Contractual netting (amend. Directive 89/647 /EEC)

1994/0099(COD) - 21/03/1996 - Final act

OBJECTIVE: to amend Annex II to Directive 89/647/EEC on a solvency ratio for credit institutions, which defines the way in which off-balance-sheet items relating to interest and exchange rates are to be treated. COMMUNITY MEASURE: European Parliament and Council Directive 96/10/EC amending Directive 89/647/EEC as regards the recognition of contractual netting by the competent authorities. SUBSTANCE: The purpose of the proposed directive is to give wider recognition than in the past, for supervisory purposes, to the risk-reducing effects of bilateral netting agreements, provided that their legal validity is established. The directive takes extensive account of the work done in this area at an international level by the Basle Committee on Banking Supervision, which ensures its coherence with the major international prudential provisions. The rules envisaged for prudential recognition of compensation at a wider international level will allow credit institutions and groups of credit institutions pursuing their activities at an international level in a large number of third countries whose establishments are in competition with Community credit institutions to benefit from a reduction in own funds requirements. ENTRY INTO FORCE: 23/04/1996 DEADLINE FOR TRANSPOSITION: 30/06/96