



18th MEETING OF THE ASSOCIATES
- Dubrovnik, Croatia, 28 May 2004 -

MINUTES

ITEM I – OPENING AND WELCOME

Mr Zoran BOHACEK, Managing Director of the Croatian Banking Association, chaired the meeting and welcomed the participants of the meeting.

A list of participants is attached (enclosure 1).

ITEM II – MINUTES OF THE PREVIOUS MEETING

The members approved the minutes of the 17th Joint Meeting of the Associates and the Pre-Accession Committee, which was held in Brussels, Belgium, on 4 December 2003.

ITEM III - CROATIAN BANKING INDUSTRY

Mr. Evan KRAFT, Director of the research department of the National Bank of Croatia gave an overview on the present state and recent developments in Croatian Banking industry.

Croatians save in Euro. Around 70% of all savings in Croatia are in Euro. This is another reason why stability in exchange rate, especially Croatian Kuna's (HRK) against Euro is essential. Croatian National bank is managing the exchange arte, but it is not fixed.

Low inflation has been achieved in Croatia – even below 2% in 2002 and 2003. New CPI was introduced recently, which now is compatible with the EU standards. Unemployment is very high in Croatia – 18.6%, but figure may overstate the reality. Current account deficit has been very significant recently – it has reached 8.5% in 2002 and 7.2% in 2003. Nevertheless, capital goods and cars compose big part of the imports.

External debt has increased substantially, exceeding 80% of the GDP in 2003. This level of external debt starts to worry the National Bank, although its foreign reserves are significant. Efforts to keep the debt situation under control have been made.

Financial system in Croatia is dominated by banks. Close to 90% of all assets of financial industry belong to banks. In 2003 banking industry had more than 25 billion Euros in total assets, or around 120% of the countries GDP. Besides the banks,

also housing savings institutions are developing based on Austrian model, 2 tier pension system has been introduced. Growth of the leasing activities has reached impressive levels recently.

Major privatisation was held in country in 1999 and 2000. There were several bank failures at the end of 90's, but the asset quality is improving since then. Currently banks have capital adequacy ratio of 16% on average, although Croatian Banking Law requests only 10% of risk weighted capital. In Croatia banks are obliged to use the International Accounting Standards. Also bank non performing loans are measured based on the IAS principles. Banks still tend to require very high level of collateral, although in terms of provisioning main source of repayment is cash flow.

Concentration in the Croatian Banking industry is on the high end. Two largest banks represent around 43% of all assets of the banking sector, and 4 largest banks around 60%. More than 40 banks were present in Croatian Banking sector in 2003. Around half of them were foreign owned banks, other half domestic owned banks, including 2 state owned ones. However, in terms of assets, more than 90% of all assets of the Croatian banking sector belong to foreign owned banks.

Efficiency (assets per employee) is still an issue in Croatia. With around 1.5 million Euro per employee the situation in Croatia is comparable to the one in most of the new EU Member States, however it strongly lags behind the efficiency observed in "old" EU member states.

Three different banking laws were passed in last decade. The last one of 2002 was made based on EU directives and models, in accordance with the Croatia's efforts to move towards the EU. There is still plenty of work to do, but it should not be on the level of law. Consolidated supervision has begun in Croatia recently, loan classification is compatible with IAS 39.

Among further challenges the need to continue to improve efficiency was mentioned, as well as the potential balance sheet problems (liabilities are deposits in foreign currencies, but assets are loans in national currency, kuna, indexed to foreign currencies), necessity to improve the enforcement of creditor's rights by legal system, necessity to continue to develop the non-bank financial institutions.

ITEM IV – LATEST DEVELOPMENTS IN THE EU LEGISLATION CONCERNING THE FINANCIAL SECTOR

Mr Elmars KRONBERGS, Adviser at the European Banking Federation, presented a seventh report on the latest developments in the EU legislation concerning the financial sector.

Altogether 16 pieces of legislation are included in the presentation.

He outlined six recently adopted pieces of regulation – Negotiations on Savings Tax Agreements, Directive on Transparency Requirements, Directive to allow the EU to respond far more quickly to developments in the financial sector, Technical measures to implement the Prospectuses and Market Abuse Directives (second set

of measures), Investment services Directive and Implementing measures related to the market Abuse Directive (first set of measures).

