

Amendments to the Capital Requirements Regulation

2021/0342(COD) - 19/06/2024 - Final act

PURPOSE: to ensure uniform prudential requirements that apply to institutions throughout the Union.

LEGISLATIVE ACT: Regulation (EU) 2024/1623 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

CONTENT: this regulation is part of a package of new rules to update the capital requirements [directive](#) and the capital requirements regulation, which transpose the Basel III standards into EU law. The Basel III standards were agreed by the Basel Committee on Banking Supervision (BCBS) to strengthen prudential regulation, supervision and risk management of banks in response to the global financial crisis of 2007-2008.

The new rules aim to make banks operating in the EU more resilient to potential economic shocks. The changes aim to strengthen banks' resilience, supervision and risk management. In addition, these rules will strengthen supervision and sustainability in the banking sector.

The main features of the reform are as follows:

Output floor

The main feature of the reform is the introduction of an 'output floor' which limits the risk of excessive reductions in banks' capital requirements and makes these requirements more comparable.

The output floor aims to limit the unwarranted variability in the own funds requirements produced by internal models and the excessive reduction in capital that an institution using internal models can derive relative to an institution using the standardised approaches. By setting a lower limit on the own funds requirements that are produced by institutions' internal models of 72.5 % of the own funds requirements that would apply if standardised approaches were used by those institutions, the output floor limits the risk of excessive reductions in capital.

In order to ensure that own funds are appropriately distributed and available to protect savings where needed, the output floor will apply at all levels of consolidation, unless a Member State considers that that objective can be effectively achieved in other ways, in particular as regards groups, such as cooperative groups with a central body and affiliated institutions situated in that Member State.

In such cases, a Member State will be able to decide not to apply the output floor on an individual or sub-consolidated basis to institutions in that Member State, provided that, at the highest level of consolidation in that Member State, the parent institution of those institutions in that Member State complies with the output floor on the basis of its consolidated situation.

Proportionality

The regulation added technical improvements to the areas of credit risk, market risk and operational risk. It also added enhanced proportionality rules for small banks, in particular concerning disclosure requirements for small and non-complex institutions.

Environmental, social and governance (ESG) factors

Regulation (EU) No 575/2013 should reflect the importance of environmental, social and governance (ESG) factors and a full understanding of the risks of exposures to activities that are linked to overall sustainability or ESG objectives. Assets or activities subject to the impact of environmental or social factors should be defined by reference to the ambition of the Union to become climate-neutral by 2050.

The technical screening criteria in relation to the principle of ‘do no significant harm’, as well as specific Union legal acts to avert climate change, environmental degradation and biodiversity loss should be used to identify assets or exposures for the purpose of assessing dedicated prudential treatments and risk differentials.

In order to ensure that competent authorities have at their disposal data that are granular, comprehensive and comparable for the purposes of an effective supervision, information on exposures to ESG risks will be included in the supervisory reporting of institutions.

Crypto-assets

To address potential risks for institutions caused by their crypto-asset exposures that are not sufficiently covered by the existing prudential framework, the BCBS published in December 2022 a comprehensive standard for the prudential treatment of crypto-asset exposures. The recommended date of application of that standard is 1 January 2025, but some technical elements of the standard were being further developed at BCBS level during 2023 and 2024.

In light of ongoing developments in markets in crypto-assets and acknowledging the importance of fully implementing the Basel standard on institutions’ crypto-asset exposures in Union law, the Commission will submit a legislative proposal by 30 June 2025 to implement that standard, and should specify the prudential treatment applicable to those exposures during the transitional period until the implementation of that standard.

ENTRY INTO FORCE: 9.7.2024.

APPLICATION: from 1.1.2025.