

Financial institutions: capital requirements for the trading book and for re-securitisations; supervisory review of remuneration policies

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Opinion of the European Central Bank on a proposal for a Directive of the European Parliament and of the Council amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.

The European Central Bank (ECB) received a request from the Council of the European Union for an opinion on this proposal on 10 September 2009.

The ECB welcomes the proposed directive as regards capital requirements for bank trading books and for re-securitisations, which are broadly consistent with the approach recently developed by the Basel Committee on Banking Supervision.

The ECB is of the view that there is the need to align further the requirements of the proposed directive to the revised Basel II market risk framework. In particular, the ECB suggests introducing in Annex II point (1) of the proposed directive an exemption for correlation trading activities from the requirement that all securitisation exposures in the trading book receive the standardised specific risk treatment.

Furthermore, the ECB notes that the quantitative impact study currently being conducted by the Basel Committee on Banking Supervision may lead to recalibration of 'correlation trading activities'. Should the impact study indeed lead to the recalibration of the Basel II market risk framework, the ECB strongly supports making a corresponding alignment of the proposed directive, or any amendment to it, in order to ensure fair international competition in this area.

The ECB also welcomes the introduction of remuneration provisions in Annex I to the proposed directive, which are in line with the commitment of the G20 leaders to implement international compensation standards aimed at ending practices that lead to excessive risk-taking.

Moreover, the ECB supports the application of the provisions for remuneration policies at the group level, to ensure consistent treatment of risk-taking employees in all jurisdictions where EU banks operate. Finally, the ECB highlights that when introducing international standards that primarily address significant financial institutions into Community law, which applies to all credit institutions (including small ones), the proportionality principle, as laid down in the Treaty, should be applied appropriately.

Where the ECB recommends amending the proposed directive, specific drafting proposals are set out in the Annex accompanied by an explanation. These proposals do not address the more general observations made above, but deal more specifically with remuneration policies.