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EU banking package: German banks warn of adverse consequences for the economy

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The European Parliament's rapporteur, Jonás Fernández (S&D), has today released his draft report on the European Commission's legislative proposal for implementing Basel III in the EU (known as the EU banking package). The proposals contained in the Spanish MEP's report clearly deviate from the approach taken by the European Commission. "Implementation of the proposals would above all significantly limit the transitional arrangements proposed by the Commission. This would place further strain on the European economy at a time of great uncertainty and high investment needs," said Christian Ossig, Chief Executive of the Association of German Banks, which this year is the coordinator of the German Banking Industry Committee (GBIC). The transitional provisions

Press-release

envisage a temporary reduction of the risk weight for certain loans.

This applies especially to the provision for companies of high credit quality without external ratings, which are so important for financing the real economy. The rapporteur recommends limiting it to companies with a turnover of less than 500 million euros. This would exclude numerous enterprises, which play a key role in the German and European economy. The intended effect of the transitional arrangement would be severely watered down.

Furthermore, the rapporteur suggests tying the transitional regime for residential real estate financing and the application of the infrastructure supporting factor to sustainability criteria. GBIC believes that these proposals would also considerably reduce the intended effects. To mitigate the adverse consequences of Basel III for the residential real estate market, the transitional provision should apply to all loans. Restricting the application of the infrastructure supporting factor would result in urgently needed investments not being made. GBIC takes the view that a holistic strategy is needed to take account of sustainability requirements. Adjustments to transitional arrangements will not serve a useful purpose.

GBIC also regrets that the issue of proportionality has not been addressed. In addition, GBIC considers it important for fit and proper standards, which are used to assess the suitability of senior management, to take more account of different banking structures in the EU. In both cases, there is clear room for improvement with respect to the planned changes to the CRR and the CRD.