Mr. Kronbergs continued his report on the European Commission's proposals covering the Directive to combat fraud and malpractice (Directive on statutory audit) and the Directive on cross-border mergers.

Among the most important European Commission's consultations, highlighted in the presentation, were the ones regarding the How the E-Money Directive applies to mobile phone services, FSAP – state of financial integrations, the role of independent directors, Improving financial and corporate governance information, Strategy and priorities for clearing and settlement, Cross-border transfers of companies' registered offices, Directors remuneration and the new legal framework for payments in internal market.

ITEM V - CORPORATE GOVERNANCE

Mr. Giuseppe ZADRA, Director General of the Italian Banking Association presented the participants of the meeting the main features of some measures to be taken under the Action Plan on Corporate Governance and the Company Law now in course of promulgation within the European Union.

The main objective of the recent activities of the European Commission by modernizing company law and enhancing corporate governance in the EU with legislative and non-legislative initiatives are:

- 1) strengthening of the shareholders' rights and protection for employees, creditors and other stakeholders;
- 2) Enhancing the efficiency and competitiveness of firms.

The main issues to be dealt with are those like annual corporate governance statement, European Forum for Corporate Governance, exercise of shareholders' rights, directors' remuneration and liability, independent directors, auditing companies, relocation of head offices and cross-border mergers.

Common European Code for Corporate Governance is practically impossible for the moment, although internationally agreed principles already exist. The convergence in the National codes of conduct is needed.

The US-Europe dimension is important in this respect. To prevent unilateral US action against the EU companies, auditors, etc EU should have sound rules in this area, although they may not be unified for the moment.

Directors remuneration.

The consultation paper was published by the European Commission in February 2004. It covered:

- disclosure of remuneration policy and of individual remuneration,
- shareholder approval of directors' share option schemes.

Commission is planning to issue the recommendation to Member States on this issue. It is scheduled for September 2004.

Directors' liability.

The consultation paper on this issue was published by the European Commission in April 2004. EC is preparing a revision of the EU regime for clarification of the responsibility of board members for:

- Financial statements and key non-financial information,
The prevailing principle in Europe –in contrast to the US - is board's collective responsibility for the financial statements. As can be seen from the Action Plan on Company Law and Corporate Governance, the Commission intends to clarify the application of this principle and to extend it to key non-financial information.
- Transparency in intra group relations and transactions with related parties,
*Many companies are organized in group structures and the intra-group transactions and group's transactions with related parties often lack transparency. This can make it difficult for investors and shareholders to assess the true risk on investing in such companies.
The Commission is going to consider how further improvements can be made in line with International Financial Reporting Standards.*
- Disclosure about corporate governance practice as they differ across Member States.

Independent directors.

The consultation paper was published by the European Commission in May 2004. It presents and explains the broad form and contents proposed for the forthcoming Recommendation, which is scheduled for the autumn 2004.

Among others it covers:

- The role in listed companies of independent non-executive or supervisory directors, *focusing in particular on those who may be considered as independent.*
- the composition, role, operation and transparency of board committees
- the criteria according to which directors can be regarded as independent

Statutory audit.

The proposal for a new Directive was presented by the European Commission in March 2004. The proposed Directive, once adopted, should:

- ensure that investors can rely fully on the accuracy of audited accounts;
- enhance the EU's protection against the type of scandals that recently occurred in companies like 'Parmalat' and 'Ahold';
- clarify the duties of statutory auditors;
- to set out certain ethical principles to ensure the objectivity and independence of statutory auditors (*For example where audit firms are also providing their clients with other services*);
- introduce a requirement for external quality assurance;
- ensure robust public oversight over the audit profession;
- allow swift European regulatory responses to new developments *by creating an audit regulatory Committee of member States representatives, so that detailed measures implementing the Directive could be rapidly taken or modified.*
- improve cooperation between regulatory authorities in the EU;
The proposal also foresees the use of international standards on auditing for all statutory audits conducted in the EU

Cross-border mergers.

