Basic information

2016/0360A(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
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 Amending Regulation (EU) No 648/2012 2010/0250(COD) Amending Regulation (EU) No 575/2013 2011/0202(COD) Amended by 2020/0066(COD) **Subject** 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.04 Banks and credit 2.50.08 Financial services, financial reporting and auditing 2.50.10 Financial supervision	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	SIMON Peter (S&D)	24/11/2016
	Shadow rapporteur KARAS Othmar (PPE) FOX Ashley (ECR) NAGTEGAAL Caroline (ALDE) CARTHY Matt (GUE/NGL) GIEGOLD Sven (Verts/ALE) VALLI Marco (EFDD) ZANNI Marco (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

Council of the European Union	**Council configuration**	**Meetings**	**Date**
	Economic and Financial Affairs ECOFIN	3619	2018-05-25
	Agriculture and Fisheries	3689	2019-05-14

European Commission	**Commission DG**	**Commissioner**
	Financial Stability, Financial Services and Capital Markets Union	DOMBROVSKIS Valdis

European Economic and Social Committee

Key events

Date	Event	Reference	Summary
23/11/2016	Legislative proposal published	COM(2016)0850	Summary
01/02/2017	Committee referral announced in Parliament, 1st reading		
19/06/2018	Vote in committee, 1st reading		
19/06/2018	Committee decision to open interinstitutional negotiations with report adopted in committee		
28/06/2018	Committee report tabled for plenary, 1st reading	A8-0242/2018	Summary
02/07/2018	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
04/07/2018	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72)		
26/02/2019	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE636.103 GEDA/A/(2019)001585	
15/04/2019	Debate in Parliament		
16/04/2019	Decision by Parliament, 1st reading	T8-0369/2019	Summary
16/04/2019	Results of vote in Parliament		
14/05/2019	Act adopted by Council after Parliament's 1st reading		
20/05/2019	Final act signed		
20/05/2019	End of procedure in Parliament		
07/06/2019	Final act published in Official Journal		

Technical information

Procedure reference	2016/0360A(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation

Amendments and repeals	Amending Regulation (EU) No 648/2012 2010/0250(COD) Amending Regulation (EU) No 575/2013 2011/0202(COD) Amended by 2020/0066(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 114
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/08561

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE613.409	11/12/2017	
Amendments tabled in committee		PE616.799	02/02/2018	
Amendments tabled in committee		PE616.834	05/02/2018	
Amendments tabled in committee		PE616.835	05/02/2018	
Amendments tabled in committee		PE616.836	05/02/2018	
Committee report tabled for plenary, 1st reading/single reading		A8-0242/2018	28/06/2018	Summary
Text agreed during interinstitutional negotiations		PE636.103	15/02/2019	
Text adopted by Parliament, 1st reading/single reading		T8-0369/2019	16/04/2019	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2019)001585	15/02/2019	
Draft final act	00015/2019/LEX	20/05/2019	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2016)0850	23/11/2016	Summary
Document attached to the procedure	SWD(2016)0377	23/11/2016	
Document attached to the procedure	SWD(2016)0378	23/11/2016	
Commission response to text adopted in plenary	SP(2019)440	08/08/2019	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary

Reasoned opinion	SE_PARLIAMENT	PE601.136	10/03/2017	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2017/0046 OJ C 034 31.01.2018, p. 0005	08/11/2017	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Corrigendum to final act 32021R0876R(08)
OJ L 065 25.02.2021, p. 0061

Corrigendum to final act 32019R0876R(10)
OJ L 380 27.10.2021, p. 0023

Regulation 2019/0876
OJ L 150 07.06.2019, p. 0001 Summary

Corrigendum to final act 32019R0876R(11)
OJ L 398 11.11.2021, p. 0032

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) - 28/06/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Peter SIMON (S&D, DE) on the proposal for a regulation 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 amending Regulation (EU) No 648/2012.

The committee responsible recommended that the European Parliament’s position adopted at first reading under the ordinary legislative procedure should amend the Commission proposal as follows.

