



FEDERATION BANCAIRE DE L'UNION EUROPEENNE

4/7-22
EK
N° C0630

MemberNet

Brussels, 5 May 2006

Circulation: Associates
Executive Committee

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

ITEM 6 OF THE AGENDA: PERCEPTION OF BANKS: REPUTATION MANAGEMENT

Following the initial discussion on the subject at our previous meeting of the FBE Associates in December last year in Brussels and the expression of interest in having the perception of banks as a regular item on the agenda, also at this meeting a round table discussion on the issue will take place.

As you may recall, at the last meeting the question of how the banks are perceived by different categories of public opinion makers like bank customers (corporate and private individuals), other professional associations (such as chambers, employers, unions, NGOs, etc.), state institutions, politicians and media was discussed. Which areas would represent the main problems for the overall perception of banks – products banks are offering, fees they are charging or security issues such as bank robberies? Some ideas and experiences were shared on how to improve the perception of banks by the general public in the most efficient ways by Associations, banks themselves and in other suitable ways.

The focus of the current discussion should be on the latest issues and problems experienced by Banks and Associations in this respect over the last year and on possible solutions or actions.

The minutes of the last FBE Communications Committee meeting are enclosed for your convenience. Item 3 of the enclosed document lists the current challenges at that time (February 2006) for more than a dozen national banking sectors.

Enclosures: 1

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Fédération Bancaire Européenne
European Banking Federation

FR
17 February 2006

**Minutes of the 29th meeting of the Communications Committee of the FBE
held in Brussels on 6 February 2006**

The Chairman welcomed participants, in particular new members of the Committee from Belgium, the Czech Republic, Luxembourg and Spain.

1- Minutes of the Previous meeting

Minutes were approved.

On matters arising from the minutes, the Chairman explained that the Swiss and Irish Associations had launched the questionnaire discussed at the Rome meeting and had received few replies, as had been expected considering the sensitivity of the issue. He stressed however that, in view of the questionnaire circulated to banks by the Commission's DG COMP, it appeared that once again other parties were able to collect information which banking Associations were not allowed to gather for their own reference and use.

In the UK, a similar problem had arisen following the collecting of information on behalf of the national Association by a consultancy firm, leading to possible data privacy issues. As a result, the whole data collecting operation has been put on hold.

Action: FR to circulate a copy of the Commission's questionnaire on competition in banking sector.

2- Exchange of Information

a) Greek Questionnaire on Opening Hours

A good number of replies had been collected to the questionnaire circulated by the Greek Association and posted as a compilation on the Secretariat Member Net. Our Greek colleague asked for more replies from specific countries. She explained the situation in Greece, where some banks have asked for total flexibility of their opening hours, thus leading to social unrest. The situation is still unclear in Greece but the consultation with Com Com partners proved useful.

b) Other proposals

Various proposals were made for exchanging information on the existing education programmes carried out by Associations, both for adults and children.

Action: CZ and IRL members to send FR suggestions for questions on both aspects. FR to compile questionnaire on issue and circulate..

In Italy, Pattichiari is considering organising a project in schools and wishes to find partners in other countries for a broader approach. In the UK, the government is putting the onus on banks to introduce a new educational programme in schools as of 2008 called "Functional maths". The general feeling is that banks are facing new educational challenges as a sector.

3- Tour de Table on Current Challenges

CH

No real challenges for the moment

UK

Question of the profitability of banks versus financial exclusion. Banks are portrayed by the media as not doing enough.

Profit will be a big media issue when figures are announced. BBA called on 2 pieces of research to build up arguments. One is not available, the other one looks at the contribution of banks to UK economy over the last 5 years and the coming 5 years.

Investigation by the office of fair Trading on small business banking

Money Laundering and identification of customers problems

Very high charges applied in UK banks; banks claim they cover the costs, consumers claim they go beyond.

It.

Totally new banking supervisory structures have been created. The new Anti trust authority needs to have the right image of the banking sector. The situation is evolving rapidly and will still do so with elections coming in April. The outcome is still uncertain at this stage.

Creation of a new brochure presenting ABI work

- On CSR specifically:

A new brochure has been published to make HR in banks sensitive to environmental matters.

A guide will be published at the end of 2006 to support banks who want to report on their CSR activities

Micro finance and financial inclusion of immigrants is an issue

So is consumer education, a guide on existing measures has been published by Forum per la Finanza Sostenibile - in which ABI is involved as a member - the Italian branch of Eurosif (European Forum on Sustainable Investment)

Irl.

Only 1.5% of customers Hve switched accounts in 2005, both under the formal Accounts Switching code and outside it. Many people did not wish to close their old account when they opened a new one.

The Bank Levy has been abolished. The government has now launched a "social Finance Initiative", to help finance local community projects and build up the social fabric for the country. Banks are contributing for 25M €, compared to the 100M€/year of the Bank Levy. Profitability of banking is an issue. Stakeholders have accepted that it is due to efficiency and good economy. Media are finding it more difficult to accept

The mortgage credit and consumer credit sectors are constantly increasing, due to the low rate environment, which encourages borrowing.

Financial exclusion is an issue. A review has been undertaken by regulators, conclusions will be known shortly. Anti money laundering measures are also a problem, as there is a perception that banks use them to exclude people from access to services.

Swe.

An advertising campaign was launched before Xmas to encourage consumers to pay with cards and thus avoid attacks against cash transport, which had been increasing. It was very successful, with a 21% increase in use of cards and an increase of consumer confidence.

D

The political situation in the country has generated difficulties.

There has been a media debate on housing funds, following the closing of one fund by a bank. It is now under control.

The basic bank account for all already exists (Gyrokonto) but a new law could be in preparation.

Profitability of the banking sector is also a question: is it immoral? First profitable year after 3 difficult years, so now the question of related jobs is raised.

