

| Basic information | |
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| 2025/2805(DEA) DEA - Delegated acts procedure | Procedure completed - delegated act enters into force |
| Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors | |
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| Key players | | | |
|---------------------|-----------------------------------------------|------------|-----------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| | <div>ECON</div> Economic and Monetary Affairs | | |

| Key events | | | |
|------------|-------------------------------------------------------|------------------------------|---------|
| Date | Event | Reference | Summary |
| 03/07/2025 | Non-legislative basic document published | C(2025)04338 | |
| 03/07/2025 | Initial period for examining delegated act 3 month(s) | | |
| 09/07/2025 | Committee referral announced in Parliament | | |
| 11/10/2025 | Delegated act not objected by Parliament | | |

| Technical information | |
|----------------------------|-------------------------------------------------------|
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Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors

2025/2805(DEA) - 30/11/2011

The Council took note of a **progress report from the presidency** on proposals for a fourth amendment of the EU's rules on capital requirements for banks and investment firms ("CRD IV").

The proposals for a regulation and **directive** are intended to amend and replace existing capital requirement directives 2006/48/EC and 2006/49/EC.

They are aimed at transposing into EU law an international agreement approved by the G-20 in November 2010. The so-called Basel III agreement, concluded by the Basel Committee on Banking Supervision, strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage.

General remarks: all Member States recognise the **importance of quick adoption of this legislative package** and are committed to working towards an agreement which would also swiftly transpose the Basel III requirements into legislative acts of the European Union. In the view of the Presidency, there is a **broad measure of agreement on a number of proposed provisions to improve current prudential requirements**, in particular the need to improve significantly the qualitative and quantitative capital requirements.

Member State concerns: in this Progress Report the Presidency aims to inform about some of those principal concerns expressed by Member States, where a solution would be needed to reach a compromise agreement at the Council. This Progress Report is without prejudice to the scope and content of other issues that would require further negotiations in the preparatory

bodies of the Council.

National discretion and the single market objective (flexibility and maximum harmonisation):

- A number of Member States have concerns about reduced national discretion and limited scope of flexibility within the framework of harmonised rules. They fear that the proposed approach might have a negative impact on Member States due to differences in their national financial systems.
- In particular, a number of delegations pointed out that they would favour additional powers for Member States to set stricter requirements within their jurisdictions (e.g. the possibility of increasing minimum level of capital ratio). They have indicated that as the ultimate (fiscal) responsibility for ensuring financial stability within its jurisdiction is borne by a Member State, Member States must have effective supervisory tools at their disposal. On the other hand, some delegations support the framework and the single rule book principle proposed by the Commission.
- Those delegations consider that the framework proposed by the Commission already provides for sufficient flexibilities, including through a strengthened "Pillar 2" measures and the countercyclical buffer.
- Lastly, the proposed Article 443 of the Regulation empowers the Commission to **impose temporary more stringent prudential requirements by way of delegated acts**, where this is necessary to address changes in the intensity of micro-prudential and macro-prudential risks. Some delegations oppose such powers being granted to the Commission, while other delegations generally support this idea, provided that the operational framework of these provisions is fine-tuned and delegation of powers is adequately framed.

Liquidity coverage requirement: there is **agreement that a liquidity coverage requirement (LCR) should be introduced**, in order to close an important gap in EU prudential requirements. In view of this general objective, a number of Member States have raised the concerns set out below:

- Article 444 of the proposed Regulation foresees that the LCR shall be implemented by a **delegated act** of the Commission. A number of Member States insist that, given the importance of this issue and its possible impact on the economy, the LCR should be implemented by subsequently amending the Regulation under the ordinary legislative procedure while still ensuring that the 2015 date is met. Moreover, provisions dealing with the principle of having adequate liquid assets at all times, are subject to further examination, given that many Member States wish to render the wording more precise.
- The Member States' main concerns are related to the possibility of establishing **single liquidity sub-groups and intra-group treatment**. The proposed Regulation foresees an obligation to establish a single liquidity sub-group once certain conditions are met. There seems to be a prospect of agreement on the principle of having a single liquidity sub-group, subject to sufficient safeguards being defined, especially in terms of procedure and conditions of application. The proposed Regulation contains a requirement to apply liquidity intra-group treatment where the single liquidity sub-group has not been established. The proposed solution has very similar features to the single liquidity sub-group issue. Some Member States, however, are of the view that there are no safeguards foreseen within the suggested procedure. The structure of liquidity supervision is subject to further examination.