The proposal to amend Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) provides for a **binding leverage ratio**, designed to prevent institutions from excessive leverage, and a binding net stable funding ratio.

It strengthens risk-sensitive capital requirements in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties (CCPs). In addition, it requires for Global Systemically Important Institutions (G-SIIs) to hold minimum levels of capital and other instruments which bear losses in resolution. This requirement, known as 'Total Loss-Absorbing Capacity' or TLAC), will be integrated into the existing MREL (Minimum Requirement for own funds and Eligible Liabilities) system, which is applicable to all banks.

The amendments focus on:

- the introduction of a **definition of small and non-complex institutions** for targeted simplifications of requirements with respect to the application of the principle of proportionality and the need to consider the size and risk profile of a small and non-complex institution in relation to the overall size of the national economy in which that institution primarily operates;
- the possibility for existing supervisory authorities be able to use their discretion to bring **the threshold in line with domestic circumstances**. Additional qualitative criteria shall ensure that an institution is only considered to be a small and non-complex institution and able to benefit from the relevant rules for increased proportionality where it fulfils all the relevant criteria;
- the opportunity for small and non-complex institutions to use a **simplified version of the net stable funding ratio (NSFR)**. A simplified, less granular version of the NSFR should involve collecting a limited number of data points, which on the one hand, reduces the complexity of the calculation for small and non-complex institutions in accordance with proportionality;
- the needs to introduce a leverage ratio surcharge, since G-SIIs in financial distress permanently weaken the entire financial system and this could cause a new credit crunch in the Union. Because of that danger to the financial system and to the financing of the real economy, an implicit guarantee for G-SIIs emerges based on the expectation that the state will rescue them. The **leverage ratio for G-SIIs should therefore be raised by 50%** of a G-SII's higher-loss absorbency risk-weighted requirements, in addition to the minimum threshold of 3%;
- the importance, when **transposing the TLAC standard into Union law**, of ensuring that the institutions fulfil the requirements for own funds and eligible liabilities as quickly as possible in order to ensure smooth loss absorption and recapitalisation in resolution;
- the need for a **suitable phase-in period** should, on the one hand, ensure that the implementation of the FRTB Standards does not lead to an abrupt rise in the total own funds requirement for market risks, whilst also ensuring that the phase-in period cannot lead to insufficient own funds requirements for market risks as compared to the status quo;
- the application by financial institutions of gender neutral remuneration policies, as well as the clarification of remuneration disclosures.

Lastly, an amendment stresses that **sovereign bonds** play a crucial role in providing high-quality liquid assets for investors and stable funding sources for governments. However, in some Member States financial institutions have overly invested in bonds issued by their own governments. Banks should continue their effort towards more diversified sovereign bond portfolios.

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 Directive 2013/36/EU) 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 (Directive 2014/59/EU and Regulation (EU) No 806/2014).

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.

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) - 23/11/2016 - Legislative proposal

PURPOSE: to reduce financial institutions’ leverage, and strengthen their stable funding and trading book capital requirements.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with Council.

BACKGROUND: in the aftermath of the financial crisis that unfolded in 2007-2008, the Union implemented a substantial reform of the financial services regulatory framework to enhance the resilience of its financial institutions. That reform was largely based on internationally agreed standards. Among its many measures, the reform package included the adoption of Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) and Directive 2013/36/EU (the Capital Requirements Directive) of the European Parliament and of the Council, which strengthened the prudential requirements for credit institutions and investment firms.

While the reform has rendered the financial system more stable and resilient against many types of possible future shocks and crises, it did not address all identified problems.

In its Communication of 24 November 2015, the Commission recognised the need for further risk reduction and committed bringing forward a legislative proposal that would build on internationally agreed standards.

IMPACT ASSESSMENT: the Regulatory Scrutiny Board issued a positive opinion in September 2016 on a resubmitted impact assessment, following a negative opinion. The modelling has shown that public resources required to support the banking system in case of a financial crisis of the size similar to 2007 – 2008 would decrease by 32% – a decline from EUR 51 billion to EUR 34 billion.

