

The Public Banking Forum of Ireland (PBFi) - Briefing Document 4/2015

- In 2013 PBFi opened the debate on Public Banking in Ireland, organising public seminars featuring US attorney/author & President of the US Public Banking Institute, Ellen Brown.
- The PBFi, setup in 2013, is pioneering the reintroduction of public savings banks in Ireland. (In 1826 Ireland had more than 50 local savings banks similar to the German 'Sparkassen'.)
- PBFi hosts public seminars, press briefings and research workshops to showcase the public banking solution. Public savings banks are the dependable counterbalance to destabilising boom-bust cycles fuelled by excessive credit creation for speculation in property and other assets.

The need for an alternative

- The private profit-maximising commercial* banks control the credit supply of the country.
- They control the issuance of credit and also its allocation. Typically less than 15% is lent to productive businesses outside the real estate and financial sectors.
- Two banks in Ireland control close to 80% of the market. They now have less competition than before the crisis and they have the guarantee of a Bail-in should they falter again.
- Should the nation risk being held to ransom again when a proven alternative is available?

*AIB is over 99% state owned but will most likely be sold soon.

Alternatives available

Around 40% of banking worldwide is carried out by non-profit-maximising public banks - state banks, postal banks, public savings banks and co-op banks.

The German financial system is comprised of c. 70% Public Banks (42% Public Savings Banks & 26% Co-op banks), 417 Independent Public Banks with 15,000 branches & 1,050 Co-op banks. The Public Savings Banks have 42% of the market and 50 million customers; they have 75% of the SME market & 30% of the Farm lending market.

The German Mittelstand is primarily small and medium firms. Some 86% of German businesses have an annual turnover of less than €1m p.a. The public banks increased lending to the Mittelstand by 17% in the crisis between 2008 and 2011. Their dependable support of German SMEs is the backbone of the German economy.

The German Public Banking Model - Two centuries of dependable dedicated service.

German Public Savings Banks are:

1. **Operate on commercial principles with the aim of maximising sustainable lending as opposed to maximising profits, bonuses and shareholder returns.**
2. **Operate on the Principle of "Local deposits into local loans" keeping capital in their own area. Their Public Mandate guides them to maximise the competitiveness of**

their region. Their dependability and financial performance is well proven over many decades.

3. **Surpluses remain with the bank & within the region. Profits are used to increase equity and for non-profit social purposes in the community (the public benefit principle).**
4. **Prudent self-regulation and their public mandate prohibits engaging financial speculation & securitisation.**
5. **They are permitted to lend only to local people and businesses in its designated area.**
6. **Controlled by community stakeholders and a professional bank management team.**

The PBF bring the Public Banking message - Seminars speakers, Guest Speakers in Ireland

- Ellen Brown President of the US Public Banking Institute, three seminars in 2013
- Dr. Thomas Keidel, DSGV, the Governing body of the Sparkassen Public Savings Bank Group, Germany
- Christopher Simpson UK, author of CIVITAS in-depth report on the Sparkassen.
- Dr. Jürgen Engle, Project Manager & Nicklaus Bergmann, CEO of the Savings Bank Foundation for International Co-operation SBFIC

Support & Collaboration

- ISME representing 8,500 members supports the project
- Professor Ray Kinsella – Supporter of the Project
- Professor Richard Werner, Southampton University – Collaborating with the PBF on the project. He is working on a similar project in the UK.
- PBF has received many expressions of support from public representatives, business people, and academics as well as from the Plain People of Ireland!

The SBFIC

The Savings Bank Foundation for International Co-operation is a not-for profit international foundation of the German Sparkassen Group, the SBFIC is currently working on 5 Public Bank projects in Europe and on 32 projects in 31 developing countries worldwide.

Current Situation/Progress

- The PBF has been collaborating with the SBFIC for one year in this endeavour
- A 'Concept Document' for a Local Irish Public Bank System has been prepared by the SBFIC. This document is currently with the Department of Finance and the Political Parties.
- Planned presentation to the Dáil Finance Committee, April/May forthcoming.
- Cross-Party support for the endeavour and a contribution towards funding are being sought.

The Concept Document

The SBFIC have made several visits to Ireland including fact finding missions. They have met with the Dept. of Finance, The Central Bank, ISME, An Post, Postmasters representatives some political parties and academics. Their documentation will outline proposals for an Irish Public

Banking System, based on the German model and principles but designed and tailored for Ireland.

The 'Workgroup'

When funding has been secured the 'Workgroup' will be established, comprising members of the SBFIC and the PBFi with input from interested Irish parties such as ISME & the Postmasters etc. Legal and regulatory compliance expertise will be secured to address the critical issues.

The Workgroup will develop the full Business, Legal & Governance Plan for the Irish Public Banking System.

Rehabilitating Ireland' blighted banking landscape

Initial market analysis by the SBFIC confirms there is scope to establish ten regionally bound, autonomous public banks and one Central Service Provider (CSP). The CSP will provide all IT, training, product development, audit, legal etc. services to the Public Banks. The CSP will be established first followed by either 2 or 4 Regional Pilot Public Banks. It is envisaged the Post Offices throughout the counties will provide counter services for the Public banks, thus securing the futures of many rural Post Offices. Rollout of the remaining banks will follow over the following years.

The Credit Unions

The PBFi has met with and CU representative bodies and we continue to encourage them to become part of the public banking solution. They are required to hold members funds totalling up to €7bn in the private banks, returning meagre interest. They need to setup their own Public Bank to leverage their member's funds, for the benefit of their members and their communities. The Credit Unions are currently focussed on and largely limited by regulation to personal lending, with their average loan amount being €7k.

The New Public Banks will address loan demand in the SME sector; offering SMEs loans of €10k to €500k. In Ireland the SME sector provide 75% of all our jobs.

Conclusion

Public savings banks are the key to rehabilitating Ireland's domestic banking landscape, the PBFi welcomes and seeks to collaborate with others in this endeavour. Robust, transparent, publicly accountable and autonomous regional banks are the key to balancing Ireland's financial system and to empowering communities to advance the competitiveness of their region.

End G.D./J.G Feb 2015

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