

Press release – for immediate release

EBF Board commends Financial Stability Board for providing clarity

- FSB standard for TLAC addresses Too-Big-to-Fail, makes BSR redundant
- President Oudéa calls for calibration and harmonisation of regulation

The Board of the European Banking Federation, comprising the presidents of 32 national banking associations of the countries in the European Union and the European Free Trade Agreement, met in Brussels today for its 121st meeting. The meeting started with a moment of reflection to commemorate the victims of the terrorist attacks in Paris. In this respect, Frédéric Oudéa, President of the EBF, reiterated the full commitment of the banking industry to the fight against terrorism financing. Further, the EBF Board discussed developments in the European banking sector, as well as the federation's long-term vision for the banking sector and the role of banks in society.

The Board expressed its appreciation to the Financial Stability Board (FSB) for the clarity which it has provided under Mr. Mark Carney's leadership in setting the global requirement for Total Loss Absorbing Capacity (TLAC) for globally systemically important banks. The global TLAC standard, adopted at the recent G20 summit in Antalya, effectively addresses Too-Big-to-Fail by ensuring that large banks will maintain adequate capital resources within their group structure so that these banks can fail and be resolved irrespective of their global footprint, limiting the recourse to taxpayer monies. European authorities now need to cautiously manage the consistency between TLAC and the EU's MREL requirement in order to preserve competitiveness of the banking sector.

"We are at a crucial moment when, eight years after the beginning of the financial crisis, we can turn the page of redefining the new regulatory framework for the banking industry and focus on financing the economy while adapting our business models to these new rules and to the impact of the digital technologies," said Mr. Oudéa. "Implementation should be the focus now. While we support further efforts to ensure harmonisation and reduce the fragmentation of the European banking market, we urge regulators, both at the international and European levels, to avoid a second wave of regulations which would lead to an additional increase of capital requirements and create further uncertainty on the capacity of the European banking sector to finance our clients in an efficient and competitive way."

The EBF Board emphasised in particular its concerns over EU plans for Bank Structural Reform (BSR) that are due to be submitted for a vote in the European Parliament in the near future. The Board shares the view that, especially in the light of the adoption of the TLAC requirement and the adoption of resolution mechanisms, the need for the BSR proposal for the EU should be re-examined.

Members of the Board also exchanged views on the calculation of Risk Weighted Assets (RWA) as a key metric for capital that banks need to hold against risk exposures. Policy-makers and regulators need to ensure to maintain a risk-based model for the calculation of banks' capital ratios and make decisions in consideration of a competitive impact assessment. The welcomed efforts to better harmonise models should also not lead to additional capital requirements which would be unjustified from a safety point-of-view, penalise the financing of the economy and keep the banking sector in Europe in the unsustainable situation of having a profitability below its cost of capital.



Media contact:

Raymond Frenken, Head of Communication
+32 (0) 496 52 59 47, press@ebf-fbe.eu

About the EBF:

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international - employing about 2.5 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 300 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth. Website: www.ebf-fbe.eu

