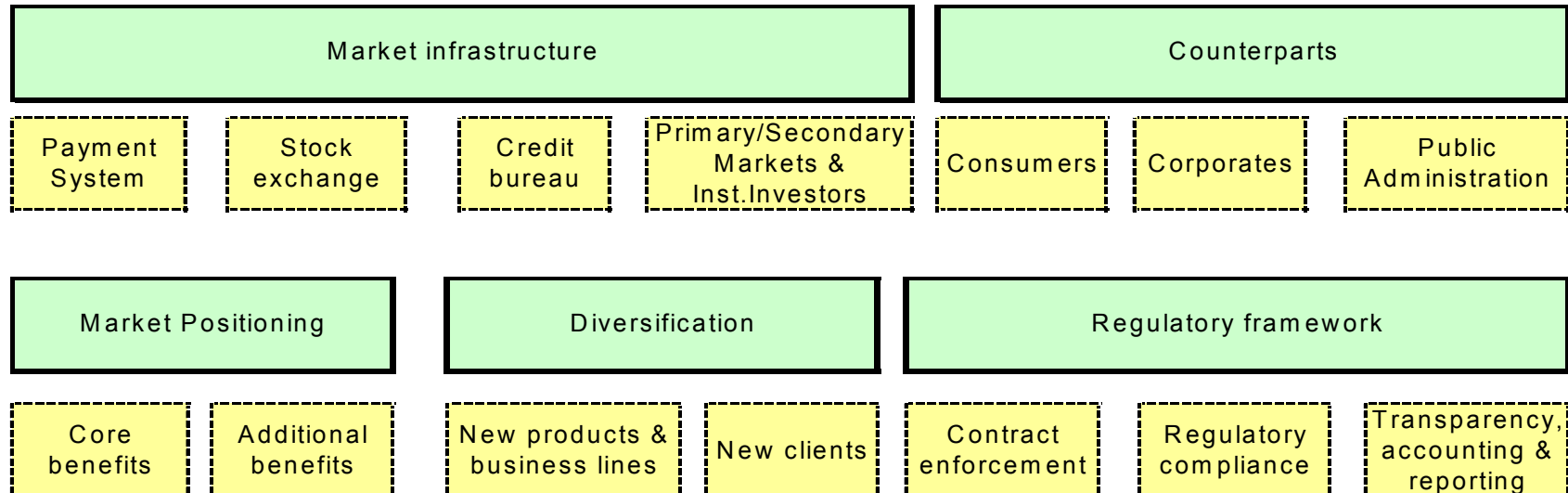


Strategic Objective

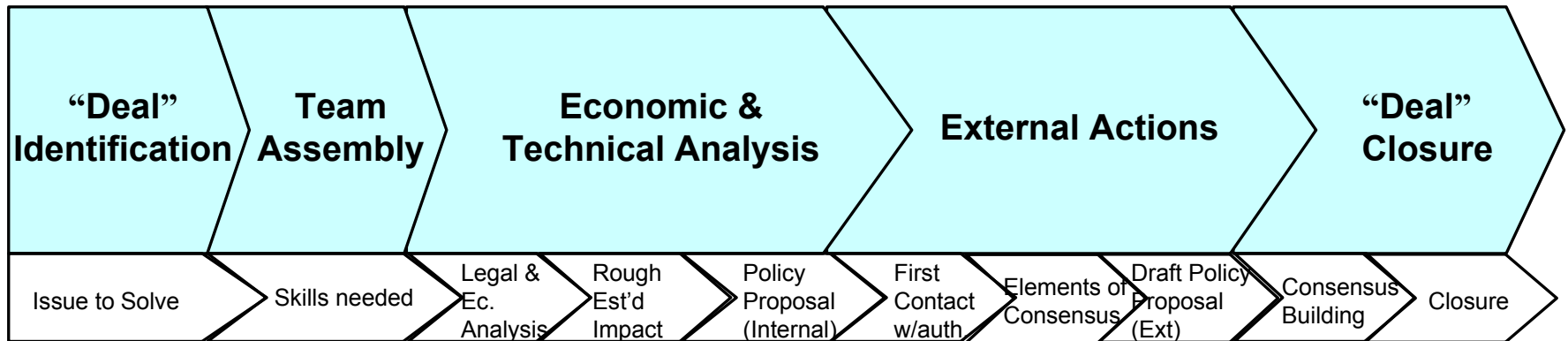
Strategic Areas

Value Creation Drivers

Market Positioning



To Close A Regulatory “Deal”: Strong Analytical and Consensus-Building Capabilities Are Needed



