



ESBG welcomes the result of the EMAC vote on the Capital Requirements Directive

Following today's vote on the Capital Requirements Directive (CRD), the European Savings Banks Group (ESBG) would like to commend the Economic and Monetary Affairs Committee of the European Parliament (EMAC) for its efforts to maintain momentum by agreeing on its position on the CRD despite numerous amendments and difficult debates. The ESBG is convinced that the EMAC amendments will help achieve the important objectives of the Directive, notably improve the risk management practices across Europe and establish a level playing field between all EU credit institutions, whatever their size or level of complexity.

ESBG would like to highlight its support of two further elements: the EU supervisory framework and the definition of retail.

Supervision of banks

The EMAC vote has confirmed the Commission's balanced approach regarding the EU architecture of prudential supervision, which has paved the way for a timely approval of the CRD. Chris de Noose, Chairman of the ESBG Management Committee, welcomed the European Parliament's choice for "evolution rather than revolution", specifically with regards to the scope of activities of the consolidating supervisor, as foreseen in Art 129(2) (i.e. validation of models). He expressed the ESBG's strong belief that a step-by-step approach is the only way to rally the support of all parties involved, including national governments and supervisors. Against this background, an extension of the powers of the consolidating supervisors to cover other areas of banking supervision would be premature. The ESBG however supports the proposed introduction of a review clause on this matter, as any significant modification in the organisation of the supervision of European banks should be examined against the background of an assessment of the results achieved by this measure.

Definition of retail

ESBG Members are of the opinion that the amendments proposed in relation to the definition of retail go in the right direction, as they include flexibility for all institutions, including smaller banks. Likewise, the explicit exclusion of "claims or contingent claims secured on real estate collateral" from the calculation of the total amount of € million is a welcome clarification.

In commenting on the vote, Mr. De Noose, Chairman of the ESBG Management Committee said: *"Today's vote is an important step towards the adoption of the Capital Requirements Directive, a key text which will improve the EU risk management framework."* He added: *"The ESBG fully supports the efforts by the EU institutions to adopt the Directive in a single reading and thus to respect the proposed staggered implementation dates"*.

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About ESBG:

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of €4,345 billion (1 January 2004). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. For decades ESBG members reinvest *responsibly* in their region and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.

Milestones:

1999	Following advancements in risk management practices and a desire to develop the existing 'one-size fits all' approach, the Basel Committee on Banking Supervision launched discussions for a new capital adequacy framework.
1999-2003	The Basel Committee and the European Commission issued 3 consultation papers and performed 3 quantitative impact studies respectively.
July 2003	Final comments were submitted by industry to the Basel Committee's 3 rd consultative paper.
October 2003	Final comments were submitted by industry to the European Commission's 3 rd consultative paper (CP3).
26 June 2004	The new Basel II, Revised International Capital Framework was published.
14 July 2004	The European Commission publishes its proposal for a revised European capital adequacy framework, which will translate the Basel II, Revised International Capital Framework into legislation. This involved the updating of the Directive 93/6/EEC on the Capital Adequacy of investment firms and credit institutions, an updated Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions, and the thereby related technical annexes. This new capital adequacy framework, which upgrades the 1988 original Basel Accord, will improve the risk management practices of all credit institutions across Europe.
Following publication in the EC official journal	The formal co-decision procedure starts.
7 December 2004	The ECOFIN Council adopts its General Approach on the Commission's proposal.
1 January 2007	Optional implementation date for simple and intermediate approaches to the new framework.
1 January 2008	Mandatory implementation date of the new framework for all banks and investment firms across the European Union.