Resolution on the finalisation of Basel III

2016/2959(RSP) - 23/11/2016 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution tabled by the Committee on Economic and Monetary Affairs on the finalisation of Basel III.

As a reminder, the G20 leaders agreed in the aftermath of the financial crisis to a comprehensive reform agenda strengthening the regulatory standards of international banks, including the strengthening of prudential requirements.

The **Basel Committee on Banking Supervision** (BCBS) is developing internationally agreed minimum standards for prudential requirements for large, internationally active banks. It monitors and reviews the implementation of these global standards and reports to the G20.

Parliament welcomed the post-crisis work of the BCBS in this field and underlined the importance of sound global standards and principles for the prudential regulation of banks.

It reaffirmed that banks need to be well capitalised in order to support the real economy, reduce systemic risk and avoid any repeat of the enormous bailouts witnessed during the crisis. It stressed the need for appropriate regulation of the shadow banking sector in order to ensure fair competition and financial stability.

Members noted the ongoing work of the BCBS to finalise the Basel III framework intended to **increase simplicity, comparability and convergence of the risk-weighted capital framework** in order to address excessive variability in risk-weighted assets and to apply the same rules to the same risks.

Parliament stressed that the current revision should respect two principles:

- the principle stated by the Group of Governors and Heads of Supervision (GHOS) of not significantly increasing overall capital requirements, while at the same time strengthening the overall financial position of European banks;
- the principle to be respected by the revision is to promote the level playing field at the global level by mitigating – rather than exacerbating – the differences between jurisdictions and banking models, and by not unduly penalising the EU banking model.

Concerned that early analysis of recent BCBS drafts indicates that the reform package at its current stage might not be in compliance with the two abovementioned principles, Parliament called on the BCBS to **revise its proposals accordingly** and on the ECB and the Single Supervisory Mechanism (SSM) to ensure their respect in the finalisation and monitoring of the new standard.

The BCBS is called upon to **assess carefully and comprehensively the qualitative and quantitative impact of the new reforms**, taking into consideration their impact on different jurisdictions and different banking models before the adoption of the standard by the Committee. It should perform the necessary adjustments in case imbalances occur during this analysis.

Parliament also called on the BCBS to preserve the risk sensitivity of the prudential regulation, including by ensuring that the revision of the standardised approach and the scope for applying the IRBA overcome the risks of regulatory arbitrage and well reflect the specificities of different forms of financing, such as real estate lending, infrastructure financing and specialised lending, and by avoiding disproportionate effects for the real economy.

It recalled the key role of the European and national banking supervisors in ensuring supervisory convergence in the EU, taking into account the principle of proportionality and the appropriateness of the rules for different banking models.

The Commission is invited to **take all these principles into account** when determining the scope of implementation and when translating the BCBS proposals into EU law.