Online banking security is put in question due to the very large number of on-line bank accounts

The State guarantee for savings banks has disappeared, increasing consolidation is expected.

The image of banks is bad. Education already exists in schools, an Internet platform could be created to support education.

Gr.

Profitability is an issue, due to good results

Over-indebtedness is also discussed

The number of robberies has increased, the problem of employees security is growing

On social aspects, the 6 biggest banks have refused to participate in sector-wide agreement on wages. They want to negotiate individually with their own staff. The result of that approach is not yet known (at time of meeting). The whole social structure of the country is undergoing deep changes.

The image of banks is good, however. Customers are satisfied with their own bank, but industry at large is not badly considered as it is seen as an "engine" of the economy. The media are negative, though.

Aus.

Basel II remains an issue

On line banking security as well

SEPA and the new Legal Framework are highlighted

Profitability creates a problem with trade unions, as it leads to salary discussions

Nor.

There are no major problems currently

5% of customers switched accounts last year, and another 8% of customers opened a new one while keeping the previous one.

Dk

An actual 3 to 6% switched accounts but a lot of customers use more than one account or one bank.. Home banking is extremely widespread: 3.5M adults in the country, 2.5 have online accounts.

The Association has set up a data base with consumer organizations allowing the public to compare costs of accounts for families (only for personal banking). It was launched end of January, still early to evaluate the impact. Despite a few mistakes at the beginning, things should regulate themselves, as good behaviour will lead to good publicity. Almost all Danish banks were part of the initiative.

Debate on the transferability of accounts but only a minority of people are concerned

A piece of research has shown that Danish banks are cheap and efficient in conducting business

B

In Belgium, only 1000 customers switched accounts last year, out of 4.5M current accounts.

All ATMs are now open to all customers of all banks (very recent)

Profitability is also an issue. A debate will be organized with colleagues from big banks to prepare to counter argument difficulties.

Terrorist financing also an issue

Sp.

Over-indebtedness is an issue. Some banks offer credit for up to 50 years, but Spanish Central Bank has asked to cancel that possibility.

Bank charges are a competition problem, Some banks offer to drop commissions

Profitability is also an issue

CSR is becoming a competition issue as Savings banks play on that aspect and their proximity to gain new customers

CZ

The sector is under government pressure. Government support has decreased and there were cartel accusations against banks. This led to media attacks, mostly based on consumer protection aspects.

Profitability is also an issue in that context

Parliamentary elections are coming soon, which may improve the situation

The Association is carrying out a survey on financial education linked to the image of banks, and it has published a vocabulary glossary of banking terms.

Lux

The Association is preparing a communications plan for 2006-07, focusing on domestic market. Members want more information, such as an extranet.

Public opinion will also be a focus point, to counter the bad image shaped by trade unions.

Profitability has led to tough collective sector negotiations

4- Corporate Social Responsibility

FR gave background information on the original paper submitted to the FBE Executive Committee and reminded the Communications Committee that it was in charge of following up on the Commission's Green Paper on CSR – once it is published, which should be soon. It was noted that the FBE had not yet joined an established CSR network, it may do so in the future, depending on how the issue develops.

The chairman outlined what the next steps could be:

A recommendation to the Executive Committee on a policy approach?

Practical work: based on the Savings Banks' work, a series of case studies could be prepared by individual members, 1 to 3 examples of good CSR work in order to create a document listing good examples, to be published. This could also generate further steps in CSR work.

Members generally favoured the proposal.

It was outlined that individual banks should be involved, as some of them would definitely want to be named. A debate followed on how to organize the publication and its contents.

The aim of the publication should be to give target audiences a flavour of what is happening and give them the possibility to go deeper if necessary. It was eventually decided to leave editorial decisions to national Associations. Once positive examples are listed, FBE Secretariat prepares a summary for its editorial contents, concentrating more on the principles and political messages at European level. The editorial work could also cover a list of the issues covered by CSR in Europe.

A budget will have to be found within FBE, or maybe on-line publication could be a starting point, as well as CD Roms.

When the publication is ready, it can be presented to the Executive Committee (hopefully at its June meeting – although it takes place in Helsinki, so a written procedure may have to be used instead).

Action:

Each member/country to prepare a 500 words max. contribution, presenting CSR in his/her country in the best possible light, with an emphasis on projects and initiatives.

Contributors are free to write about one single example in detail or to list several, to name or not name banks involved.

Contributions can also be used for similar national publications at a later stage.

Contributions to be sent to Florence in Secretariat by 24 March at the latest.

By mid-End April, FR to circulate to all a summary/editorial contribution of Secretariat for comments.

5- Image of Banks

A presentation by Henrik Theil (DK) outlined the new ambitious communications plan devised by Danish banks. It is available from FBE Member Net, Communications Committee, Image of Banks.

The Chairman suggested that now the Committee has looked at the image of banks, it would be a good idea to move to what is done to reverse the trend. Presentations on such ideas and projects would be very useful for all, when such plans do exist..

6- Fight against children pornography on the Internet

FR presented an initiative of the International Centre for Missing and Exploited Children. Relevant documentation had been sent to members in advance of the meeting.

The initiative suggests that EU Associations join an initiative to fight children pornography partly by tracing payments and raising awareness of problems.

Members felt this would be difficult to implement. Several countries will run into privacy problems, as well as bank secrecy. It is also difficult to trace what is paid for by card and to whom.

It was generally felt that although the initiative is very commendable, the onus cannot be put on banks. They cannot be expected to substitute the police. Practical implementation was seen as problematic.

7- Any Other Business

Next meetings

The next meeting could be held in Copenhagen, on invitation of the Danish Association. Dates: 29 + 30 May, to be confirmed.

The following meeting will be held in Brussels, on 23 November.