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Germany?s 10 biggest lenders, including Deutsche Bank AG and Commerzbank AG, may need about 105 billion euros ($135 billion) in fresh capital because of new regulation, the Association of German Banks said. The lenders would need to raise that sum to reach an estimated 10 percent Tier 1 capital ratio, a key measure of financial strength, according to Dirk Jaeger, who is responsible for regulatory topics at the group. The association said higher capital requirements, set to be proposed tomorrow by the Basel Committee on Banking Supervision, may endanger the economic recovery by limiting the ability to lend.

The Basel Committee last month rebuffed complaints from banks that the proposed regulations may damage economic growth, saying the impact would be ?modest.? The committee estimated in an Aug. 18 report the new rules would trim 0.38 percent from gross domestic product in the U.S., the euro area and Japan after 4 1/2 years. That?s below the 3.1 percent cut foreseen by the Institute of International Finance, an industry lobby group, over five years. ?Banks face enormous challenges,? Hans-Joachim Massenberg, the German banking group?s deputy managing director, said in a statement today. ?It?s clear that more capital is necessary. But it?s also clear that raising additional capital comes with a burden.?

The so-called Basel III reforms will probably cost European banks 149 billion euros in higher capital requirements, capital deductions and loss of earnings, Credit Suisse Group AG analysts, including Daniel Davies in London, wrote in a report published Aug. 31. That?s below the brokerage?s previous forecast of 244 billion euros.

?Dramatic Interventions?

The rules should be implemented over a period of 10 to 12 years to give banks sufficient time, according to Germany?s banking association. Jaeger?s comments, made in Frankfurt today, were confirmed by Volker Knauer, a spokesman for the group. The association also said it?s opposing planned leverage requirements, a measure of how much borrowed money banks use. The German finance industry would need an additional 36 billion euros in capital, cutting loans by 1 trillion euros, if the lenders don?t have sufficient capital, the group said. The planned ?dramatic interventions? by Basel III on banks? capital levels will impact their ability to lend, the Association of German Public Sector Banks said separately.

Italian Banks

Italy?s banks are seeking a review of the proposed Basel rules to better reflect lenders? assets. ?What we?ve asked for after the recent changes is to give value to the specificity of Italian lenders? assets,? Giuseppe Mussari, chairman of the Italian banking association, Abi, said at a conference in Rimini, Italy, on Aug. 23. The Basel Committee, which represents central banks and regulators in 27 nations and sets capital standards for banks worldwide, was asked by leaders of the Group of 20 countries to draft rules after the worst financial crisis since the 1930s. The committee is planning to present a final package of changes to the G-20 meeting in Seoul in November.

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