The proposal for a Directive was presented by the European Commission in November 2003. The proposed Directive, once adopted, should:

- Make cross-border mergers easier by overcoming obstacles caused by different national laws; It would make such mergers simpler for all companies with share capita, both public limited liability companies and others.
- Set up a cross-border merger procedure whereby mergers would be governed in each Member State by the principles and rules applicable to 'domestic' mergers;
- The proposed Directive would fill an important gap in company law;

Transfer of seat.

Three public consultation exercises, as well as the law of the Court of Justice, have highlighted the need for clear EU framework legislation on cross-border transfers of companies' registered offices, so that companies can exercise their rights in the Internal Market.

The planned Directive would enable companies to transfer their registered offices from the member state they are registered (the home member State) to another member State (the host Member State), under an appropriate procedure providing legal certainty.

ITEM VI - BASEL II

The Basel Committee reached a consensus on 11 May on a New Basel Accord. The text of the Accord will be published at the end of June and "will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for Basel II's implementation".

It is welcome that the Basel Committee has reached a consensus, but we will need to await the text of the New Accord before making a final judgement. The text will be available at the end of June.

One issue we are currently considering is the impact of the staged implementation of the New Accord announced by the Committee. The Committee has confirmed the end-2006 implementation date for the standardised and foundation approaches, but put back the implementation date for the advanced approaches until end-2007.

The consensus reached by the Basel Committee paves the way for the implementation process in the European Union to proceed. The Accord will be implemented in the EU by the proposed Regulatory Capital Directive.

The European Commission is expected to formally adopt a proposal for a Regulatory Capital Directive in July. The incoming Dutch Presidency of the Council of Ministers will give priority to making progress on the Directive. The European Parliament is expected to start its first reading of the proposed Directive in September.

The implementation timetable remains challenging – particularly for such a large and complex Directive. It is therefore important that rapid progress is made. The result must, however, be a Directive that meets certain strategic objectives.

The FBE attaches the highest priority to developing a flexible Directive that is able to keep pace with developments in risk management practice. The proposed Directive will be divided into two parts in order to achieve this. Enduring principles and objectives will be defined in the articles to the Directive. Technical measures will be

covered in annexes, which will be open to amendment using the comitology procedure.

We can, however, expect a debate – particularly in the European Parliament – about the balance between the articles and annexes to the Directive. The FBE will continue to stress the importance of a flexible Directive not only for the banking industry, but also for ensuring that the European legislative framework is sufficiently responsive to new developments to protect the interests of depositors and borrowers.

We will also continue to remind the European Institutions of the need for the Directive to be consistent with the New Basel Accord, subject to taking account of the specific features of the EU market.

Our third strategic objective is consistent application of the Directive across the Member States and convergence of supervisory practice. This is an issue highlighted in the PWC study on the financial and macroeconomic consequences of the proposed new capital requirements in the EU.

The PWC study said that the overall effect of the proposed new capital requirements should be positive for Europe's financial institutions, corporates and SMEs. Across the EU, the proposals slightly reduce overall bank capital requirements and this could increase GDP by 0.07% in the most favourable circumstances. However, PWC also noted that much will depend on the manner in which the framework is implemented and the extent to which implementation is coordinated on an EU-wide basis.

This is a point we will continue to stress, including in our contacts with the new Committee of Banking Supervisors (CEBS), which will have an important role to play in the implementation of the new capital adequacy rules.

We face a challenging process ahead, but the FBE has a good dialogue with the European Commission and Member States. We will renew our contacts with existing MEPs – and make contact new MEPs – after the European Elections in June to ensure that the FBE's priorities are understood.

ITEM VII - EPC AND SEPA - RECENT DEVELOPMENTS

The European Payments Council (EPC) is a decision-making body in the area of the Single Euro Payments Area (SEPA). All the decisions of the EPC should be implemented by the participating National Banking Associations. **National Banking Associations nominate representatives to the EPC.** Every single country, including 10 New EU Member States, will have at least one member at the EPC, biggest countries will have up to 7.

In the first half of 2004 the EPC is going through the reorganization process due to the EU enlargement. The new EPC should be in place in June 2004. The EPC evolves from a de facto association to a registered INPA under Belgian law with its own budget and secretariat. The approximate current budget estimate for the EPC is around 1 million Euro.

