



Plenary sitting

A8-0255/2017

14.7.2017

*****I**
REPORT

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012 (COM(2016)0850 – C8-0158/2017 – 2016/0360B(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Peter Simon

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION.....	5
PROCEDURE – COMMITTEE RESPONSIBLE.....	12
FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE.....	13

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012 (COM(2016)0850 – C8-0158/2017 – 2016/0360B(COD)) (Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2016)0850),
 - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0158/2017),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the reasoned opinion submitted, within the framework of Protocol No 2 on the application of the principles of subsidiarity and proportionality, by the Swedish Parliament, asserting that the draft legislative act does not comply with the principle of subsidiarity,
 - having regard to the opinion of the European Central Bank of ... ,
 - having regard to the opinion of the European Economic and Social Committee of 30 March 2017¹,
 - having regard to the decision by the Conference of Presidents on 18 May 2017 to authorise the Committee on Economic and Monetary Affairs to split the above-mentioned Commission proposal and to draw up two separate legislative reports on the basis thereof,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0255/2017),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the

¹ Not yet published in the Official Journal.

national parliaments.

Amendment 1

AMENDMENTS BY THE EUROPEAN PARLIAMENT*

to the Commission proposal

2016/0360B(COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 575/2013 as regards *transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in non-domestic currencies of Member States*

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank¹,

Having regard to the opinion of the European Economic and Social Committee²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) **█** The application of the expected credit loss (ECL) provisioning introduced by the revised international accounting standards on financial instruments (IFRS9), may lead

* Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol **█**.

¹ OJ, C , , p. .

² OJ C , , p. .

to a sudden significant *decrease* in the capital ratios of institutions. Whereas *the Basel Committee on Banking Supervision (BCBS) is currently considering the longer-term regulatory capital treatment of expected loss provisions* and to prevent an unwarranted detrimental effect on lending by credit institutions, *appropriate transitional arrangements should be introduced in order to allow institutions to offset the potentially significant negative impact on Common Equity Tier 1 capital* arising from expected credit losses accounting during the transitional period determined by *the introduction of the revised international accounting standards*.

- (2) *In its resolution of 6 October 2016, the European Parliament called for a progressive phase-in regime that would mitigate the impact of the new impairment model of IFRS 9.*
- (3) *Institutions should benefit from a phased-in transitional period of a maximum duration of five years. In line with the Standard on regulatory treatment of accounting provisions - interim approach and transitional arrangements of March 2017 by the BCBS, the impact of the ECL provisions on Common Equity Tier 1 capital should not be fully neutralised during the transitional period.*
- (4) *As an option it should be possible for institutions to put in place transitional arrangements for the introduction of IFRS 9. Where they decide not to do so, it should, as a general rule, not be possible for them to subsequently apply such arrangements. However, following the first reporting period of the transitional period and subject to the prior approval of the competent authorities, institutions should, on a one-off basis, have the possibility of amending that decision and of applying the transitional arrangements for the remainder of the transitional period.*
- (5) *Institutions should publicly disclose their capital ratios as well as their leverage ratios both with and without the application of the IFRS 9 transitional arrangements specified in this Regulation to enable the public to determine the impact of those arrangements on those ratios. Where an institution decides not to apply the transitional arrangements, it should not be required to disclose their effect.*
- (6) ■ Regulation (EU) No 575/2013 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) No 575/2013 is amended as follows:

- (1) ■ The following new Article 473a is inserted after Article 473:

