Assessment of the directive 89/299/EEC on the own funds of credit institutions

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The committee adopted the report by Theresa VILLIERS (EPP-ED, UK) on the evaluation of the directive on the own funds of banks. The committee felt that the implementation of the directive had been broadly satisfactory, and that Parliament should at this stage focus on the amount of capital to be held by credit institutions, in the light of the ongoing discussions in the Basel Committee on Banking Supervision to revise the 1988 Basel Capital Accord, which would have implications for own funds. The report therefore concentrated on the Commission's consultation document on the revision of the regulatory capital framework applying to credit institutions and investment firms, published in the context of the Basel discussions. In the light of the results of the Basel review, the committee wanted the Commission to update existing EU legislation so as to ensure consistency between the definitions of own funds used in the EU and internationally. There was a need to revise current EU legislation relating to the amount of capital required to be held by banks and credit institutions (the 'capital adequacy rules') so that capital charges should be matched more closely with risk. The committee pointed out that, while the Basel proposals were designed only for large, internationally active banks, the EU had a diverse banking and investment sector and the new rules should reflect this. It therefore called for a more extensive role for internal ratings, which should form the centrepiece of the new regulatory capital framework. The Commission should ensure that the relevant minimum criteria for recognition of an internal rating could also be met by smaller institutions, so that large sophisticated banks did not enjoy an unfair advantage. The committee was also anxious to ensure that the new rules did not make it more difficult for SMEs to obtain loan finance. Lastly, it called for the legislation implementing the revised Capital Accord under the Basel procedure to be implemented according to a fast-track procedure and emphasised the importance of maintaining competitive equality between the US and EU banking and investment firms. Implementation of the revised Accord should therefore be subject to a moratorium so that the Accord could enter into force on the same day in all countries.