



Convegno

La riforma del Credito Cooperativo e i riflessi sul territorio

08. Novembre 2016

Roma

The German Cooperative Financial Services Network

DIRK CUPEI

Managing Director

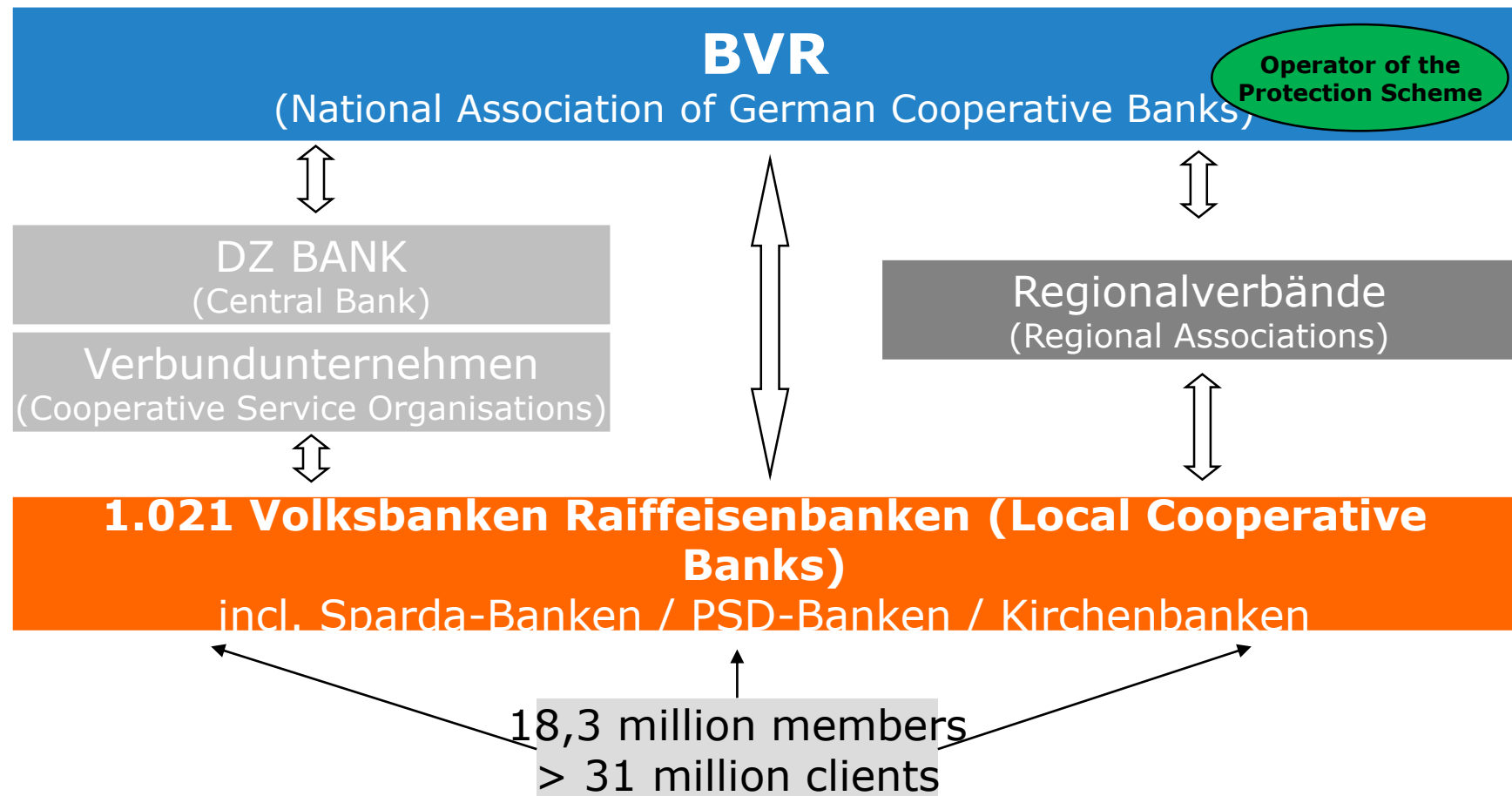
Financial Stability

German Banking Association

Agenda

- I. The Cooperative Financial Services Network**
- II. The BVR Institutional Protection Scheme**
- III. Core tasks of the Protection Scheme**

The Cooperative Financial Services Network at a glance



as per Dec 31st 2015

Volksbanken Raiffeisenbanken (Local Cooperative Banks)

| Year | Number of Volksbanken Raiffeisen- | Number of bank outlets | Aggregate balance sheet total in € bn | Average balance sheet totals in € m | Member numbers in m |
|-------------|-----------------------------------|------------------------|---------------------------------------|-------------------------------------|---------------------|
| 1990 | 3.344 | 18.764 | 298 | 89 | 11,7 |
| 2000 | 1.794 | 17.490 | 535 | 298 | 15,0 |
| 2005 | 1.290 | 14.122 | 591 | 458 | 15,7 |
| 2010 | 1.138 | 13.474 | 707 | 621 | 16,7 |
| 2015 | 1.021 | 12.260 | 817 | 801 | 18,3 |