Joining the EPC is not obligatory, although recommended. However, it is possible to apply the EPC decisions, but not to participate in it. The main information on the EPC should be communicated through the FBE Payment Systems Committee.

New composition of the EPC by countries follows:

Germany, France	- 7 seats each;
UK	- 5
Italy, Netherlands	- 4
Spain	- 3
Belgium, Poland, Portugal	- 2
Austria, Luxembourg, Greece, Finland, Ireland, Sweden, Denmark, Estonia, Latvia, Lithuania, Czech Republic, Slovenia, Slovakia, Hungary, Malta, Cyprus, Norway, Iceland and Switzerland	- 1 seat each
European Banking Federation, European Savings banks Group, European Association of cooperative banks	- 1 seat each
European Banking Association	- 1
Plus 8 'wild cards'	

In the first half of the 2004 the EPC secretariat is held by the European Savings banks Group.

EPC plenary meeting of the 11 March 2004 was rich on decisions.

- Most important ones should have been the approval of the EPC Statutes and the Act of incorporation of the EPC as an International Non-Profit Association (INPA) under Belgian law.
- Other resolutions of a governance nature were adopted i.e. the terms of reference of the Coordination Committee (as annex to the Charter), the restructuring of the EPC Working Groups and upgrading the link of the EPC with the ECBS Committees, the approval of the 2004 budget with a first call for members' funding and the election of the Chair of the Nominating & Governance Committee.
- A Resolution on the EPC 2004 Work plan
- A Decision on the future scenario for credit transfers denominated in euro, with the objective to see the format rules applicable to basic credit transfers adopted by all banks by 1 January 2006 thus bringing STP rates to levels similar to domestic payments today.

Progress reports were furthermore received on:

- a) The Pan-European Direct Debit scheme. A Master Document describing the proposed model, including the high-level requirements and duties of the different parties, the information flows between them, the legal framework, the scope and all necessary guiding principles will be produced by June. More clarity is still required on: market needs and economic aspects, electronic mandates / signatures, creditor identification, central functions / overall framework for clearing and settlement
- b) Electronic & mobile payments, indicating the need to create a new EPC strategy for this area. The first activities in this process would be the fact-finding on present and future customer aspects and addressing quickly mobile payments and the issue of possible cooperation with the telcos.
- c) Branch-level recycling for cash transactions

The incorporation of the EPC as an International non-profit association (a.i.s.b.l.) under Belgian law was submitted formally to the signature of all EPC members, together with the approved Charter, in April 2004.

The EPC Plenary of 17 June 2004 is under preparation.

Main issues to be considered during the meeting are:

- Pan-European Direct Debit Scheme (PEDD). The long-awaited first resolutions on the PEDD will be presented for approval. There will be one describing the overall approach and general principles and one describing the PEDD model and scheme.
- Election of Chair and Vice-Chair of the EPC. The plenary meeting of June will also need to elect the EPC chair and vice-chair for a period of 2 years. 2 candidacies have been received for chairmanship: MM G. Hartsink (the present chair) and C. Brun (the present vice-chair).

ITEM VIII - RECENT DEVELOPMENTS IN THE RUSSIAN BANKING SYSTEM AND ACTIVITIES OF THE ASSOCIATION OF RUSSIAN BANKS

Mr Oleg PREKSIN, Vice-President of the Russian Banking Association, introduced the participants with the latest developments in the Russian Banking.

The Russian banking system is quickly developing, which has to ensure high rates of economic growth in Russia. During the last five years the number of credit institutions operating in Russia has stabilized around 1300 (1,333 as of 1.04.2004).

The Association of Russian Banks (ARB) was established in 1991. It is the largest banking association in Russia with 624 members representing 90% of assets and more than 80% of capital of the Russian banking system.

The Russian domestic economy is one of the fastest-growing economies in the world, but Russia considerably lags behind the developed countries in the volume of GDP and in per capita GDP. In year 2002 Russia the GDP per capita was 2,140 USD in nominal terms and 7,820 USD in PPP, what is considerably less than, for example, in Germany (around 23,000 USD and 26,000 USD respectively) or in UK (both around 25,000 USD). Based on 2002 results, Russia ranked 100th after Fiji in nominal per capita GDP and 83rd after Costa Rica in PPP-based GDP per capita.