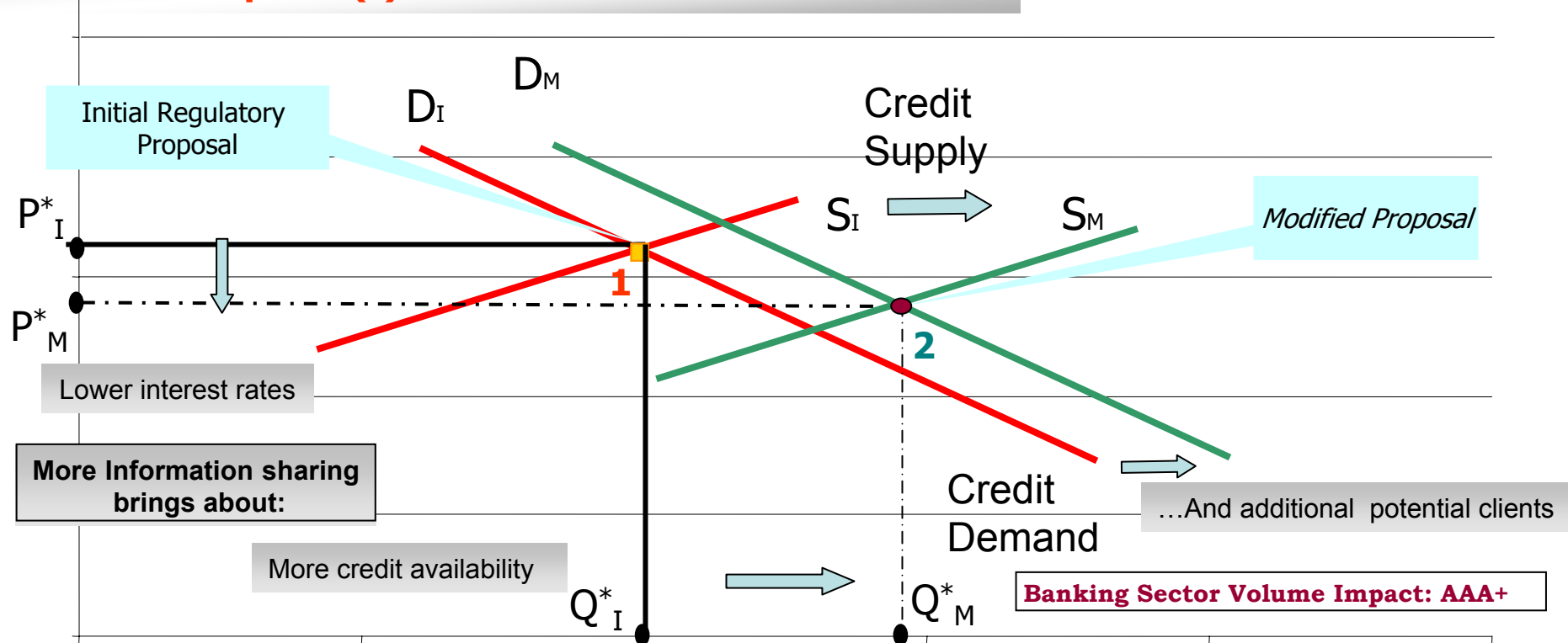
Key Instrument:

Regulatory Impact Assessment is a **decision tool** to:

- (i) systematically and consistently examining selected potential impacts arising from government action and of
- (ii) communicating the information to decision-makers

How Analysis Can Shape Policy: Italian Code of Conduct for Private Credit Registries

