

Basic information	
<p>2021/0342(COD)</p> <p>COD - Ordinary legislative procedure (ex-codecision procedure) Regulation</p>	Procedure completed
<p>Amendments to the Capital Requirements Regulation</p> <p>Amending Regulation Regulation 2013/575 2011/0202(COD)</p> <p>Subject</p> <p>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</p> <p>Legislative priorities</p> <p>Joint Declaration 2021 Joint Declaration 2022 Joint Declaration 2023-24</p>	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs	FERNÁNDEZ Jonás (S&D)	25/10/2021
		<p>Shadow rapporteur</p> <p>KARAS Othmar (EPP)</p> <p>BOYER Gilles (Renew)</p> <p>NIINISTÖ Ville (Greens /EFA)</p> <p>VAN OVERTVELDT Johan (ECR)</p> <p>ZANNI Marco (ID)</p> <p>PAPADIMOULIS Dimitrios (The Left)</p>	
Council of the European Union			
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	MCGUINNESS Mairead	
European Economic and Social Committee			

Key events			
Date	Event	Reference	Summary
27/10/2021	Legislative proposal published	COM(2021)0664 	Summary
17/01/2022	Committee referral announced in Parliament, 1st reading		
24/01/2023	Vote in committee, 1st reading		
24/01/2023	Committee decision to open interinstitutional negotiations with report adopted in committee		
10/02/2023	Committee report tabled for plenary, 1st reading	A9-0030/2023	Summary
13/02/2023	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
15/02/2023	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71)		
11/12/2023	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE757.233 GEDA/A(2023)006587	
24/04/2024	Decision by Parliament, 1st reading	T9-0363/2024	Summary
24/04/2024	Results of vote in Parliament		
24/04/2024	Debate in Parliament		
30/05/2024	Act adopted by Council after Parliament's 1st reading		
31/05/2024	Final act signed		
19/06/2024	Final act published in Official Journal		

Technical information	
Procedure reference	2021/0342(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation Regulation 2013/575 2011/0202(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 114
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/07546

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE731.818	30/05/2022	

Amendments tabled in committee		PE734.262	11/08/2022	
Amendments tabled in committee		PE735.427	11/08/2022	
Amendments tabled in committee		PE735.613	18/08/2022	
Amendments tabled in committee		PE735.614	18/08/2022	
Committee report tabled for plenary, 1st reading/single reading		A9-0030/2023	10/02/2023	Summary
Text agreed during interinstitutional negotiations		PE757.233	07/12/2023	
Text adopted by Parliament, 1st reading/single reading		T9-0363/2024	24/04/2024	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2023)006587	06/12/2023	
Draft final act	00080/2023/LEX	31/05/2024	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2021)0664 	27/10/2021	Summary
Commission response to text adopted in plenary	SP(2024)394	08/08/2024	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES6493/2021	23/03/2022	
ECB	European Central Bank: opinion, guideline, report	CON/2022/0011 OJ C 233 16.06.2022, p. 0014	24/03/2022	

Additional information

Source	Document	Date
EP Research Service	Briefing	08/07/2024
European Commission	EUR-Lex	

Final act

<p>Corrigendum to final act 32024R1623R(02) OJ OJ L 16.04.2025</p> <p>Regulation 2024/1623 OJ OJ L 19.06.2024</p>	Summary
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Amendments to the Capital Requirements Regulation

2021/0342(COD) - 27/10/2021 - Legislative proposal

PURPOSE: to amend Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor with a view to making the EU banking sector more resilient to potential future economic shocks.

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 the Council.

BACKGROUND: following the major financial crisis of 2008-2009, the EU and its G20 partners in the Basel Committee on Banking Supervision reached the **Basel III agreement** to make banks more resilient to potential economic shocks. Thanks to the reforms already implemented, the EU banking sector entered the COVID-19 crisis on a much more resilient footing. However, while the overall level of capital in EU banks is now satisfactory on average, some of the problems that were identified in the wake of the financial crisis have not yet been addressed.

The proposed amendment to Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) is part of a legislative package that includes also amendments to [Directive 2013/36/EU](#) (the Capital Requirements Directive or CRD) and a [separate legislative proposal](#) to amend the Capital Requirements Regulation in the area of resolution (the so-called 'daisy chain' proposal).

This package of proposals marks the **final step in this reform of banking rules** and faithfully implements the international Basel III agreement, while taking into account the specific features of the EU's banking sector.

CONTENT: the proposal amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor aims to **contribute to financial stability and to the steady financing of the economy in the context of the post-COVID-19 crisis recovery**.

The proposal includes provisions on the following issues:

Strengthen the risk-based capital framework, without significant increases in capital requirements overall

The current CRR stipulates that the amount of capital that a bank must hold to cover the risks to which it is exposed is calculated as a certain percentage (the 'capital requirement') of its risk-weighted assets. Banks may calculate their risk-weighted assets either under a standardised approach or under an internal model-based approach that allows the banks themselves to estimate the parameters used in the calculation of the capital requirement.