The diagram illustrates the percentage changes for three key metrics over time:

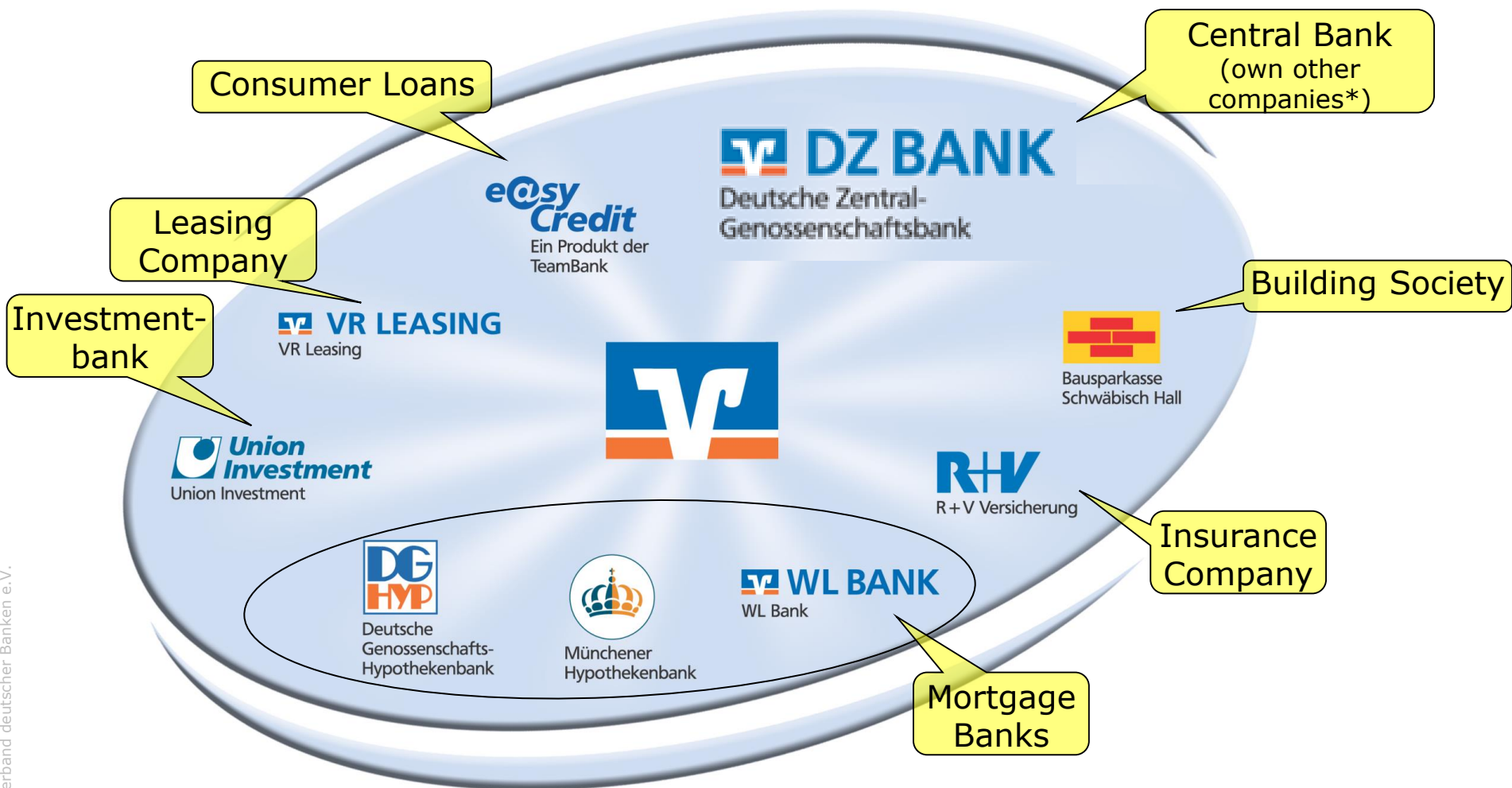
- Number of Volksbanken Raiffeisen-banks:** Decreased by 70% from 3,344 in 1990 to 1,021 in 2015.
- Aggregate balance sheet total in € bn:** Increased by 275% from 298 in 1990 to 817 in 2015.
- Member numbers in m:** Increased by 56% from 11.7 in 1990 to 18.3 in 2015.

