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Revision of "Bâle II" Directive gets green light in European Parliament - CAD4 arrives

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Thursday, 7 May 2009 | John A Morrison

[1]**Brussels, 06/05/2009 (Agence Europe) - On Wednesday 6 May, MEPs debated two legislative proposals in the field of financial services: - proposed directive revising requirements in terms of capital for banks; - proposed decision establishing a Community funding programme for the activities of the three European committees of national regulators (CESR, CEBS, CEIOPS). In their support for the recommendations of each respective rapporteur, they have paved the way for these two legislative acts to be adopted at first reading before the end of the term in office.**

Bâle II. "We have agreed on new measures" which this time go beyond the lowest common denominator, said Othmar Karas (EPP-ED, Austria), rapporteur on the proposed "Bâle II" directive on requirements for own funds of credit companies (EUROPE 9893). Amongst other things, the legislative proposal brings in a minimum level of securitised assets which banks must keep on their balance sheets, so that they are obliged to guarantee the quality of the financial instruments which they resell on the market in the form of securities. These highly complex financial products, to which it is difficult to put a monetary value, such as securities backed by high-risk mortgages, have contributed to the spread of the financial

crisis worldwide and caused heavy losses among many banks, which have been obliged to turn to public aid to avoid bankruptcy. Lastly, MEPs gave their approval to the compromise which sets at 5% the retention rate for securitised assets and rejected amendments favouring a higher level: German MEPs of the EPP-ED were calling for 10%, the Greens/EFA 15% and the GUE/NGL 20%. By the end of this year, the Commission is to report back on the effects of the new rules and, if necessary, propose to tighten them up, in the light of, in particular, an opinion of the Committee of European Securities Regulators (CESR).

During the debate, most of the MEPs voiced their satisfaction at an agreement which, although far from ideal, marks a stage in the ongoing reform of European legislation on the financial sector, particularly financial supervision. On the issue of securitisation, there was "a debate on the proportion which must be held in own funds", said Mr Karas. The Commissioner for the Internal Market, Charlie McCreevy, who was pleased with proceedings, stated that the Commission still had reservations on this issue. He congratulated the EP on having resisted attacks from the industry on the introduction of a provision which he feels is "essential" to reinforce the stability of the financial markets. "We will see whether we need to increase the requirements for the retention level" when this provision is reviewed at the end of this year, he added. He went on to warn the banks to be prepared in future to constitute more own funds, which is the only way out of the current crisis of confidence. "10%" of securitised assets held "would be far more justified", said Werner Langen (EPP-ED, Germany), supported by Udo Bullmann (PES, Germany). Concerned that the hasty adoption of the directive could bring about new problems, John Purvis (EPP-ED, UK) expressed his disagreement with the requirement for a minimum level of securitised assets held, which would "slow recovery on the credit markets", and with limiting a bank's exposure to the risks of just one consideration to a level of 25% of its own funds, which "will make things complicated". British Liberal Sharon Bowles is convinced of the importance of the securitisation market, which "in recent years consisted of 800 billion in securitised loans, which may have been mortgages, car loans, consumer loans and even loans to SMEs".

Deploring the absence of the Czech Presidency, Pervenche Berès (PES, France) criticised Mr McCreevy's attitude, opposing regulatory intervention negated by the financial crisis at the end of this legislative

period. "Fortunately, we won't be working with you any more!", she said. Her Dutch counterpart Ieke van den Burg called for the creation of a portfolio dedicated solely to financial services in the next European Commission. Zsolt László Becsey (EPP-ED, Hungary) spoke in favour of the systematic creation of "colleges" for the cross-border financial institutions.

THE COMMENT TO THIS POST BELOW IS POSSIBLY FAR MORE 'ANALYTICAL' THAN THE SIMPLE EXPOSITION ABOVE

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