The Russian economy has been set the task to double its GDP within 10 years. What is to be done to achieve this goal and is it real? In Q1 2004 the Russian economy grew by 8%, with the inflation target of 10% for 2004. The GDP growth rate for the year 2003 was 7.3%, with the inflation rate around 12%.

It is necessary to significantly increase the share of banks in the enterprises' capital financing. Only 5.2% of fixed capital investments in Russian enterprises are coming from bank loans. In EU the corresponding figure is around 50%. Fuel & energy and transport sectors, which can actively develop using their own funds and attract cheap foreign credits and loans, account for more than half of total investments in the economy. Most enterprises in the other industries do not have such capabilities.

Decrease of the inflation rate and growth of competition on the banking market have to lead to decrease of credit interest rates recently. Average interest rates are between high single digit figures and high teens, depending on the currency in which the loan has been granted and the credit taker.

There is an obvious trend towards a reduction in the capital outflow from Russia. In 2004 the vector of capital movement is expected to turn in Russia's direction (net capital inflow of more than 100 million USD expected).

If the Russian economy is to achieve the set growth rates, Russia must provide an accelerated development of the national banking system. For the moment the ration between banking system assets and GDP in Russia is 42%, which is far below the EU average of 100+%. However, during the last years the dynamics of growth of assets in Russian banking system has been very impressive. In 2003 alone bank assets have increased by 35% reaching around 190 billion USD. For the year 2004 the growth rate for banking assets is expected to increase even further, reaching 40%.

Also Bank deposits and accounts in Russia are rapidly growing, but their ratio to GDP is much lower than in the developed countries – 15% as of the end of 2003, comparing to 80% of the EU average. In spite of a growth in the loan portfolio, the ratio of bank loans to GDP remains low – 22% as of the end of 2003, comparing to 100+% of the EU average.

Concentration of Russia's banking sector assets is on the high end. 5 largest banks in the country (of 1,333) have 43% of total assets of the banking sector, while 30 biggest account for 2/3.

The regulators in Russia are overstaffed. The ARB in cooperation with the Central Bank of Russia is trying to solve this problem within the framework of the administrative reform.

The Association of Russian Banks main goals are:

1. To decrease banks' expenses to increase their competitiveness.
2. To increase significantly the capitalization of Russian banks (including banks of all types).
3. To provide banks with long-term resources.
4. To advance the development of the banking infrastructure (in present on average 1 Russian banking office maintains services to 32 000 inhabitants; on average only one banking office is situated on the territory of 300 km²).

The Association of Russian Banks in close cooperation with the Bank of Russia and the Parliament of the Russian Federation is working on the formation of the legislative and regulatory base for the development of banking business in Russia.

In particular, in 2003 with the active participation of the Association of Russian Banks the following legislative acts were adopted:

1. The Federal law of 11.11.2003 №152-ФЗ «On the mortgage securities» (the banks were granted the right of emission of mortgage securities).
2. The Federal law of 23.12.2003 №177-ФЗ «On the insurance of private deposits with the banks of the Russian Federation».

3. The Federal law of 10.12.2003 №173-Φ3 «On the currency regulation and currency control» (will come into force in June 2004).

The National credit history bureau of the ARB was established at the end of 2003 and has 28 member banks as of today.

Priorities of the legislative work of the ARB for the year 2004

- The Federal law «On the self-regulating organizations»
- The Federal law «On the credit history bureau»

ITEM IX – INTERNATIONAL ACCOUNTING STANDARDS

In 2002 the Regulation on IAS was adopted, which requires listed companies to prepare their consolidated accounts in accordance with the IAS **from 2005 onwards**. It was followed by the adoption of the implementing regulation endorsing IAS in September 2003. Regulation endorses all existing IAS and related interpretations (SIC), except IAS 32 and IAS 39 and related SIC 5, 16 and 17.

At the meeting, participants were asked to give an update on the current state of play with the regards to the planned implementation of the IAS in their country (the table with answers to 9 questions was circulated beforehand with the Secretariat letter C0598 of 19 May 2004) and, in particular, on whether they may face difficulties meeting the deadline of 1 January 2005.