CONTENT: the proposal makes **amendments to the Capital Requirements Regulation** in order to complete the reform agenda by tackling remaining weaknesses and implementing some outstanding elements of the reform that are essential to ensure the institutions' resilience but have only recently been finalised by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB).

These amendments relate to:

- a **binding leverage ratio** which will prevent institutions from excessively increasing leverage, e.g. to compensate for low profitability;
- a binding **net stable funding ratio (NSFR)** which will build on institutions’ improved

- funding profiles and establishing a **harmonised standard** for how much stable, long-term sources of funding an institution needs to weather periods of market and funding stress;
- more **risk sensitive own funds (i.e. capital) requirements** for institutions that trade to an important extent in securities and derivatives which will prevent too much divergence in those requirements that is not based on the institutions' risk profiles;
- new standards on the **total loss-absorbing capacity (TLAC)** of global systemically important institutions (G-SIIs) which will require those institutions to have more loss-absorbing and recapitalisation capacity, tackle interconnections in the global financial markets and further strengthen the EU's ability to resolve failing G-SIIs while minimising risks for taxpayers.

The proposed amendment to Regulation (EU) No 575/2013 (the Capital Requirements Regulation) is part of a legislative package that includes also amendments to Directive 2013/36/EU (the Capital Requirements Directive) and to Directive 2014/59/EU (the Bank Recovery and Resolution Directive) and to Regulation (EU) No 806/2014 (the Single Resolution Mechanism Regulation).

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) - 16/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 490 votes to 52, with 11 abstentions, a legislative resolution on the proposal for a regulation 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 amending Regulation (EU) No 648/2012.

The European Parliament adopted its position at first reading in accordance with the ordinary legislative procedure.

The proposal to amend Regulation (EU) No 575/2013 of the European Parliament and of the Council on capital requirements (CRR) provides for a binding leverage ratio, designed to prevent institutions from excessive leverage, and a binding net stable funding ratio.

It strengthens risk-sensitive capital requirements in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties (CCPs). In addition, it requires for Global Systemically Important Institutions (G-SIIs) to hold minimum levels of capital and other instruments which bear losses in resolution. This requirement, known as 'Total Loss-Absorbing Capacity' or TLAC), will be integrated into the existing MREL (Minimum Requirement for own funds and Eligible Liabilities) system, which is applicable to all banks.

The amendments to the Commission's proposal place particular emphasis on:

- the introduction of a more precise definition of small, non-complex institutions necessary for targeted simplifications of requirements with respect to the application of the principle of proportionality and the possibility for Member States to use their discretion to bring the threshold in line with domestic circumstances and adjust it downwards, as appropriate;

- the need to apply, in addition to the criterion of the size of an establishment, additional qualitative criteria to ensure that an institution is only considered to be small and non-complex, and can benefit from more proportionate rules, if it fulfils all the relevant criteria;

- the possibility for the competent authorities to exclude, in exceptional circumstances and on a provisional basis, certain exposures from the total exposure measure in order to facilitate the implementation of monetary policies. The leverage ratio requirement should be recalibrated proportionately to offset the impact of the exclusion;

- the implementation of a leverage ratio buffer requirement for institutions identified as global systemically important institutions (G-SIIs) in accordance with Directive 2013/36/EU and with the BCBSs standard on a leverage ratio buffer for global systemically important banks (G-SIBs) published in December 2017;

- the need to provide for a clear and transparent approval procedure for Common Equity Tier 1 instruments that can contribute to maintaining the high quality of those instruments;

- the eligibility of capital instruments as additional Tier 1 or Tier 2 instruments only to the extent that they comply with the relevant eligibility criteria;

- the application of a grandfathering clause for existing instruments with regard to certain eligibility criteria, in order to avoid threshold effects;

- the possibility for smaller institutions to use a simplified version of the net stable funding ratio (NSFR) that would involve collecting a limited number of data points. However, competent authorities should be able to require small and non-complex institutions to apply the fully-fledged NSFR requirement instead of the simplified version;

- the compatibility of remuneration disclosure requirements with compensation rules, which consist of establishing and maintaining remuneration policies and practices that are consistent with effective risk management;

- the application of the reduction in capital requirements for exposures to SMEs up to a threshold of EUR 2.5 million; the part of an SME exposure exceeding EUR 2.5 million should be subject to a 15 % reduction in capital requirements.

