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Irish Presidency reaches breakthrough on new rules for stronger EU banks

The Irish Presidency has tonight reached a breakthrough in talks with the European Parliament on an overhaul of banking rules increasing EU financial stability.
The Minister for Finance, Michael Noonan, welcomed the news:
"I am very proud to announce that the Irish Presidency has made this breakthrough – it has been hard won"

The Irish Presidency has reached provisional agreement with the European Parliament on new rules that will help make sure that European banks hold enough good quality capital to withstand future economic and financial shocks.

The provisional agreement tonight includes restrictions on bankers pay to make sure that pay practices do not lead to excessive risk-taking. It also includes new provisions to making European banks more transparent.

The Minister for Finance, Michael Noonan, said:
During the financial crisis, European taxpayers had to recapitalise banks. This overhaul of EU banking rules will make sure that banks in the future have enough capital, both in terms of quality and quantity, to withstand shocks. This will ensure that taxpayers across Europe are protected into the future.

In these negotiations, as Presidency, we have had to balance many different interests: the desire to limit bankers pay while maintaining a competitive European banking sector; the need to provide a single but sufficiently flexible rule book across Europe.

This agreement will have to be approved by EU Member States before it is final. There will also be significant further technical work to complete the details of the legislation.

The Minister said
"I believe that the compromise package that we have reached tonight is well balanced. I will be presenting this package to Finance Ministers when we meet in Brussels next Tuesday and I hope they will endorse it".

Background
During the financial crisis, European taxpayers recapitalised banks who found themselves with insufficient capital to absorb losses. This overhaul of EU banking rules will make sure that banks in the future have enough capital, both in quality and quantity.
These standards have been agreed at G20 level in what is known as the Basel III agreement.
The new EU rules are set out in a Regulation and a Directive, making up the Capital Requirements package.

These new rules will apply to financial institutions across Europe, including the 8,000 banks currently operating in Europe.

The package sets out rules for the amount of capital that banks need to hold, as well as the quality of those funds. It introduces a new liquidity coverage ratio as well as a leverage ratio to limit an excessive build up of leverage on banks' balance sheets. There are new enhanced governance

arrangements for banks, aimed at improving risk management. The package also introduces capital buffers on top of the minimum capital requirements.
The provisional deal reached with the European Parliament also includes limits on the size of bankers bonuses.

This package is a vital part of the single European banking rulebook, a fundamental building block for EU banking union. Completing banking union is an Irish Presidency priority. As Presidency we are working to reach agreement with the European Parliament on the setting up of a single European banking supervisor. We are also working on getting member state agreement on bank resolution and recovery and well as deposit guarantee schemes, important elements in completing banking union.

Getting the single supervisor in place will be key to allowing the European Stability Mechanism (ESM) to directly recapitalise banks across Europe.
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