DZ BANK

(Central Bank)

Verbundunternehmen

(Cooperative Service Organisations)



* Exception: Münchener Hypothekenbank (owned by local Cooperative Banks)

5 regional associations and

2 special associations

- Responsible body for audits of member cooperatives
- Regional consultants for the Volksbanken Raiffeisenbanken, dealing with tax, legal and educational questions
- Representatives of the economic and political interests of the Volksbanken Raiffeisenbanken on the regional level
- Implementing legal provisions



Schleswig-Holstein,
Hamburg, Bremen
Niedersachsen,
Mecklenburg-
Vorpommern,
Brandenburg
Sachsen-Anhalt,
Thüringen,
Sachsen
Saarland,
Rheinland-Pfalz,
Hessen

Baden/
Württemberg





(National Association of German Cooperative Banks)

- Central organisation of the cooperative banking group
- Representative of the economic and political interests of its members at a national and international level (lobbying)
- Strategic centre of excellence: Developer of nationwide strategies and concepts (e. g. "VR Control") and supporting of implementation within the cooperative banking industry (Analysis of fields of action, Coordination of know-how, Organisation of decision making process, Controlling implementation, Adjusting strategies)
- Promotion, support and advocacy of member interests relating to technical and specific economic policies and economic interests of their associated entities within the cooperative banking industry
- ➡ ■ Operator of the Protection Scheme

Agenda

I. The Cooperative Financial Services Network

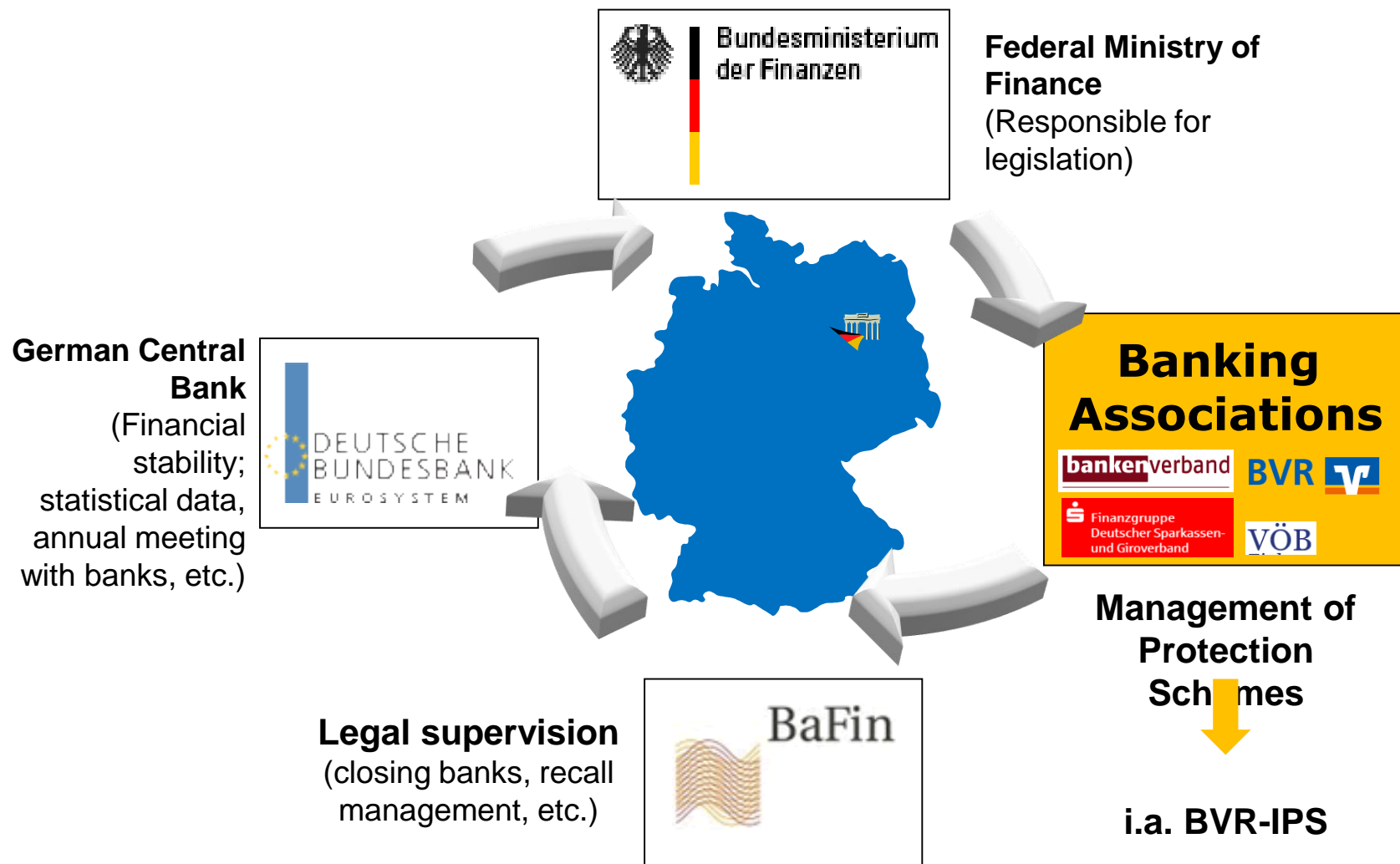
II. The BVR Institutional Protection Scheme

III. Core tasks of the Protection Scheme

The position of Cooperative Banks within the German Banking Sector and ...