Article 473a
Introduction of IFRS 9

1. Until **31 December 2022** institutions that prepare their accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2) of Regulation (EC) No 1606/2002, ***and institutions that are required pursuant to Article 24(2) of this Regulation to effect the valuation of assets and off-balance sheet items and the determination of own funds in accordance with international accounting standards,*** may, ***by way of derogation from Article 50 of this Regulation,*** add to their Common Equity Tier 1 capital the amount calculated in accordance with paragraph 2 of this Article multiplied by the applicable factor laid down in paragraph 4.
2. The amount referred to in paragraph 1 shall be ***the greater of the following:***
 - (a) ***zero***
 - (b) ***the after-tax amount calculated in accordance with point (i) reduced by the amount calculated in accordance with point (ii):***
 - (i) ***the sum of*** the twelve month expected credit losses determined in accordance with paragraph 5.5.5 of ***the Annex to*** Commission Regulation (EU No 2016/2067 and the amount of the loss allowance for ***lifetime expected losses determined in accordance with paragraph 5.5.3 of the Annex to that Regulation for financial assets that are not credit-impaired as defined in Appendix A to IFRS 9 as of the reporting date;***
 - (ii) ***the total amount of impairment losses on loans and receivables, held to maturity investments available for sale assets, other than equity instruments and units or shares in collective investment undertakings, determined in accordance with paragraphs 63, 64, 65, 67 and 68 of IAS 39 adopted in the Union by Regulation (EC) No 1126/2008 as at 31 December 2017 or on the day before the first application of IFRS 9, reduced by the total amount of the loss allowances for lifetime expected losses of credit impaired financial assets determined in accordance with paragraph 5.5.3 of the Annex to Regulation (EU) No 2016/2067 as at 1 January 2018 or on the date of the first application of IFRS 9.***
3. ***For financial assets that are exposures subject to risk weighting in accordance with Chapter 3 of Title II of Part Three, institutions shall reduce the amount of expected credit losses for non-defaulted assets calculated in accordance with point (b)(i) of paragraph 2 of this Article by the expected loss amounts calculated in accordance with Article 158(5), (6) and (10). Where the reduction would result in a negative amount it shall be calculated as zero.***
4. In calculating the amount referred to in paragraph 1, the following factors apply:

- (a) 0,9 in the period from *1 January 2018* to *31 December 2018*;
- (b) 0,8 in the period from *1 January 2019* to *31 December 2019*;
- (c) 0,6 in the period from *1 January 2020* to *31 December 2020*;
- (d) 0,4 in the period from *1 January 2021* to *31 December 2021*;
- (e) 0,2 in the period from *1 January 2022* to *31 December 2022*.

Institutions that had decided not to put into place the transitional arrangements set out in this Article for the first reporting period as referred to in point (a) of the first subparagraph may decide to put those arrangements in place for the subsequent periods as referred to in points (b) to (e) of the first subparagraph, subject to the prior approval of the competent authority.

5. *Where an institution adds an amount to its Common Equity Tier 1 capital in accordance with paragraph 1, it shall recalculate the following items by not taking into account the effects that the expected credit loss provisions that it included in its Common Equity Tier 1 capital have on those items:*

- (a) the amount of deferred tax assets that is deducted from Common Equity Tier 1 capital in accordance with point (c) of Article 36(1) or risk weighted in accordance with Article 48(4);*
- (b) the exposure value determined in accordance with Article 111(1) for assets that are exposures for which risk weighted exposure amounts are calculated in accordance with Chapter 2 of Title II of Part Three;*

The specific credit risk adjustments by which the exposure value shall be reduced shall be multiplied by the following scaling factor (sf):

$$sf=1-AB/RA$$

where:

AB = the after-tax amount calculated in accordance with paragraphs 1 and 2;

RA= the total after-tax amount of specific credit risk adjustments.

- (c) the amount of Tier 2 items calculated in accordance with point (d) of Article 62.*

The institution shall recalculate all requirements laid down in this Regulation and Directive 2013/36/EU that use the items listed in the first subparagraph as an input.

6. *During the period set out in paragraph 1, in addition to disclosing the information required in Part Eight subject to this Article, institutions shall disclose and report the values of own funds, Common Equity Tier 1 capital, Tier 1 capital, the Tier 1 capital ratio, the total capital ratio and the leverage ratio they would have if they did not apply this Article.*

In accordance with Article 16 of Regulation (EU) No 1093/2010, EBA shall issue guidelines by [30 June 2018] on the disclosure requirements laid down in this Article.'

(2) *In Article 493 the following paragraphs are added:*

'4. By way of derogation from Article 395(1), competent authorities may allow institutions to incur any of the exposures provided for in paragraph 5 meeting the conditions set out in paragraph 6, up to the following maximum limits:

- (a) 100% of the institution's Tier 1 capital until 31 December 2018;*
- (b) 75% of the institution's Tier 1 capital until 31 December 2019;*
- (c) 50% of the institution's Tier 1 capital until 31 December 2020.*

The maximum limits specified in points (a), (b), and (c) of the first subparagraph shall apply to exposure values after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403.

5. The treatment set out in paragraph 4 shall apply to the following exposures:

(a) asset items constituting claims on central governments, central banks, or public sector entities of Member States;

(b) asset items constituting claims expressly guaranteed by central governments, central banks, or public sector entities of Member States;

(c) other exposures to, or guaranteed by, central governments, central banks, or public sector entities of Member States;

(d) asset items constituting claims on regional governments or local authorities of Member States treated as exposures to the central government in accordance with Article 115(2);

(e) other exposures to, or guaranteed by, regional governments or local authorities of Member States treated as exposures to the central government in accordance with Article 115(2).