This proposal adds an **additional step in the calculation of capital requirements**. Specifically, a bank using **internal models** will now have to follow these steps when calculating its risk-weighted assets:

- Step 1: calculate the risk-weighted assets using whichever model the bank is permitted to use;
- Step 2: calculate the risk-weighted assets using the standardised approach;
- Step 3: multiply the amount obtained with the standardised approach in step 2 by **72.5%**;
- Step 4: compare the risk-weighted assets resulting from this calculation in step 3 with the risk-weighted assets obtained with the calculation in step 1. Whichever amount is higher has then to be used to calculate the bank's various capital requirements.

The overall aim of this amendment is to **increase the comparability of risk-based capital ratios across banks** and restore confidence in those ratios and the soundness of the sector overall. At the same time, the reform is intended to simplify the risk-based framework thanks to better standardisation in the calculation of capital requirements.

Enhance the focus on ESG risks in the prudential framework

The proposal reinforces the need to consistently integrate environmental, social and governance (ESG) risks into banks' risk management systems and in supervision overall. The scope of ESG disclosures is to be extended to all institutions (it currently only applies to large listed ones).

Further harmonise supervisory powers and tools

While Union legislation ensures a minimum level of harmonisation, the supervisory toolkit and procedures vary greatly across Member States. The Commission seeks to improve the current reform by enhancing the enforcement of prudential rules. Supervisors need to have at their disposal the necessary tools and powers to this effect. The proposal seeks to provide supervisors with the necessary powers to assess certain operations (acquisition of qualifying holdings, transfer of assets or liabilities, mergers or divisions) that can be considered material from a prudential perspective insofar as they can alter the prudential profile of a credit institution.

Reduce institutions' administrative costs related to public disclosures and to improve access to institutions' prudential data

To resolve the issue relating to the access to prudential situations, the Commission proposes to centralise disclosures of prudential information with a view to increasing access to prudential data and comparability across industry. The centralisation of disclosures in a single access point established by EBA is also aimed at reducing the administrative burden for institutions.

Amendments to the Capital Requirements Regulation

2021/0342(COD) - 24/04/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 424 votes to 130, with 17 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 requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

As a reminder, the proposal amending Regulation (EU) No 575/2013 aims to contribute to financial stability and to the steady financing of the economy in the context of the post-COVID-19 crisis recovery. It aims to strengthen and facilitate the allocation of capital and liquidity within banking groups in Europe without imposing a significant increase in their capital requirements.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the proposal as follows:

Level of application of the output floor

The output floor represents one of the key measures of the Basel III reform. It 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.

The rigorous application of the output floor will improve the comparability of institutions' capital ratios, restore the credibility of internal models and ensure a level playing field between institutions that use different approaches to calculate their capital requirements.

In order to ensure that own funds are appropriately distributed and available to protect savings where needed, the output floor should 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 should be able to decide not to apply the output floor on an individual or subconsolidated 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.

Increase the coverage of external credit ratings

Corporate lending in the Union is predominantly provided by institutions which use the Internal Ratings Based Approach (the 'IRB Approach') for credit risk to calculate their own funds requirements. Most Union corporates, however, do not seek external credit ratings. To avoid a disruptive impact on bank lending to unrated corporates and to provide enough time to establish public or private initiatives aiming to increase the coverage of external credit ratings, it is necessary to provide for a transitional period.

During that transitional period, institutions using the IRB Approach should be able to apply a favourable treatment when calculating their output floor for investment grade exposures to unrated corporates, whilst initiatives to foster a widespread use of credit ratings should be established. Any extension of the transitional period should be substantiated and limited to four years at most.

After the transitional period, institutions should be able to refer to credit assessments by nominated ECAs to calculate the own funds requirements for a significant part of their corporate exposures.

The transitional period should be used to significantly expand the availability of ratings for Union corporates. To that end, rating solutions beyond the currently existing rating ecosystem should be developed to incentivise especially larger Union corporates, to become externally rated.

Prudential treatment of securitisation transactions

The introduction of the output floor could have a significant impact on the own funds requirements for securitisation positions held by institutions using the Securitisation Internal Ratings Based Approach or the Internal Assessment Approach. During a transitional period, institutions using the Securitisation Internal Ratings Based Approach or the Internal Assessment Approach should be able to apply a favourable treatment for the purpose of calculating their output floor to their securitisation positions that are risk weighted using either of those Approaches. EBA should report to the Commission on the need to possibly review the prudential treatment of securitisation transactions, with a view to increasing the risksensitivity of the prudential treatment.

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 as set out in EU legislative on climate, on nature restoration and the relevant sustainability goals of the Union.

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 should be included in the supervisory reporting of institutions. No later than 12 months after the entry into force of the amending regulation, ESMA will prepare a report on whether ESG risks are appropriately reflected in ECAI credit risk rating methodologies submit this report to the Commission. On the basis of the report, the Commission should where appropriate, submit a legislative proposal.