... the role of the Cooperative BVR-IPS within the German Financial Stability Network



BACK-UP: The „German case“ of Deposit Protection „at a glance“

Two general kinds of Protection Schemes and six DGS-institutions *(plus one Investor Compensation Scheme)*

INSTITUTIONAL PROTECTION
-> concerning the whole bank

Volksbanken Raiffeisenbanken
BVR Institutional Protection
Scheme ❶

Savingsbanks / Landesbanken / LBS
(= public-owned banks) ❷

Guarantee concerning deposits
up to certain limits

**Private, foreign, and certain
public banks**

Compulsary legal Protection Schemes
(100 T€)

- Entschädigungseinrichtung deutscher Banken GmbH ❸
- Entschädigungseinrichtung des VÖB GmbH ❹

Optional Protection Scheme (not compulsory!)

- Einlagensicherungsfonds des Bundesverbandes deutscher Banken ❺
- Einlagensicherungsfonds des Bundesverbandes öffentlicher Banken ❻

Construction Principle of our IPS

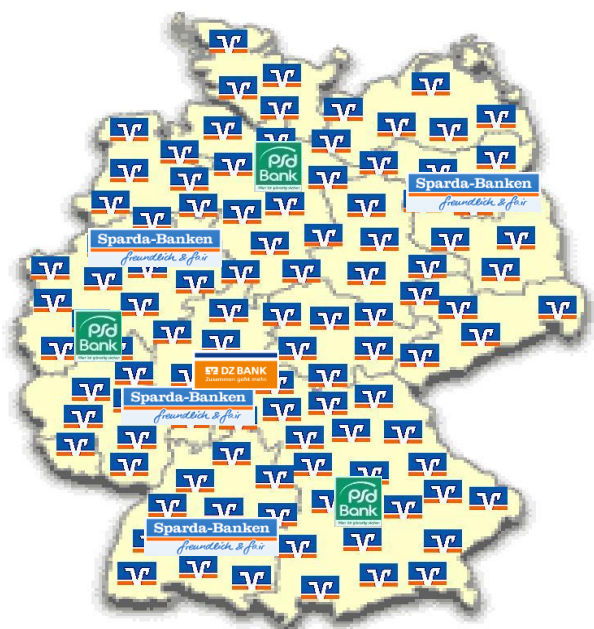
- *Simplifying and schematic diagram* -

The support mechanism ensures the ability of its members to continue – not only the deposit protection

Member Banks → Pay rbc**

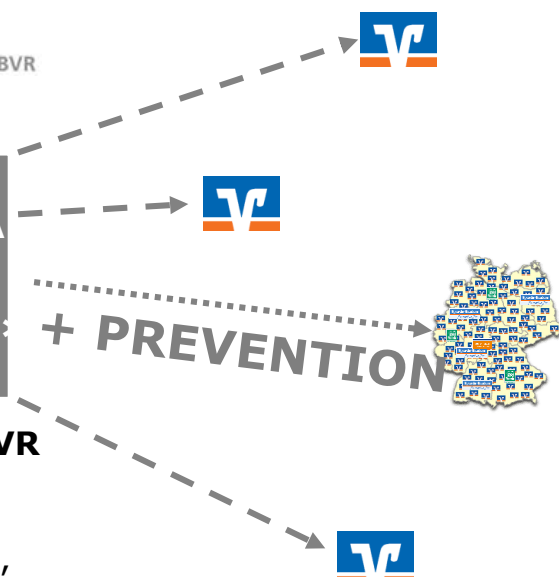
Capital Stock

Measures
(Prevention & Rehabilitation)



**INSTITUTIONAL
PROTECTION
SCHEME (IPS)**

* **Special Asset of the BVR**
(with independent,
completely separate
accounting, governance,
and auditing)



