

Banking

CRD IV: Commission asked to work on systemic risk buffers

By Manon Malhère | Thursday 24 May 2012

The European Parliament and the EU Council agreed, at their first three-way meeting on 23 May, to ask the European Commission to work out a way of combining two amendments tabled under the reform of prudential rules for financial institutions, known as CRD IV ⁽¹⁾ to which they attach considerable importance. These concern, for the EP, stricter capital requirements for globally systemically important financial institutions – GSIFIs – and for the Council, the systemic risk buffer that also authorises member states to set stricter capital requirements.

The question of capping bonuses, proposed by MEPs, was also discussed.

The parties more generally exchanged views on the draft directive alone, without going into details. They will meet again, on 29 May.

The task assigned to the Commission will be particularly difficult since the two institutions propose very different approaches. The EP wishes to apply to GSIFIs an additional buffer of up to 10% for common equity ‘tier 1’ capital. With this measure, the EP identifies a distinct category of banks and the European Banking Agency (EBA) would be responsible for drawing up a list of GSIFIs. After intense negotiations, the Council proposed a systemic risk buffer that authorises the 27 to tighten common equity ‘tier 1’ capital requirements by up to 5% (under different conditions). The Council does not target any particular type of bank with this buffer and would also apparently give member states more autonomy than the EP.

⁽¹⁾ *The Commission presented a regulation and directive in July 2011 to implement Basel III*