

Report on capital adequacy of banks, Basel II

2001/2257(INI) - 02/09/2003 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on its own-initiative report drafted by Alexander RADWAN (EPP-ED, Germany) on the new Basel Accord. (Please see the summary dated 08/07/03.) Parliament also felt that the possibility that the new rules will generate procyclical effects had not been completely eliminated, despite the adjustment of risk weighting curves. The macro-economic consequences of the new accord should be examined before it entered into operation by carrying out a further impact study and to make any changes necessary. Parliament regretted that the Basel Accord and other international agreements laying down a framework for legislation at EU level came into existence without any form of democratic mandate or control by the European Parliament. In future, questions with such far-reaching political implications should not be determined in advance by expert committees alone. Parliament stated further that the Basel rules carried into effect in the EU should apply to a broad range of banks and investment firms where this is appropriate in terms of the risk profile of the institution, in order to ensure a uniform standard of supervision and fair competition. It pointed to the US authorities' plans to apply the most progressive aspects of the Basel agreements only to an extremely limited number of banks, and to exclude certain classes of investment firms altogether. This will not achieve internationally comparable standards of supervision and unilaterally imposes a cost burden on EU banks. Therefore, there must be an appropriate cost-benefit relationship to be taken into account when drawing up system requirements, so as to avoid any competitive disadvantages for the European economy. The Commission should work closely with supervisory authorities of third countries, in particular with the US Federal Reserve Board and the Securities and Exchange Commission, to ensure a coordinated approach to implementation in the interest of maintaining a level playing field.