Crypto-assets

By 30 June 2025, the Commission should, where appropriate, submit a legislative proposal to introduce a dedicated prudential treatment for crypto-asset exposures, taking into account the international standards and Regulation (EU) 2023/1114. Until the date of application of the legislative act, institutions should calculate their own funds requirements for crypto-asset exposures as follows:

- crypto-asset exposures to tokenised traditional assets should be treated as exposures to the traditional assets that they represent;
- exposures to asset-referenced tokens whose issuers comply with Regulation (EU) 2023/1114 and that reference one or more traditional assets should be assigned a risk weight of 250 %;
- crypto-asset exposures other than those referred to in points (a) and (b) should be assigned a risk weight of 1 250 %.

Amendments to the Capital Requirements Regulation

2021/0342(COD) - 10/02/2023 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Jonás FERNÁNDEZ (S&D, ES) on the proposal for a regulation 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.

As a reminder, the proposal amending Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor aims to contribute to financial stability and to the steady financing of the economy in the context of the post-COVID-19 crisis recovery. It aims to strengthen and facilitate the allocation of capital and liquidity within banking groups in Europe without imposing a significant increase in their capital requirements.

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

Level of application of the output floor

Members recalled that the output floor represents one of the key measures of the Basel III reforms. It aims at limiting the unwarranted variability in the regulatory capital 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 revised standardised approaches. Those institutions can do so by setting a lower limit to the capital requirements that are produced by institutions' internal models to 72.5% of the capital requirements that would apply if standardised approaches were used by those institutions. Implementing the output floor faithfully should increase the comparability of the institutions' capital ratios, restore the credibility of internal models and ensure that there is a level playing field between institutions that use different approaches to calculate capital requirements.

To harmonise the internal market for banking, the approach for the output floor should be coherent with the principle of risk aggregation across different entities within the same banking group and the logic of consolidated supervision. At the same time, the output floor should address risks stemming from internal models in both home and host Member States. The output floor should therefore be **calculated at the highest level of consolidation** in the Union. However, to avoid unintended impacts and ensure a fair distribution of capital, a competent authority may submit a **capital redistribution proposal** to the consolidating supervisor if it deems that this would lead to an inappropriate distribution of capital among the group entities. The notifying competent authority and the consolidating supervisor should then endeavour to make a joint decision on the application of the output floor, and if they do not reach a decision within three months, EBA should have a legally binding mediation role. EBA should assess the level of application of the output floor by **31 December 2027** in light of potential financial stability concerns and the progress in the banking union.

Proportionality

The implementation of the outstanding elements of the Basel III reform should avoid a significant increase in overall capital requirements for the EU banking system as a whole and take into account the specificities of the EU economy where there is sufficient evidence that the international framework does not take these specificities into account. In addition, the approach should ensure proportionality of rules and aim to further reduce compliance and reporting costs, in particular for smaller and non-complex institutions, without relaxing prudential standards.

Increasing coverage of external ratings

After the transition period, institutions should be able to refer to credit assessments by external credit assessment institutions (ECAIs) to calculate the capital requirements for a significant part of their corporate exposures. Rating solutions beyond the currently existing rating ecosystem should be developed to incentivise especially larger corporates to become rated. Avenues to attain this goal should consider the requirements related to external credit assessments, or the establishment of additional institutions providing such assessments.

Member States should assess whether a request for the recognition of their central bank as ECAI and the provision of corporate ratings by the central bank for the purposes of this Regulation may be desirable in order to increase the coverage of external ratings.

Prudential treatment of securitisation

The introduction of the output floor could have a significant impact on own funds requirements for securitisation positions held by institutions using the Securitisation Internal Ratings Based Approach (SEC-IRBA). The introduction of the output floor could affect the economic viability of the securitisation operation because of an insufficient prudential benefit of the transfer of risk. A mandate should be given to EBA to report to the Commission on the need to eventually provide for a specific arrangement increasing the risk-sensitivity of the standardised approach of the purpose of the calculation of the output floor.

Environmental, social and governance (ESG) factors and risks

Assets or activities subject to impacts from environmental and/or social factors should be defined by reference to the ambition of the Union to become climate-neutral by 2050 as set out in the EU Climate Law, the EU Nature Restoration Law, and the relevant sustainability goals of the Union.

The technical screening criteria for 'do no significant harm' as well as specific Union legislation 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.

To ensure that competent authorities have granular, comprehensive and comparable data for effective supervision, information on ESG exposures should be included in the supervisory reporting of institutions.

Crypto assets

The rapid increase in the financial markets' activity on crypto-assets and the potentially increasing involvement of institutions in crypto-assets related activities should be thoroughly reflected in the Union prudential framework, in order to adequately mitigate the risks of these instruments for the institutions' financial stability.

The recently published Basel Committee on Banking Supervision (BCBS) standards on the prudential treatment of crypto asset exposures provide for specific prudential treatment which should be implemented in Union law in due course. The Commission should, if appropriate, adopt a legislative proposal by 31 December 2024 to transpose the various elements of the BCBS standards into EU law. Until the legislative proposal is adopted, institutions' exposure to crypto assets should apply prudent capital requirements.

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.