No particular problems were mentioned in meeting the deadline of 1 January 2005 for the implementation of the IAS.

The only change to the information enclosed in tables (letter C 0598 of 19 May 2004) was with the regards to Czech Republic:

Section miscellaneous (Question: If earlier adoption – before 2005 - of IAS is allowed) – the right answer is NO, however it is permitted to apply IAS for informal purposes also before 2005.

For countries, which were not included in the table circulated by the Secretariat beforehand, the state of play with the regards to the IAS is as it follows:

Croatia – Applying IAS already, even IAS 32 and IAS 39.

Bulgaria – Applying IAS already from 2003.

Turkey – Government passed the regulation. IAS will have to be applied from the 1 January 2005.

ITEM X - CREDIT BUREAUS IN EUROPE

Mr Zoran BOHACEK, Managing Director of the Croatian Banking Association, introduced the issue on Credit Bureaus to the participants of the meeting and shared the Croatian experience in setting up such entity.

Credit Bureaus are credit information companies which collect, maintain and distribute information about consumers' credit histories. Key principles of Credit Bureaus are:

- reciprocity – only those supplying data are allowed to purchase the information;
- no decisions – just give objective information in a required format. Each user (credit institution) estimates credit worthiness of given customer according to own criteria.

Key benefits of such organization are first of all consumers by having easier access to financing and preventing the over indebtedness, secondly all users of the system by reducing losses, operating more efficiently and serving their customers better, thirdly government institutions by easier and better supervision, risk classification and available analysis and finally credit industry and consumption in general.

After the introduction, the round table discussion was opened, during which participants of the meeting shared their experience in the field of Credit Bureaus.

Italy: Privacy authority is trying to prohibit the positive list of Credit Bureau. So-called black lists are not under the attack from the same authority.

Hungary: For corporate clients Credit Bureau was set up already in 1993, but it started to deal also with private individuals in 2000. Only negative list is possible in Hungary because of the legal issues – restriction in Constitution.

Finland: The negative list exists. Banks were against the positive list idea. One of the reasons was the question of leakage of the information outside the country.

Croatia: In the Credit Bureau no bank is mentioned where loans are taken.

Estonia: Negative list exists. Financial sector was against that idea. Still problems with the data protection and consumer protection organizations exist. Objective is to have a law. Special issues to consider – how to correct a false information, what to do during the dispute phase.

Cyprus: Possibility to exploit cross-border exchange of data with relevant Greek institution foreseen.

Czech Republic: Struggle with the data protection office continues.

Belgium: Since 2003 the positive list has been run by the Central Bank of Belgium. Positive list is foreseen by the national legislation. All in principle – includes also mortgages, consumer credit, loans, overdrafts, etc. Links with Netherlands and France Credit Bureaus established. Banks are satisfied with the positive list system.

Austria: Positive list exists. There were certain problems with the data protection authority, due to which the system had to be adjusted. Hoping to have an obligatory system, stipulated by law.

Albania: Studying the possibility to establish the Credit Bureau. Main problem for the moment seems to be costs as banks are opposing additional costs. Cooperation with the Greek credit bureau is advancing.

Romania: Activity in Credit Bureau started in March 2004. It will be for private individuals and a negative list. First list should be ready in August 2004. Move to the positive list next year is not excluded.

Poland: Credit Bureau is operational and has around 10 million records already. It provides also credit scoring. Customer, by signing bank account agreement, agrees to share the information.

Slovakia: Ready to start the Credit Bureau, but fighting with the data protection authority. Association is currently waiting for the ruling of the constitutional court.

Slovenia: Implementation is delayed for the second year as the biggest bank in Slovenia is not ready to implement it. Data sharing is foreseen based on voluntary statement of customer.

Turkey: New Bureau for corporate loans is under construction. Only few banks have expressed the willingness to participate in it so far. Credit Bureau for private individuals functions well.

Latvia: Central Bank of Latvia keeps black list of private individuals. Discussion on whether leasing companies should have access to register as well or it should be limited to banks only.

ITEM XI - NEW STATUS FOR THE ASSOCIATES

a) NEW STATUS

Following the decision of the FBE Executive Committee on the new status for the Associates adopted in its 211th meeting in Brussels on 5 December 2003, the status of the Associates is going to change.

