



Brussels, 23rd December 2021

Have your say consultation

EACB comments on the European Commission banking package “Aligning EU rules on capital requirements to international standards”

Proposal for a regulation – COM(2021)664

2021/0342 (COD)

The fundamental problem of the implementation of the latest set of Basel standards resides in choices made at Basel level which make an adequate EU implementation challenging. The EACB acknowledges the Commission’s efforts to reduce the expected impact of reforms on the EU banking and credit markets and economy, while remaining compliant with the spirit of the global agreement, but further efforts are necessary.

As the first major jurisdiction to unveil implementation plans, a 2025 start date and a sufficiently phase-in are absolutely necessary given the massive efforts expected from EU banks and the uncertainty around plans elsewhere.

Banks will calculate and disclose “fully loaded” CRR3 ratios before the end of phase-in, becoming bound to fully loaded requirements ahead of time. A sign of capital shortfall at the end of transitionals would negatively impact investor confidence early on, affecting banks’ ability and need to raise capital (or bail-in debt) and restricting lending capacity.

The transitional arrangements for residential real estate, unrated corporates and SA-CCR reflect key EU specificities, they should be extended to the standardized approach. A phase-out should be conditioned to structural changes of EU markets far to be seen. Arguments like low ratings coverage of EU corporates, recognizing low risk mortgages, allowing EU corporates to hedge their business risks at reasonable cost apply, and so do operational reasons: two standardized approaches add complexity and operational costs (double calculations). Banks would also see a hike in RWAs at the end of transitionals unjustified from a risk perspective, especially for long-term exposures (eg mortgages).

We strongly support the proposal to only apply the output floor (OF) at the highest level of consolidation. The SSM chair repeatedly warned that, if the OF were to be applied at solo level, the EU banking market would fragment further and reduce banking groups’ flexibility to allocate capital internally. Moreover, the cap under Art. 465 CRR, for floored RWAs not to increase more than 25% vs. pre-floor, should be set at 10%: this was the G20 mandate, reaffirmed also by the European Parliament.

We strongly support the 100% risk weight (RW) for equity exposures within a group or an institutional protection scheme according to Art. 49(4) CRR: this is essential to the well-functioning of cooperative groups and networks. The possibility to assign 100% RW for “strategic” equity exposures to entities where institutions have been shareholders for six consecutive years is key (Art. 495a Para 3 CRR). This should be further refined: a 100% RW for strategic holdings should apply regardless of earlier approach and be solely based on the strategic criteria. It would ensure a level playing field across banks and Member States and be reasonable from a risk perspective (same treatment for a holding becoming long term, 100% RW, in 2024 or in 2026).

The aim to further embed proportionality in the framework, producing disclosures of small and non-complex institutions directly at the EBA via reporting sets, is appreciated. However, this

The voice of 2.700 local and retail banks, 87 million members, 223 million customers in EU

EACB AISBL – Secretariat • Rue de l’Industrie 26-38 • B-1040 Brussels

Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19
www.eacb.coop • e-mail : secretariat@eacb.coop



contrasts with the proposed extension of ESG disclosures to SNCIs. Further proportionality elements could be envisaged.

With regard to operational risk, in addition to a general ILM=1 it should be specified that where banks have the capacity to calculate their ILM they must have the possibility to do so.

Finally, the choice to preserve the SME and infrastructure supporting factors is vitally important and appreciated, especially since other elements might lead to reduced credit supply. The same applies to the CVA exemptions. The choice not to implement a hard granularity criterion for the retail portfolio is appropriate, allowing smaller banks not to be put at a disadvantage.

For overall balance, discussions should progress jointly on all legal acts – see comment on the CRD Have your say.