Leverage ratio requirement: the proposed Regulation foresees an obligation to disclose the leverage ratio from 2015, before decision is taken whether it becomes a binding measure upon amendment of the Regulation.

On this issue, some Member States are of the opinion that **such disclosure might have a negative impact on market participants** and should be postponed till the leverage ratio calibration requirements are completed.

Collaboration between competent authorities in cases of branch supervision: overall, the Presidency is in a position to note an agreement on the principle that supervision of branches of credit institutions should at all times remain efficient and effective.

Further work: following the discussions, the Presidency notes that some of Member States have concerns about definition of own funds, in particular the treatment of significant investments in insurers and the "substance over form" approach on Common Equity Tier I capital, and more work is required in this area. Moreover, the Presidency is of the view that further work is also needed on, inter alia, countercyclical buffers, the sanctioning regime, requirements linked to corporate governance, etc.

The Permanent Representatives' Committee is invited to recommend that the Council to invite the incoming Presidency and Member States to continue work, with a view to reaching an agreement on a compromise text to advance towards negotiations with the European Parliament, in order to reach an **agreement by June 2012**.

Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors

2025/2805(DEA) - 02/05/2012

The Council carried out a **detailed examination of proposals** to amend the EU's rules on capital requirements for banks and investment firms, the so-called "CRD 4" package, with a view to starting a negotiation with the European Parliament aimed at adoption of the texts at first reading.

The proposals set out to amend and replace the existing capital requirement directives and divide them into two new legislative instruments: **a regulation** establishing prudential requirements that institutions need to respect and a directive governing access to deposit-taking activities. They are aimed at transposing into EU law an international agreement approved by the G-20 in November 2010 – the Basel 3 agreement – which had been prepared by the Basel Committee on Banking Supervision.

Concluding the discussions, the president of the Council noted the **support of a qualified majority of delegations** for a provisional compromise text. With the agreement of the Council, the presidency decided to add the dossier to the agenda for its meeting on 15 May, so as to enable a technical verification to be completed prior to confirmation of the Council's agreement on the overall package.

Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors

2025/2805(DEA) - 15/05/2012

The Council unanimously agreed a **general approach** on two proposals - the so-called "CRD 4" package - amending the EU's rules on capital requirements for banks and investment firms, with a view to negotiations with the European Parliament.

It called on the presidency to start negotiations with the European Parliament, on the basis of the Council's general approach. The aim is to **reach agreement on the texts at first reading, if possible by June 2012** as requested by the European Council. The proposals set out to amend and replace the existing capital requirement directives and divide them into two new legislative instruments: this regulation establishing prudential requirements that institutions need to respect and a [directive governing access to deposit-taking activities](#). They are aimed at transposing into EU law an international agreement approved by the G-20 in November 2010 – the so-called Basel 3 agreement – concluded by the Basel Committee on Banking Supervision.

The regulation would be directly applicable in order to prevent divergences in implementation at national level.

The presidency's compromise text sets **capital requirements** and introduces initial liquidity requirements **from 2013**, according to national provisions, and a **fully calibrated EU liquidity requirement from 2015**.

To address **longer term funding issues**, the draft regulation calls on the Commission to submit by 31 December 2016 a report and, if appropriate, a legislative proposal for a stable funding requirement.

The draft regulation also provides for the introduction of a **leverage ratio from 1 January 2018**, if agreed by Council and Parliament on the basis of a report to be presented by the Commission in 2016.

