banken verband

Press-release

16 April 2019

German Banking Industry Committee: EU banking package major contribution to stabilising European financial sector

The European Parliament today adopted the so-called 'banking package' broadly amending cornerstones of banking regulation.
It implements Basel Committee rules (Basel III) at European level. These concern, among other things, the introduction of the net stable funding ratio (NSFR) for banks and the availa-

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bility of sufficient ‘bail-in-able’ financial instruments in the event that banks are resolved.

“The package makes a major contribution to further stabilising the European financial sector,” said Christian Ossig, chief executive of the Association of German Banks, which is this year’s German Banking Industry Committee (GBIC) coordinator. It took into account the heterogeneity of the European banking sector and made allowance for the specificities of German banks in key areas.

Proportionate regulation of banks, as envisaged in the banking package, is a first step in the right direction that should be followed by others. The focus is for the moment on the European Banking Authority (EBA), which now has to deliver: EU legislators are expecting concrete proposals on how administrative reporting costs can be cut by up to 20%. But European legislators themselves remain called upon to act as well. In GBIC’s view, a further reduction in bureaucracy across all banks is urgently required.

GBIC welcomes it that, in the area of sustainable finance, any adjustments to the important capital and risk management framework could only be made after an examination by EBA. While sustainability and sustainable finance are of central importance to GBIC, German supervisors should not go it alone in this area. Instead, they should first await developments at EU level.

Just as welcome is the clear message from EU legislators that the now customary capital add-ons under Pillar 2 (Pillar 2 requirement and Pillar 2 guidance) need not be held only in the form of common equity Tier 1 capital but should be made up of all possible capital instruments. German supervisors should therefore respect the will of legislators. The highly restrictive EBA supervisory review and evaluation process (SREP) guidelines can no longer be the basis here.

GBIC would have welcomed a more resolute approach in regard to an integrated European single market: the negotiations failed to provide for the possibility of cross-border waivers from prudential requirements at individual institution level. “This would have allowed banking groups to manage their capital and liquidity centrally and thus reap the benefits of a common internal market,”
Mr Ossig said. It was hard to understand why isolation was being preferred to convergence. Nevertheless, there was hope that the issue would be addressed more boldly in finalisation of Basel III at European level.

Overall, because of the numerous new requirements alone, the banking package is likely to make a great deal of adjustment necessary. The proposals for renewed reform of the regulatory framework (CRR III) that are already scheduled for next year make it all the more important that, when implementing the Basel rules (finalising Basel III), European legislators take into

account the specificities of both the German and the European market as well as proportionality aspects.