



TOPICS:
CRR, CRD, BASEL III

SOURCE:
 European Commission

EC Banking Package 2021: New EU Rules to Strengthen Banks' Resilience and Better Prepare for the Future

Review of EU Banking Rules

- The European Commission package **completes the implementation of the Basel III reforms in the EU.**
- The review consists of the following legislative elements:
 - a legislative proposal to amend the CRD as regards **supervisory powers, sanctions, third-country branches, and environmental, social and governance risks;**
 - a legislative proposal to amend the CRR as regards **requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor;**
 - a separate legislative proposal to amend the CRR in the **area of resolution** (the so-called “daisy chain” proposal).
- **The Commission proposes to start applying the new rules from 1 January 2025** (the output floor itself will be gradually introduced from 1 January 2025 over a period of 5 years).
- **The legislative package will now be discussed by the European Parliament and Council.**

EU Banking Rules: at Glance

- The package is comprised of the following parts:
 - **Implementing Basel III – strengthening resilience to economic shocks ensures that “internal models”** used by banks to calculate their capital requirements **do not underestimate risks;** Taking into account the specific features of the EU's banking sector, for example when it comes to low-risk mortgages.
 - **Sustainability – contributing to the green transition enlarges the scope of ESG disclosures** to all institutions; **Explicitly empowers supervisory authorities** to incorporate ESG in the SREP and in stress testing by authorities and banks; **Asks institutions to have robust governance arrangements** to deal with ESG risks.
 - **Stronger supervision – ensuring sound management of EU banks and better protecting financial stability**
Clear, robust and balanced “fit-and-proper” set of rules; Supervisors will be equipped with **better tools to oversee fintech groups, including bank subsidiaries;** Addresses – in proportionate manner – **the issue of the establishment of branches of third-country banks in the EU.**

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