Specifically, the draft regulation would require banks and investment firms to hold **common equity tier 1 (CET 1) capital of 4.5% of risk weighted assets**, up from 2% applicable under current rules (4.5% from 2015 onwards; in 2013 within the range of 3.5% to 4.5%; and in 2014 within the range of 4% to 4.5%). **The total capital requirement remains unchanged at 8%.**

The presidency's draft defines CET 1 capital instruments using **14 criteria**, similar to those set out in Basel 3, and mandates the European Banking Authority (EBA) to monitor the quality of instruments issued by institutions.

Moreover, the draft regulation provides the opportunity for Member States to impose, **for up to two years (extendable)**, stricter prudential requirements for domestically authorised financial institutions (i.e. requirements on level of own funds, requirements for large exposures, public disclosure requirements, the level of the capital conservation buffer, liquidity requirements and risk weights for targeting asset bubbles in residential and commercial property). Such a decision by a national authority could only be overruled if, following a negative opinion by the EBA, the European Systemic Risk Board (ESRB) or the Commission, the Council votes by qualified majority against the measures.

Member States would also be able to **increase risk weights** for residential and commercial property and intra financial sector exposures beyond those provided in the regulation and up to 25%.

The Commission, for its part, would also have the possibility to impose for one year stricter prudential requirements, via delegated acts addressed to all Member States.

Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors

2025/2805(DEA) - 10/07/2012

The Council was briefed by the Presidency on **progress in negotiations** with the European Parliament on two proposals amending the EU's rules on capital requirements for banks and investment firms ("CRD 4").

The proposals set out to amend and replace the existing Capital Requirement Directives and divide them into two new legislative instruments:

- a Regulation establishing prudential requirements that institutions need to respect and
- a [Directive](#) governing access to deposit-taking activities.

The Cypriot Presidency stated its objective of **finalising negotiations as soon as possible**. As the incoming presidency, it has held its first "trilogues" and scheduled further meetings with the Parliament on 11 and 12 July.

Work under the previous Danish Presidency was **almost completed on the Directive**, with only a few key open issues remaining, and **talks are now focused on the Regulation**.

The negotiations with the Parliament are aimed at adoption of the Regulation and Directive at first reading.

Outstanding issues include a proposed flexibility package, bankers' remuneration, crisis management, sanctions, the balance of power between the authorities of "home" and "host" countries, corporate governance, and powers to be given to the European Banking Authority (EBA).

General approach: the Council agreed a general approach on the two proposals on 15 May with a view to negotiations with the European Parliament.

The Regulation would be directly applicable in order to prevent divergences in implementation at national level.

Own funds: the presidency's compromise text sets capital requirements and introduces initial liquidity requirements from 2013, according to national provisions, and a fully calibrated EU liquidity requirement from 2015.

To address **longer term funding issues**, the draft regulation calls on the Commission to submit by 31 December 2016 a report and, if appropriate, a legislative proposal for a stable funding requirement.

The draft regulation also provides for the introduction of a **leverage ratio** from 1 January 2018, if agreed by Council and Parliament on the basis of a report to be presented by the Commission in 2016. More specifically, the draft Regulation would require banks and investment firms to hold common equity tier 1 (CET 1) capital of 4.5% of risk weighted assets, up from 2% applicable under current rules (4.5% from 2015 onwards; in 2013 within the range of 3.5% to 4.5%; and in 2014 within the range of 4% to 4.5%). The total capital requirement remains unchanged at 8%.

According to the presidency's draft, CET 1 capital instruments are defined using 14 criteria, similar to those set out in Basel 3, and mandates the European Banking Authority (EBA) to monitor the quality of instruments issued by institutions.

Stricter prudential rules: the draft Regulation provides the opportunity for Member States to impose, for up to two years (extendable), stricter prudential requirements for domestically authorised financial institutions (i.e. requirements on level of own funds, requirements for large exposures, public disclosure requirements, the level of the capital conservation buffer, liquidity requirements and risk weights for targeting asset bubbles in residential and commercial property). Such a decision by a national authority could only be overruled if, following a negative opinion by the EBA, the European Systemic Risk Board (ESRB) or the Commission, the Council votes by qualified majority against the measures.

Member States would also be able to increase risk weights for residential and commercial property and intra financial sector exposures beyond those provided in the regulation and up to 25%. The Commission, for its part, would also have the possibility to impose for one year stricter prudential requirements, via delegated acts addressed to all Member States.

Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors

2025/2805(DEA) - 09/10/2012

The Council was informed by the Presidency of the state of negotiations with the European Parliament on two proposals – the so-called "CRD 4" package – amending the EU's rules on capital requirements for banks and investment firms.

The two proposals set out to amend and replace the existing capital requirement directives¹ by two new legislative instruments: i) a Regulation establishing prudential requirements that institutions need to respect, and ii) a [Directive](#) governing access to deposit-taking activities.

The Council held an exchange of views and confirmed its intention to **reach a political agreement on the package before the end of the year**. A number of issues have yet to be resolved in the negotiations with the Parliament.

Regulatory technical standards for assessing the materiality of extensions and changes of the internal models and to the subset of the modellable risk factors

2025/2805(DEA) - 05/03/2013

The Council **broadly endorsed the outcome of the most recent political trilogue** with the European Parliament on the "CRD 4 package" of legislation amending the EU's rules on capital and liquidity requirements for banks and investment firms.

The package sets out to amend and replace existing capital requirements Directives with **two new legislative instruments**: (i) a Regulation establishing prudential requirements that institutions must fulfil, and (ii) a [Directive](#) governing access to deposit-taking activities.

As regards the Regulation, the Council Presidency and the Parliament came to an agreement on the following key issues:

Capital requirements: the Regulation will be **directly applicable** in order to prevent divergences in implementation at national level. The Regulation:

- will require banks and investment firms to hold common equity tier 1 (CET 1) capital of **4.5%** of risk weighted assets (until December 2014 between 4% to 4.5%), up from 2% applicable under current rules. The total capital requirement, which includes tier 1 and tier 2 capital, remains unchanged at 8% of risk weighted assets;
- **defines CET 1 capital instruments using 14 criteria**, similar to those set out in Basel 3, and mandates the **European Banking Authority (EBA)** to monitor the quality of instruments issued by institutions.

Additional capital requirements in the form of buffers are introduced in the Directive.

Liquidity requirements: from 2015,

EU liquidity requirements from 2015 will be introduced, after an initial observation period, by means of a delegated act by the Commission.

The Regulation also:

- requires institutions to hold **liquid assets**, the total value of which would cover the net liquidity outflows that might be experienced under gravely stressed conditions over a period of 30 days;
- allows institutions, during times of stress, to use their liquid assets to cover their net liquidity outflows;
- phases in the liquidity coverage ratio (LCR) starting at **60% in 2015 and reaching 100% in 2018**. A review in 2016 will enable the Commission to delay the introduction of the 100% ratio, if justified by international developments. Until the LCR is fully introduced, Member States may maintain or introduce national liquidity requirements;
- **limits liquidity inflows to 75% of liquidity outflows** to ensure that banks don't rely only on expected inflows to meet their outflows and instead hold a minimum amount of liquid assets equal to 25% of outflows.

Net stable funding ratio: to address longer term funding issues, the Commission will have to submit by 31 December 2016 a **legislative proposal** aimed at ensuring that institutions use stable sources of funding.

Leverage ratio: the Regulation will provide for the introduction of a leverage ratio from **1 January 2018**, if agreed by Council and Parliament on the basis of a report to be presented by the Commission by 31 December 2016. This will follow an initial observation period; from 1 January 2015, institutions will be required to disclose their leverage ratio.

The leverage ratio is a non-risk based measure and defined as an institution's tier 1 capital divided by its average total consolidated assets. **Different levels would be set** for institutions following different business models.

National flexibility - Macro-prudential powers: the Regulation will enable Member States to impose, for up to two years (extendable), **stricter macro-prudential requirements** for domestically authorised financial institutions in order to address increased risks to financial stability.

These stricter measures can apply to: (i) the level of own funds, (ii) liquidity requirements, (iii) large exposures requirements, (iv) the level of the capital conservation buffer, (v) public disclosure requirements, (vi) intra-financial sector exposures, and risk weights for targeting asset bubbles in the property sector.

The Council can reject, by qualified majority, stricter national measures proposed by a Member State.