„Protection, but obligations“



„rights“

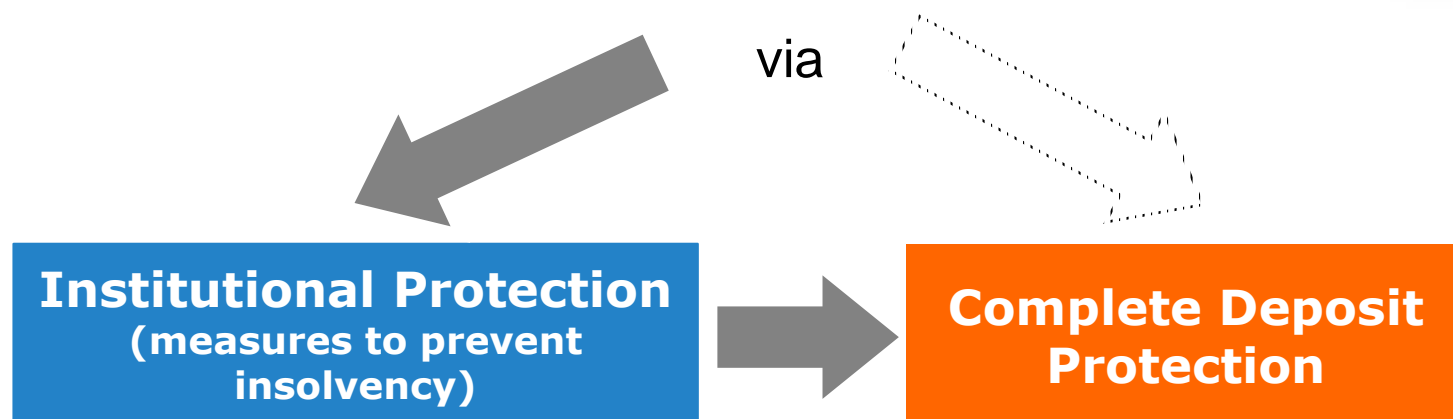


**** Risk-based
contributions** (since
2004!)

The BVR runs an Institutional Protection Scheme (IPS)*

By-laws of BVR, § 4 (2) and Statute of IPS, § 1 (1) define overriding aims

1. Safeguarding the **credit standing / solvability** of all member banks and the financial stability of the cooperative banking group
2. Safeguarding the **trust** of the clients and the money and capital markets



* As accepted in Art. 113 (7) CRR)

Core tasks of the IPS

Threatening or existing problems within a member bank must be ...

... averted

... remedied

Prevention

Rehabilitation

BUT: NO resolution + Our „rehabilitation“ is a kind of „recovery“!

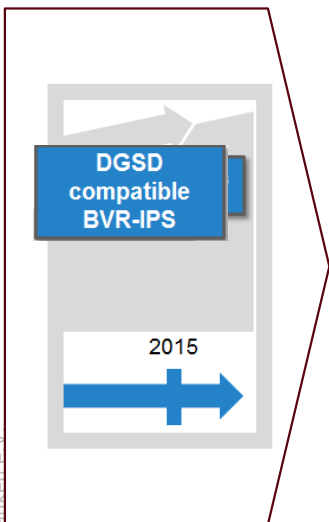
+

Saving the TRUST in the Cooperative Banks
(Stability of the whole cooperative banking sector in Germany!)

The new EU-directive 2014/49/EU on deposit guarantee schemes (DGSD) and the effects on the established IPS (1/3)

Our IPS complies with most of the aspects of the DGSD which are new for many DGS'es across Europe

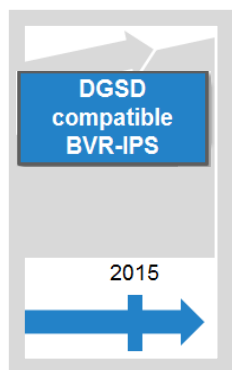
- ✓ Ex-ante contributions
- ✓ Risk based contributions
- ✓ Avoid bank-runs
- ✓ Build up of a fund
- ✓ Run an DGS as an IPS
- ✓ Fullfill the preconditions for „alternative measures“ to use the fund means not only for a payout to customers
- ✓ Strengthen the trust of the depositors in banks / financial stability



The new EU-directive 2014/49/EU on deposit guarantee schemes (DGSD) and the effects on the established IPS (2/3)