EBA shall report on where proportionality of the Union supervisory reporting package could be improved in terms of scope, granularity or frequency and, at least, submit concrete recommendations as to how the average compliance costs for small institutions can be reduced by ideally 20 % or more and at least 10 % by means of appropriate simplification of requirements.

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) - 08/11/2017 - European Central Bank: opinion, guideline, report

OPINION of the European Central Bank (ECB) on amendments to the Union framework for capital requirements of credit institutions and investment firms

The ECB **supports the Commission's banking reform package**, which will implement important elements of the global regulatory reform agenda in Union legislation. The Commission's proposal is expected to substantially strengthen the regulatory architecture, thereby contributing to the reduction of risks in the banking sector.

The ECB addresses issues of particular importance to the ECB, which have been divided into two sections: (1) **changes to the existing Union regulatory and supervisory framework**; and (2) **implementation of internationally agreed supervisory standards**.

Implementation of International Financial Reporting Standard 9 (IFRS 9): the proposed amendments to the CRR provide for a phase-in period for expected credit loss provisions under IFRS (9) to mitigate the impact of IFRS 9 on credit institutions' regulatory Common Equity Tier 1 capital. The ECB recommends that **the period for transitional measures for IFRS 9 should start on 1 January 2018 with a linear phasing-in.** In this context, the presidency of the Council is encouraged to fast track the legislation implementing the transitional arrangement for IFRS 9.

Moreover, the ECB considers that it would be preferable to only apply the phase-in to the initial Common Equity Tier 1 reduction on 1 January 2018 (static approach) and not the expected loss amounts calculated under IFRS 9 at the relevant reporting date in the transition period (dynamic approach), since the latter approach would effectively delay the full application of IFRS 9.

The transitional measures should be mandatory for all institutions.

Proportionality in reporting: the ECB considers that consistent application of the principle of proportionality should be recognised more systematically throughout the CRR. Specific cases should be identified where a more proportionate treatment could reduce compliance costs without compromising the prudential supervisory regime. A more proportionate approach could also be provided for, in particular in the areas of internal governance and the fit and proper regime, remuneration, and disclosures.

Credit and counterparty credit risk: the ECB recommends that the CRR should be amended to request the EBA to develop regulatory technical standards with specific assessment criteria for the Internal Model Method (IMM) and for the advanced credit valuation adjustment (A-CVA) method. These regulatory technical standards should set out in more detail the materiality assessment for model changes and extensions for both IMM and A-CVA.

Leverage ratio: the ECB supports the introduction of a leverage ratio requirement in Union law and its calibration at 3 %, which is in line with the Basel Committee on Banking Supervision (BCBS) standards and the recommendations of the EBA.

It recommends that the detailed implementation of the leverage ratio standards in the Union **duly take into account the outcome of ongoing international discussions, notably within the BCBS**, as well as any further developments at international level.

Net stable funding ratio (NSFR): the ECB notes that the proposed amendments to the CRR deviate from the BCBS standards regarding the treatment of Level 1 high quality liquid assets, the treatment of future funding risk in derivative contracts, and the treatment of secured lending transactions. It makes a number of observations in this regard.

Review of the trading book: the ECB considers that the proposed amendments to the CRR that allow institutions with small trading books to use simplified approaches to be an adequate addition. It states, however, that the simplified standardised approach should be sufficiently risk-sensitive and lead to capital requirements that are adequate when compared to the new approaches applicable to larger credit institutions.