The FBE Secretariat explained the new status: its benefits and financial complications in the letter Nr. C1452 of 19 December 2003. All Associates who are not becoming full members of the FBE in 2004 were invited to express their view in writing. The FBE Secretariat had not received any substantial remarks or suggestions until the meeting.

All FBE Associates were invited to respond in writing until 1 July 2004.
The new status for the Associates is going to be applied as of 1 July 2004.

It was confirmed during the meeting that for Bulgaria all rights and duties deriving from its Pre-Accession Committee member's status will be grandfathered by the Federation in full amount.

b) FUTURE CONCEPT FOR THE MEETINGS OF THE ASSOCIATES

Following the recent EU enlargement in which 10 New member States joined the Union and the parallel enlargement of the FBE as a result of which at least 8

Associates (out of 17) will become full members of the FBE the composition of the Associates will change considerably.

The FBE Secretariat has indicated its vision on the possible future scenarios for the meetings of the Associates in its letter Nr. C0594 of 17 May 2004.

During the meeting participants were invited to give their view on the preferred future concept for the meetings of the Associates.

The majority of the Associates present at the meeting emphasized the importance of the meeting usually held at the end of the year in Brussels where also the relevant experts from the FBE and the European Commission were invited. As a result it was decided to keep the 'Brussels' meeting and its format for the time being.

The 'outside' meeting of the FBE Associates, which usually took place in one of the countries of the Associates in May or June, will be organized in case the sponsor (hosting national banking association) for the meeting will be found.

All FBE Executive Committee members will be invited to participate in the meetings of the Associates, like it was before.

ITEM XII - PREPARATION OF THE NEXT MEETING

Following the feedback from the Associates on the future concept for the meetings of the Associates, it was decided and announced that the next – 19th meeting of the Associates will be held in Brussels on Thursday, 9 December 2004, a day before the FBE Executive Committee meeting.

The FBE Executive Committee members will be invited to participate in the meeting.

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Enclosure: 1



18th MEETING OF THE ASSOCIATES

- Dubrovnik, Croatia, 28 May 2004 -

LIST OF PARTICIPANTS

<u>Chairman:</u>	Mr	Zoran BOHACEK
<u>FBE Secretariat:</u>	Mr	Nikolaus BÖMCKE
	Mr	Elmars KRONBERGS
<u>Albania</u>	Mr	Ardian FULLANI
<u>Austria</u>	Mrs	Maria GEYER
<u>Belgium</u>	Mr	Guido RAVOET
<u>Bulgaria</u>	Mrs	Irina MARTSEVA
<u>Croatia</u>	Mr	Zoran BOHACEK
<u>Cyprus</u>	Mr	Georgios Hadji ANASTASSIOU
<u>Czech Republic</u>	Mr	Petr SPACEK
<u>Estonia</u>	Mrs	Katrin TALIHARM
<u>Finland</u>	Mr	Markus FOGELHOLM
<u>France</u>	Mr	Jean-Francois PONS
<u>Germany</u>	Mr	Hans-Joachim MASSENBERG
<u>Hungary</u>	Mr	Rezso NYERS
<u>Italy</u>	Mr	Giuseppe ZADRA
<u>Latvia</u>	Mr	Aivars GRAUDINS
<u>Lithuania</u>	Mrs	Ramona RAMONAITE
<u>Netherlands</u>	Mr	Hein G. M. BLOCKS
<u>Norway</u>	Mr	Ingvar STROM
<u>Poland</u>	Mr	Pawel PNIEWSKI
	Mr	Andrzej WOLSKI

<u>Romania</u>	Mr	Radu NEGREA
<u>Russia</u>	Mr	Oleg PREKSIN
<u>Slovakia</u>	Mr	Ladislav UNCOVSKY
<u>Slovenia</u>	Mr	Dusan HOCEVAR
<u>Spain</u>	Mr	Manuel TORRES ROJAS
<u>Sweden</u>	Mrs	Ulla LUNDQUIST
<u>Switzerland</u>	Mr	Urs ROTH
<u>Turkey</u>	Mrs	Melike ALPARSLAN

Guest speaker:

Director, Research department,
Croatian National Bank:

Mr Evan KRAFT

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