



# BANKING REFORM PACKAGE

EESC Public Hearing

8 February 2022

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## Balancing act of concurrent objectives

### Claimed objectives

- ◆ Complying with the spirit of **Basel III**
- ◆ Without significantly increasing capital requirements (**G20 mandate**)
- ◆ Taking into account **European specificities**
- ◆ Respecting **proportionality**

### Ultimate objectives

- ◆ **Flexibility** to overcome the rigidness of the current legislation
- ◆ **Simplicity** to reduce the current regulatory complexity and cost
- ◆ **Market integration** to limit or reduce fragmentation
- ◆ **Certainty** to instill stability and predictability in the requirements

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## **EBF policy proposals – fine tuning**

- ◆ **72.5% output floor at consolidated level on BCBS international requirements**
- ◆ **Permanent solution to unrated corporates and SME SF and ISF**
- ◆ **Dual recourse recognition on RRE: without M/S discretion, permanent, including SA banks and secondary residence**
- ◆ **Risk sensitivity on CRE: further buckets < LTV 60%. Optionality for whole loan or loan splitting**
- ◆ **Definition of UCC and continuation of 20% CCF for trade finance**
- ◆ **Actual risk on specialised lending**
- ◆ **Operational risk ILM at 1 but justified exemptions granted (cap)**
- ◆ **CVA exemption**

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## **EBF policy proposals – fine tuning**

- ◆ **Equity: adopt Basel discretion for national legislated programs, also 100% RW for strategic investments, keep 190% for diversified private equity and review increased RW for unlisted equity**
- ◆ **SA-CCR alpha factor 1: across the whole regulatory framework, permanent and also for SA banks**
- ◆ **Market risk: delegated act to align FRTB timing is right, but also allowing hedging across TB/BB in ALM mandate. Null default rate of SA versus IMA input floor on government bonds, PSE and AA covered bonds.**
- ◆ **Too conservative calibration of Securitisation SA hampers market recovery**
- ◆ **Regional and Local Authorities asset class closer to sovereign than corporate**
- ◆ **Actual maturity instead of fixed maturity in trade finance, SFTs, corporate finance, and short-term maturity adjustment also for SA banks**



# BANKING REFORM PACKAGE



## EBF policy proposals – fine tuning

- ◆ **Third country branches: overcome unnecessary protectionism, focus on core banking, limit reciprocity, specific proper impact assessment required.**
- ◆ **Minority interests review including excess capital held in subsidiaries**
- ◆ **Disclosures: flexible date of application and 2-year implementation after ITS**
- ◆ **Climate change: not a risk itself but ESG factors can impact other risks. Need for incentives. Capital add-ons not right tool. Reporting frequency to be aligned with corporates.**
- ◆ **Fit-and-proper: limit scope to Board and few C-level. M/S option for ex-ante or ex-post approach. 4-month assessment period too long.**
- ◆ **And other elements will require careful examination**

More information at [EBF have-your-say feedback to Commission's Banking Package](#)



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For more info

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