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Banking Union: EU ambassadors endorse full package of risk reduction measures

The EU will soon have in place a more robust framework to regulate and supervise banks.

EU ambassadors today endorsed an agreement reached between the Romanian presidency and the Parliament on a **set of revised rules aimed at reducing risks in the EU banking sector**.

"The risk reduction measures agreed today will ensure that banking sector holds enough capital to lend safely to consumers and businesses. At the same time, taxpayers are shielded from any difficulties which banks might be facing", said Eugen Teodorovici, Minister of finance of Romania.

The package agreed by the Council and the Parliament comprises two regulations and two directives, relating to:

- bank capital requirements (amendments to regulation 575/2013 and directive 2013/36/EU);
- the recovery and resolution of banks in difficulty (amendments to directive 2014/59/EU and regulation 806/2014).

Today's decision concludes a negotiating process which began in November 2016. A first agreement was achieved on the main elements of the banking package and confirmed by the Council on 4 December 2018. EU ambassadors have now endorsed the deal on all risk reduction measures.

The risk reduction package is intended to implement reforms agreed at **international level** following the 2007-2008 financial crisis to strengthen the banking sector and address outstanding challenges to financial stability. Presented in November 2016, they include elements agreed by the **Basel Committee** on Banking Supervision and by the **Financial Stability Board** (FSB).

Among the core measures agreed to reduce risk in the banking system, the package enhances the framework for bank resolution. It requires **global-systemically important institutions** ('G-SIIs') to have more **loss-absorbing and recapitalisation capacity** by setting the requirements as regards the amount and quality of own funds and eligible liabilities (MREL) to ensure an effective and orderly "bail-in" process. It also provides provisional safeguards and possible additional actions for resolution authorities.

The package also strengthens **bank capital requirements** to reduce incentives for excessive risk taking, by including a binding leverage ratio, a binding net stable funding ratio and setting risk sensitive rules for trading in securities and derivatives.

In addition, the banking package contains measures **to improve banks' lending capacity and to facilitate a greater role for banks in the capital markets**, such as:

- reducing the administrative burden for smaller and less complex banks, linked in particular to reporting and disclosure requirements;
- enhancing the capacity of banks to lend to SMEs and to fund infrastructure projects;

The banking package also contains a framework for the cooperation and information sharing among the various authorities involved in the **supervision and resolution of cross-border banking groups**. The agreed measures preserve the balance achieved by the Council position between the powers of home and host supervisors in order to facilitate cross-border flows of capital and liquidity, while ensuring an adequate level of protection for depositors, creditors and financial stability in all member states. The agreement also introduces amendments to improve cooperation between competent authorities on matters related to the **supervision of anti-money laundering activities**.

Next steps

The text will now undergo a legal linguistic revision. Parliament and Council will then be called on to adopt the proposed regulation at first reading.

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