For the purposes of points (a), (b), and (c) of the first subparagraph, the treatment set out in paragraph 4 shall apply only to asset items and other exposures to, or guaranteed by, public sector entities which are treated as exposures to the central government, a regional government, or a local authority in accordance with Article 116(4). Where asset items and other exposures to, or guaranteed by, public sector entities are treated as exposures to a regional government or local authority in accordance with Article 116(4), treatment under paragraph 4 shall apply only where exposures to that regional government or local authority are treated as exposures to the central government in accordance with Article 115(2).

6. Treatment under paragraph 4 shall apply only if an exposure as referred to

in paragraph 5 meets all of the following conditions:

(a) the exposure would be assigned a risk weight of 0% in accordance with Article 495(2) as it stood before 1 January 2018;

(b) the exposure was incurred on or after... [date of adoption to be added when the text is published].

7. An exposure as referred to in paragraph 5 incurred before... [date of adoption to be added when the text is published] to which a risk weight of 0% was assigned on 31 December 2017 in accordance with Article 495(2) shall be exempted from the application of Article 395(1).'



Article 2

Entry into force and date of application

1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
2. This Regulation shall apply from **1 January 2018**.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg,

For the European Parliament

The President

For the Council

The President

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in non-domestic currencies of Member States	
References	COM(2016)0850 – C8-0158/2017 – 2016/0360B(COD)	
Date submitted to Parliament	23.11.2016	
Committee responsible Date announced in plenary	ECON 31.5.2017	
Rapporteurs Date appointed	Peter Simon 11.4.2017	
Discussed in committee	20.6.2017	11.7.2017
Date adopted	11.7.2017	
Result of final vote	+: 39	–: 11
	0: 0	
Members present for the final vote	Gerolf Annemans, Burkhard Balz, Hugues Bayet, Pervenche Berès, Udo Bullmann, Esther de Lange, Fabio De Masi, Jonás Fernández, Sven Giegold, Neena Gill, Roberto Gualtieri, Brian Hayes, Cătălin Sorin Ivan, Petr Ježek, Othmar Karas, Wajid Khan, Georgios Kyrtos, Philippe Lamberts, Werner Langen, Olle Ludvigsson, Ivana Maletić, Marisa Matias, Gabriel Mato, Costas Mavrides, Bernard Monot, Luděk Niedermayer, Stanisław Ożóg, Dimitrios Papadimoulis, Dariusz Rosati, Pirkko Ruohonen-Lerner, Anne Sander, Alfred Sant, Molly Scott Cato, Peter Simon, Kay Swinburne, Paul Tang, Ramon Tremosa i Balcells, Ernest Urteaga, Marco Valli, Tom Vandenkendelaere, Cora van Nieuwenhuizen, Miguel Viegas, Jakob von Weizsäcker, Marco Zanni	
Substitutes present for the final vote	David Coburn, Andrea Cozzolino, Ramón Jáuregui Atondo, Thomas Mann, Joachim Starbatty, Lieve Wierinck	
Date tabled	14.7.2017	

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

39	+
ALDE	Petr Ježek, Ramon Tremosa i Balcells, Lieve Wierinck, Cora van Nieuwenhuizen
ECR	Stanisław Ożóg, Pirkko Ruohonen-Lerner, Joachim Starbatty, Kay Swinburne
ENF	Gerolf Annemans, Bernard Monot
PPE	Burkhard Balz, Brian Hayes, Othmar Karas, Georgios Kyrtos, Werner Langen, Ivana Maletić, Thomas Mann, Gabriel Mato, Luděk Niedermayer, Dariusz Rosati, Anne Sander, Tom Vandenkendelaere, Esther de Lange
S&D	Hugues Bayet, Pervenche Berès, Udo Bullmann, Andrea Cozzolino, Jonás Fernández, Neena Gill, Roberto Gualtieri, Cătălin Sorin Ivan, Ramón Jáuregui Atondo, Wajid Khan, Olle Ludvigsson, Costas Mavrides, Alfred Sant, Peter Simon, Paul Tang, Jakob von Weizsäcker

11	-
EFDD	David Coburn, Marco Valli
ENF	Marco Zanni
GUE/NGL	Fabio De Masi, Marisa Matias, Dimitrios Papadimoulis, Miguel Viegas
Verts/ALE	Sven Giegold, Philippe Lamberts, Molly Scott Cato, Ernest Urtasun

0	0
----------	----------

Key to symbols:

+ : in favour

- : against

0 : abstention