



2016/0360B(COD)

6.6.2017

*****I**

DRAFT 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.

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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 Economic and Social Committee of 30 March 2017¹,
 - having regard to the opinion of the European Central Bank of ... ,
 - having regard to the decision by the Conference of Presidents on 18 May 2018 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 (A8-0000/2017),
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 national parliaments.

¹ Not yet published in the Official Journal.

Amendment 1

Proposal for a regulation Title

Text proposed by the Commission

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*

Amendment

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*

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Amendment 2

Proposal for a regulation Recitals 1 to 50

Text proposed by the Commission

[...]

Amendment

deleted

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Amendment 3

Proposal for a regulation

Recital 51

Text proposed by the Commission

(51) The application of the expected credit loss provisioning introduced by the revised international accounting standards on financial instruments "IFRS9", may lead to a sudden significant **increase** in the capital ratios of institutions. While discussions are on-going on the appropriate prudential treatment of the impact of increased expected credit losses and to prevent an unwarranted detrimental effect on lending by credit institutions, the incremental provisioning for credit risk of IFRS9 should be phased in.

Amendment

(51) The application of the expected credit loss provisioning introduced by the revised international accounting standards on financial instruments "IFRS9", may lead to a sudden significant **decrease** in the capital ratios of institutions. While discussions are on-going on the appropriate prudential treatment of the impact of increased expected credit losses and to prevent an unwarranted detrimental effect on lending by credit institutions, the incremental provisioning for credit risk of IFRS9 should be phased in.

Or. en

Amendment 4

Proposal for a regulation

Recital 51 a (new)

Text proposed by the Commission

Amendment

(51a) The European Parliament in its resolution of 6 October 2016 called for a progressive phase-in regime that would mitigate the impact of the new impairment model of IFRS 9.

Amendment 5

Proposal for a regulation Recital 51 b (new)

Text proposed by the Commission

Amendment

(51b) 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 Basel Committee on Banking Supervision, the impact of the expected credit loss provisions on CET1 capital should not be fully neutralised during the transition period.

Or. en

Amendment 6

Proposal for a regulation Recital 51 c (new)

Text proposed by the Commission

Amendment

(51c) Institutions should be able to exercise the transitional arrangements for the introduction of IFRS 9 as an option. Whether an institution is exercising this option has to be decided at the beginning of the transitional period. It should not be possible for institutions to apply transitional arrangements later if they initially decide not to apply such arrangements.

Or. en

Amendment 7

Proposal for a regulation

Recitals 52 to 69

Text proposed by the Commission

Amendment

[...]

deleted

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Amendment 8

Proposal for a regulation

Article 1 – paragraph 1 – points 1 to 118

Regulation (EU) No 575/2013

Articles 1-460

Text proposed by the Commission

Amendment

[...]

deleted

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Only the amendments to the relevant parts of Articles 1-460 are deleted and not those articles that are not amended by the COM proposal.

Amendment 9

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 1

Text proposed by the Commission

1. Until *[date of application of this Article + 5 years]* 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 *may* 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 3.

Amendment

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 3.

Or. en

Amendment 10

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 2

Text proposed by the Commission

2. The amount referred to in paragraph 1 **shall be** calculated **as the twelve month** expected credit losses determined in accordance with paragraph 5.5.5 of Commission Regulation (EU) **No ... / 2016 (32)** and the amount of the loss allowance for financial **instruments equal to the** lifetime expected losses determined

Amendment

2. The amount referred to in paragraph 1 shall be **the greater of the following:**

in accordance with paragraph 5.5.3 of *Commission Regulation (EU) No / 2016 (1)*.

(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;

(ii) the total amount of impairment losses on loans and receivables, held to maturity investments and available for sale assets determined in accordance with paragraphs 63, 67 and 68 of IAS 39 adopted in the Union by Commission 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.

³² Commission Regulation (EU) No .../2016 of 2016 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L ,, p.).

³² Commission Regulation (EU) 2016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9 (OJ L 323, 29.11.2016, p. 1).

Amendment 11

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2 a. 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.

Or. en

Amendment 12

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3 – point a

Text proposed by the Commission

Amendment

(a) **1** in the period from [date of application of this Article] to [date of application of this Article + 1 year - 1 day];

(a) **0,8** in the period from **1 January 2018 to 31 December 2019**;

Or. en

Amendment 13

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3 – point b

Text proposed by the Commission

(b) **0,8** in the period from *[date of application of this Article + 1 year]* to *[date of application of this Article + 2 years - 1 day]*;

Amendment

(b) **0,6** in the period from **1 January 2020 to 31 December 2020**;

Or. en

Amendment 14

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3 – point c

Text proposed by the Commission

(c) **0,6** in the period from *[date of application of this Article +2 years]* to *[date of application of this Article +3 years - 1 day]*;

Amendment

(c) **0,4** in the period from **1 January 2021 to 31 December 2021**;

Or. en

Amendment 15

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3 – point d

Text proposed by the Commission

(d) **0,4** in the period from *[date of application of this Article +3 years]* to *[date of application of this Article +4 years - 1 day]*;

Amendment

(d) **0,2** in the period from **1 January 2022 to 31 December 2022**.

