

Capital Requirements Regulation: leverage ratio, net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements

2016/0360A(COD) - 16/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 490 votes to 52, with 11 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012.

The European Parliament adopted its position at first reading in accordance with the ordinary legislative procedure.

The proposal to amend Regulation (EU) No 575/2013 of the European Parliament and of the Council on capital requirements (CRR) provides for a binding leverage ratio, designed to prevent institutions from excessive leverage, and a binding net stable funding ratio.

It strengthens risk-sensitive capital requirements in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties (CCPs). In addition, it requires for Global Systemically Important Institutions (G-SIIs) to hold minimum levels of capital and other instruments which bear losses in resolution. This requirement, known as 'Total Loss-Absorbing Capacity' or TLAC), will be integrated into the existing MREL (Minimum Requirement for own funds and Eligible Liabilities) system, which is applicable to all banks.

The amendments to the Commission's proposal place particular emphasis on:

- the introduction of a more precise definition of small, non-complex institutions necessary for targeted simplifications of requirements with respect to the application of the principle of proportionality and the possibility for Member States to use their discretion to bring the threshold in line with domestic circumstances and adjust it downwards, as appropriate;
- the need to apply, in addition to the criterion of the size of an establishment, additional qualitative criteria to ensure that an institution is only considered to be small and non-complex, and can benefit from more proportionate rules, if it fulfils all the relevant criteria;

- the possibility for the competent authorities to exclude, in exceptional circumstances and on a provisional basis, certain exposures from the total exposure measure in order to facilitate the implementation of monetary policies. The leverage ratio requirement should be recalibrated proportionately to offset the impact of the exclusion;

- the implementation of a leverage ratio buffer requirement for institutions identified as global systemically important institutions (G-SIIs) in accordance with Directive 2013/36/EU and with the BCBSs standard on a leverage ratio buffer for global systemically important banks (G-SIBs) published in December 2017;

- the need to provide for a clear and transparent approval procedure for Common Equity Tier 1 instruments that can contribute to maintaining the high quality of those instruments;

- the eligibility of capital instruments as additional Tier 1 or Tier 2 instruments only to the extent that they comply with the relevant eligibility criteria;

- the application of a grandfathering clause for existing instruments with regard to certain eligibility criteria, in order to avoid threshold effects;

- the possibility for smaller institutions to use a simplified version of the net stable funding ratio (NSFR) that would involve collecting a limited number of data points. However, competent authorities should be able to require small and non-complex institutions to apply the fully-fledged NSFR requirement instead of the simplified version;

- the compatibility of remuneration disclosure requirements with compensation rules, which consist of establishing and maintaining remuneration policies and practices that are consistent with effective risk management;

- the application of the reduction in capital requirements for exposures to SMEs up to a threshold of EUR 2.5 million; the part of an SME exposure exceeding EUR 2.5 million should be subject to a 15 % reduction in capital requirements.

EBA shall report on where proportionality of the Union supervisory reporting package could be improved in terms of scope, granularity or frequency and, at least, submit concrete recommendations as to how the average compliance costs for small institutions can be reduced by ideally 20 % or more and at least 10 % by means of appropriate simplification of requirements.