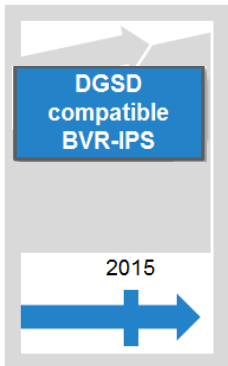
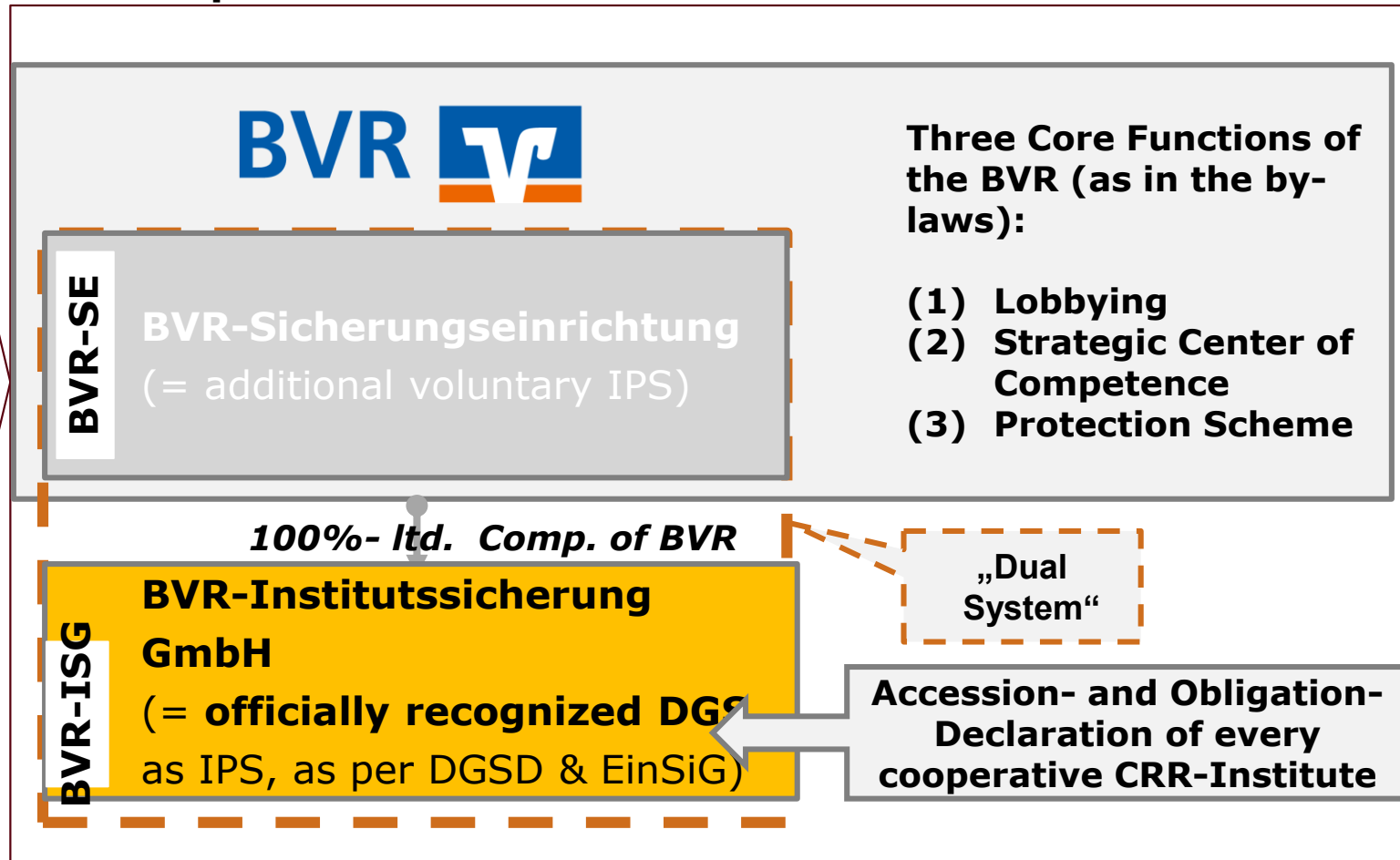
Areas of adjustments for our IPS to comply with the DGSD are „technical aspects“ with a heavy workload – but were solved successfully and in-time (3rd July 2015)!

- Create a new „officially recognized“ deposit protection scheme as an IPS (Art. 1 (2) c DGSD)
- Integrate 100.000 EURO reimbursement claim per depositor in the legal framework of the IPS
- Single customer view to calculate the covered deposits
- Basic parameters and internal structures for payout in 7 days – although this is an unrealistic and non-nature case for an IPS (!)



The new EU-directive 2014/49/EU on deposit guarantee schemes (DGSD) and the effects on the established IPS (3/3)

The new set-up of the Institutional Protection System of the German Cooperative Banks – The new „DUAL SYSTEM“