Amendment 16

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3 – point e

Text proposed by the Commission

Amendment

(e) 0,2 in the period from [date of application of this Article +4 years] to [date of application of this Article +5 years - 1 day]. **deleted**

Or. en

Amendment 17

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3 – subparagraph 2

Text proposed by the Commission

Amendment

Institutions shall include in their own funds disclosures the amount added to their Common Equity Tier 1 capital in accordance with paragraph 1.” **deleted**

Or. en

Amendment 18

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3a (new)

3a. *Where an institution adds an amount to its Common Equity Tier 1 capital in accordance with paragraph 1, the institution 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 Article 36(1)(c) 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;

(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.

Or. en

Amendment 19

Proposal for a regulation

Article 1 – paragraph 1 – point 119

Regulation (EU) No 575/2013

Article 473a – paragraph 3b (new)

3b. *In addition to disclosing the information required in Part Eight subject to this Article, institutions shall disclose the values of own funds, own funds*

requirements and the leverage ratio they would have if they did not apply this Article.”.

Or. en

Amendment 20

Proposal for a regulation

Article 1 – paragraph 1 – point 120 – point a

Regulation (EU) No 575/2013

Article 493 – paragraph 1 – first sentence

Text proposed by the Commission

Amendment

(a) in paragraph 1, the first sentence is replaced by the following: **deleted**

“The provisions on large exposures as laid down in Articles 387 to 403 shall not apply to investment firms whose main business consists exclusively of the provision of investment services or activities in relation to the financial instruments set out in points 5, 6, 7, 9, 10 and 11 of Section C of Annex I to Directive 2014/65/EU and to whom Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field (1) did not apply on 31 December 2006.”.

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Amendment 21

Proposal for a regulation

Article 1 – paragraph 1 – points 121 to 133

Regulation (EU) No 575/2013

Articles 494-519b and Annex II

Text proposed by the Commission

Amendment

[...]

deleted

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Only the amendments to the relevant parts of Articles 494-519b and Annex II are deleted and not those articles that are not amended by the COM proposal.

Amendment 22

Proposal for a regulation

Article 2

Regulation (EU) No 648/2012

Articles 50 a-d and Article 89

Text proposed by the Commission

Amendment

[...]

deleted

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Only the amendments to the relevant parts of Articles 50 a-d and Article 89 are deleted and not those articles that are not amended by the COM proposal.

Amendment 23

Proposal for a regulation

Article 3 – paragraph 2 – introductory part

Text proposed by the Commission

This Regulation shall apply from *[two years after date of entry into force]*, with the following exceptions:

Amendment

This Regulation shall apply from *1 January 2018*.

Or. en

Amendment 24

Proposal for a regulation

Article 3 – paragraph 2 – point a

Text proposed by the Commission

(a) the provisions on the introduction of the new requirements for own funds and eligible liabilities in points (4)(b), (7) to (9), and (12) to (40), which shall apply from 1 January 2019;

Amendment

deleted

Or. en

Justification

This amendment is in accordance with the decision of the Conference of Presidents of 18 May 2017 to approve the proposed split and to draw up two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850. The deleted parts will be covered by the separate draft report which is dealt with in a separate procedure (2016/0360A).

Amendment 25

Proposal for a regulation

Article 3 – paragraph 2 – point b

Text proposed by the Commission

Amendment

(b) the provisions in point (119) concerning amendments to Article 473a of Regulation (EU) No 575/2013, which shall apply from the date of entry into force of this Regulation.

deleted

Or. en

EXPLANATORY STATEMENT

Background and procedural comments

On 23 November 2016, as part of a larger banking legislation package, the Commission published a proposal (COM(2016)0850) amending the Capital Requirements Regulation (CRR). The referral of the amending CRR proposal to the Committee on Economic and Monetary Affairs (ECON) was announced in Plenary on 1 February 2017.

This proposal by the European Commission includes provisions regarding transitional arrangements for mitigating the impact on the introduction of IFRS 9 on own funds (IFRS 9 Transitional: new Article 473a of the CRR) and large exposure treatment of certain public sector exposures denominated in non-domestic currencies of Member States (Large Exposure Transitional: new Article 493(4) and (5) of the CRR).

The Council Presidency proposed to split the two transitional provisions from the CRR amending regulation proposal and to deal with them in a separate draft regulation. This split intends to allow for a timely entering into force of these transitional provisions.

On the basis of a request initiated by the Committee on Economic and Monetary Affairs, the Conference of Presidents of 18 May 2017 approved the proposed split and the drawing-up of two separate legislative reports by the ECON Committee on the basis of the Commission proposal COM(2016)0850.