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) - 07/06/2019 - Final act

PURPOSE: to strengthen the banking sector and resolve outstanding financial stability issues.

LEGISLATIVE ACT: Regulation (EU) 2019/876 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 Regulation (EU) No 648/2012.

Regulation (EU) 2019/876 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, the requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures and reporting and disclosure requirements, and Regulation (EU) No 648/2012.

CONTENT: this Regulation lays down uniform rules concerning general prudential requirements that institutions, financial holding companies and mixed financial holding companies supervised under Directive 2013/36/EU shall comply with in relation to the following items:

- own funds requirements relating to entirely quantifiable, uniform and standardised elements of credit risk, market risk, operational risk, settlement risk and leverage;
- requirements limiting large exposures;
- liquidity requirements relating to entirely quantifiable, uniform and standardised elements of liquidity risk;
- reporting requirements;
- public disclosure requirements.

This Regulation lays down uniform rules concerning the own funds and eligible liabilities requirements that resolution entities that are global systemically important institutions (G-SIIs) or part of G-SIIs and material subsidiaries of non-EU G-SIIs shall comply with.

The Regulation is part of a comprehensive package of legislative measures that aim to reduce risks in the banking sector and further strengthen banks' ability to withstand potential shocks.

This package contains amendments to the legislation on capital requirements (Regulation (EU) No 575/2013 and <u>Directive 2013/36/EU</u>) that strengthen banks' capital and liquidity requirements. It also consolidates the framework for the recovery of banks in difficulty and the resolution of their failures (<u>Directive 2014/59/EU</u> and <u>Regulation (EU) No 806/2014</u>).

The measures adopted implement reforms agreed at the international level following the 2007-2008 financial crisis with the aim of strengthening the banking sector and addressing outstanding financial stability issues. They include elements approved by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB).

The Regulation contains the following key measures:

- a mandatory leverage ratio requirement, designed to prevent banks from excessively leveraging, and a net stable funding requirement;
- the requirement for globally systemically important institutions (G-SIIs) to hold a minimum level of capital and other instruments that will support losses in the event of resolution. This requirement, known as the "total loss absorption capacity" (TLAC), shall be included in the existing MREL system (minimum capital requirement and eligible commitments), which applies to all banks;
- a new market risk framework for reporting purposes, including measures to reduce reporting and disclosure requirements and simplify market and liquidity risk rules for small and less complex banks;
- a requirement for third-country institutions having significant activities in the EU to have an EU intermediate parent undertaking;
- incentives for investment in public infrastructure and SMEs or a credit risk framework to facilitate the elimination of non-performing loans.

ENTRY INTO FORCE: 27.6.2019.

APPLICATION: from 28.6.2021, with some exceptions.