Agenda

I. The Cooperative Financial Services Network

II. The BVR Institutional Protection Scheme

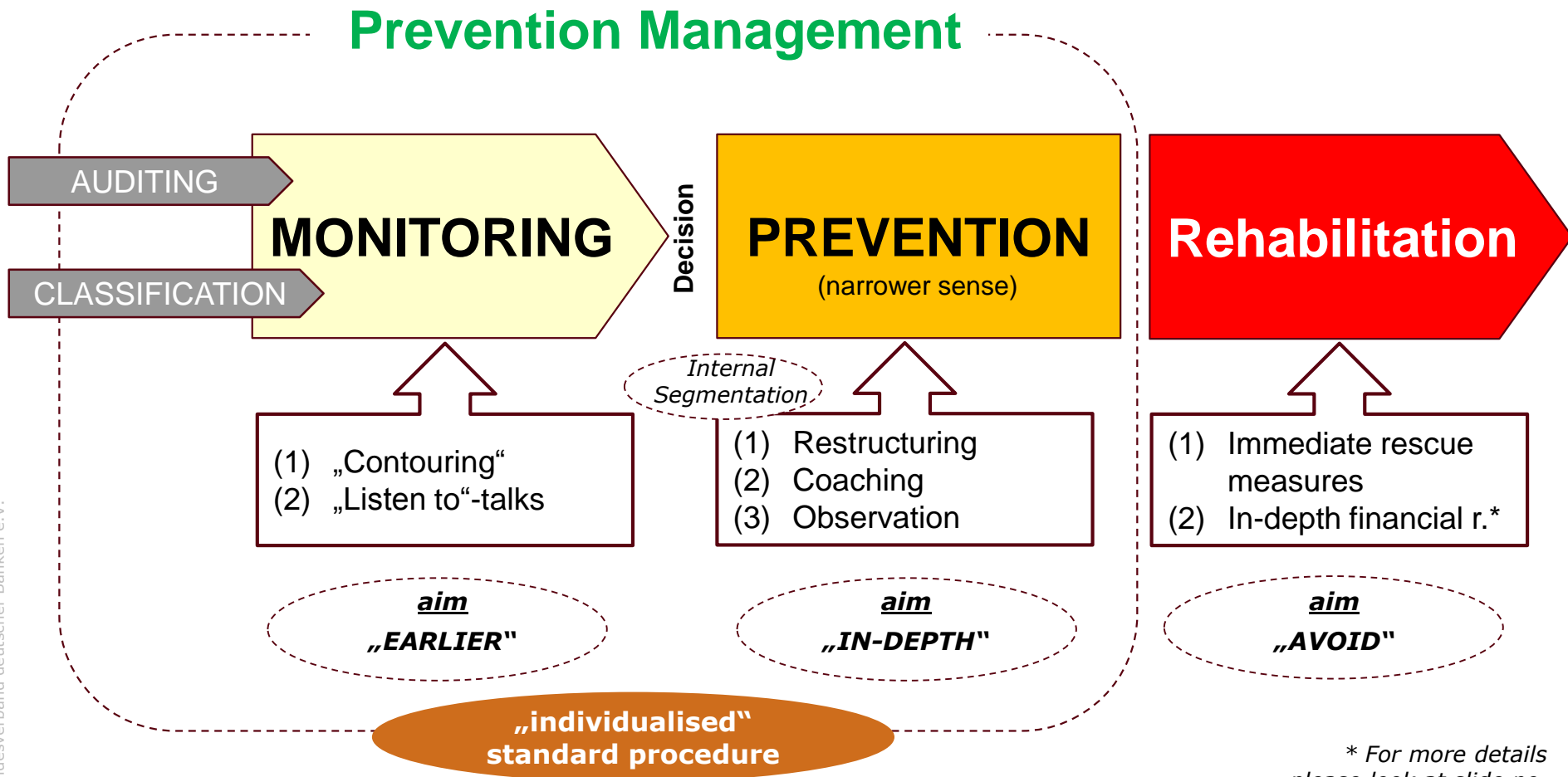
III. Core tasks of the Protection Scheme

1. Classification and Contribution System
2. Prevention
3. Rehabilitation

The PHILOSOPHY:

„Tackle problems as early as possible!“

Process at a glance



* For more details
please look at slide no.

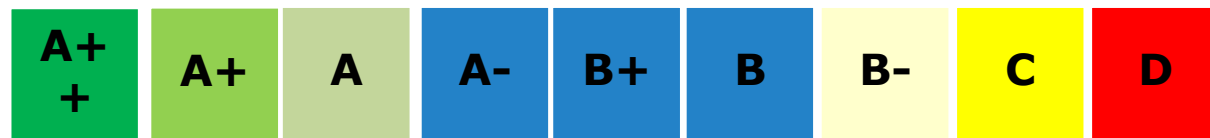
Risk-adjusted contributions are determined depending on the rating grades

1. Analysis of all Cooperative Banks using a system like „CAMELS“ (espec. Capital,- Income- and Risk-Structure)

2. Classifying the banks into one of the following individual ratings

Classification of the Banks

Rating Class



Indiv.
Rating
Grade

3. Computing the annual risk-based contribution to BVR Protection

* Based on the individual risk-weighted assets, the general annual basic levy rate and individual rating grade

Experiences with banks in need of rehabilitation
are the basis for prevention measures

Typical steps to the rehabilitation of a bank (= „recovery“)

➤ Strategic crisis



➤ Crisis in (fin.) success



➤ Rehabilitation

Prevention measures
have to take effect!

BUT NEVER „resolution“!

The rehabilitation process is divided into two main phases

Phase 1: Immediate rescue measures

Schedule

3 to 9 months

Objectives

- Avoid supervisory action
- Sign contract of rescue measures ("restructuring agreement")
- Prevent more losses by management
- Change management if necessary