Initial Proposal (I): Only negative credit information shared



Modified Proposal (M): Almost full positive information shared

The ABI Experience

- **Governance**: Membership must empower the Executive Team to take initiatives;
- **Strong Executive Leadership**: Ability to convey different standpoints and to promote shared actions at most senior level with authorities and membership;
- **First-Class Execution Capabilities**: Without professional excellence and critical mass, no chance to get and preserve access to authorities;
- **Tight Internal Management Discipline**: Clear guidelines to operate effectively and efficiently -- and to be accountable to membership;
- **An Entrepreneurial And Service-Oriented Culture**: Staff should be motivated to look for problems to be solved to help banks operate more efficiently – and to listen and respond to banks' concerns;
- **A Multi-year Horizon**: Most of the initiatives take time to come to fruition.

How Should Banks Engage With Authorities?

The Do's

- To understand their problems
- To act responsibly
- To speak their language
- To design win-win solutions
- To convince them of benefits of an efficient financial sector

The Don'ts

- Do not bring up (IMF) financial stability issues
- Do not show you are driven by profits alone
- Do not require quick answers on complex issues
- Do not confront them in public

Convergence

The program will operate in seven South-Eastern European countries:

- ◆ **ALBANIA,**
- ◆ **BOSNIA AND HERZEGOVINA,**
- ◆ **BULGARIA,**
- ◆ **CROATIA,**
- ◆ **MACEDONIA,**
- ◆ **ROMANIA,**
- ◆ **SERBIA AND MONTENEGRO.**

Authorities

Convergence
Dialogue

Bankers' Association

Bank

Bank

Bank

Insurance Association

Ins.

Ins.

Securities Brokers Association

Broker

Broker

Business Associations

Consumer Associations

An EU Banking Association

Convergence
"Secretariat"

Policy Experts

Operated by Former Central Bank Governors
And World Bank staff
Funded by Donors

How Can *Convergence* Help Banks?

1. Engaging with Authorities
2. Gathering Information
3. Quantifying & Assessing Information
4. Supporting Decision-Making

1. Engaging With Authorities

Convergence will convince authorities to listen to problems banks are facing

- Not a foregone conclusion in several countries
- WB, other IFI partners, senior management team credibility should help

Convergence will operate on the basis of a mandate from authorities

- Their continued commitment is key to exercise

2. Gathering Information

- *Convergence* will help banks come up with list of regulatory obstacles/opportunities
 - Not limited to 3-4 (bad for negotiations)
 - Possibly 40-50/country (to access WB back-up authority)
 - Issues where supervisory authorities are neutral, if not benevolent
 - Opportunities to build efficient industry platforms
 - How?
 - Over a 6/12-month period
 - ABI's database will help
 - WB logistical support
 - First ideas
 - Calibrating deposit insurance contributions
 - Broadening credit bureaus activities
 - Streamlining cross-border supervision issues

3. Quantifying & Assessing Information

- *Convergence* will quantify value to banking system of successful resolution of regulatory obstacles
 - Clear financial target is a good management discipline (e.g., ABI)
 - Authorities can see impact on financial market size and economic growth
- *Convergence* will prepare proposals for regulatory changes
 - In a language understood by authorities

4. Supporting Decision-Making

- *Convergence* will help authorities understand pros and cons of proposed solutions
 - “Honest broker” role is key to preserving long-term credibility and influence
 - Market views will be represented throughout
- Hopefully, authorities will listen
 - *Convergence*’s credibility: IFI origin, management team and strength of market realities

Our Collaboration

- *Convergence* could help banks improve their operating environment...
 - And make SEE countries “converge” with EU
- ...and to get organized, “à la ABI”, to strengthen market voice on financial matters
 - Importance of professional approach through a representative association
- The role of bankers’ associations is key in this process
 - To feed the pipeline of issues to be dealt with
 - To have a responsible attitude with authorities
 - To build consensus amongst members

Conclusion

- Development of sound financial activities requires a close partnership between authorities and market participants
- Market participants are not well organized to capture this opportunity
 - Yet, an investment in a “stronger voice” will have high returns overtime (public & private)
- *Convergence* will help local banking associations take up this challenge
 - And prepare sound and responsible proposals for the authorities