Phase 2: In-depth financial rehabilitation

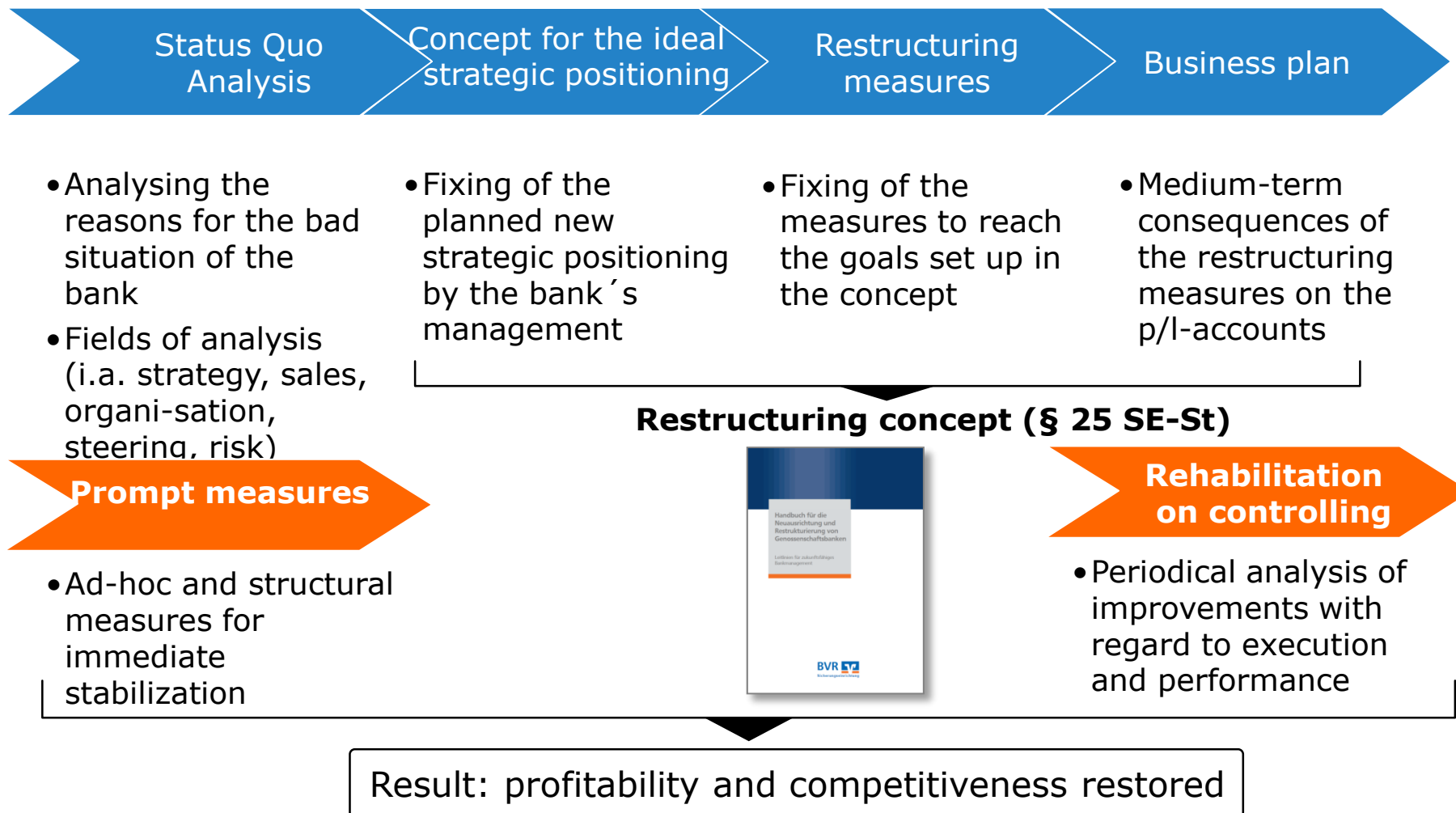
Schedule

up to 5 years

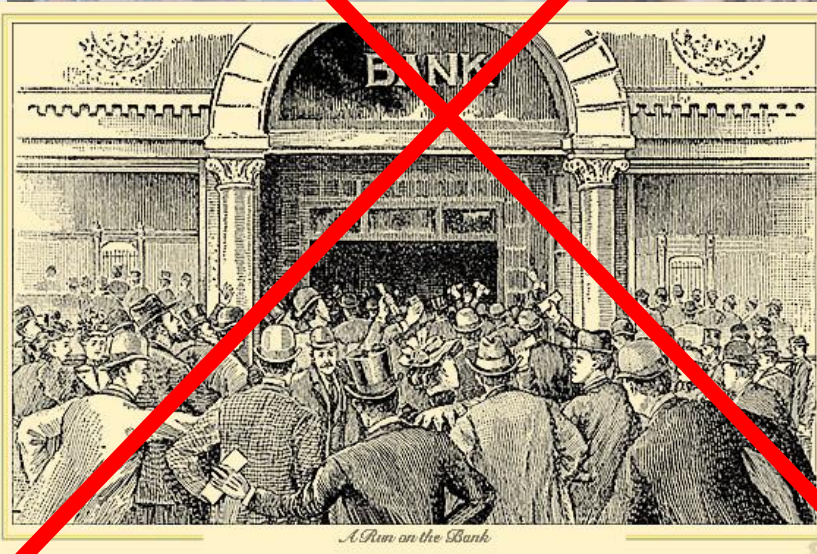
Objectives

- Work out a restructuring concept (6 months)
- Carry out the planned measures by bank (important: Personnel)
- Close controlling by Protection Scheme

The objective of the restructuring concept is to restore the bank's profitability and competitiveness



More than only a Deposit Protection Scheme ...
- Consumer Protectors since the 1930's



„Track record“ der BVR-SE

- ✓ Successfully since more than 75 years*
 - ✓ NO compensation case!
 - ✓ NO bank run!
 - ✓ Highest trust of customers
 - ✓ NO advertisemant campaign
 - ✓ IPS financed by member banks contributions
- ➔ NO TAXPAYER's MONEY!

* Formal „birthday“: 14th of May 1934

Thank you for your attention

Association of German Banks

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