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EBF calls for rigorous impact assessment of Basel III

- **Banks generally welcome agreement on final shape of framework**
- **EBF asks EU to adopt Basel III without harming nascent recovery**
- **Banks underline need for harmonised global implementation**

BRUSSELS, 7 December 2017 – The European Banking Federation notes that the Basel Committee on Banking Supervision and its Group of Central Bank Governors and Heads of Supervision have reached an agreement on the completion of the Basel III international regulatory framework for banks.

The EBF generally welcomes the agreement on the final shape of the Basel framework. Banks, their investors and financial analysts now can carefully analyse the finalised framework so that they can plan with certainty for the new end-state capital requirements.

The European banking sector is firmly committed to financing growth and prosperity in Europe. The EBF now notes that the Basel Committee has adopted measures that may unbalance risk sensitivities and that could threaten financing in the European economy by penalising low-risk exposures, particularly residential mortgages. These can be adversely affected by the Basel Committee's decision to introduce an output floor.

In our view, there is a clear risk that the costs of the measures for the EU economy as a whole will outweigh the benefits. Therefore, the EBF now calls for a rigorous assessment of the impact on the banking sector and the economy. Before any decision is made on incorporating the newly finalised Basel III framework in EU regulation, the impact of these measures, particularly the output floor, needs to be determined.

Says Wim Mijs, Chief Executive Officer of the EBF:

"This agreement marks the end of the wave of global regulations stemming from the 2007 financial crisis. That is very good news. However we should not lose sight of the fact that the output floor may do significant harm to our European economy and to the global competitiveness of European banks. The output floor could impair the benefits of the finalised Basel III package and endanger the balance, so it is important that all parts of the world introduce the new requirements in a harmonised way."

The situation of the European banking system and the economic conditions have significantly changed since the Basel Committee launched the "Finalisation of Basel III" programme in 2014. The most recent data from the European Banking Authority shows that European banks have continued increasing their loss-absorbent capital.

The ratio of highest quality capital, fully-loaded Core Equity Tier-1 (CET1), has increased from 11.5% in December 2014 to 14.0% as of June 2017. Similarly, the fully-loaded Tier-1 Leverage ratio stands at 5.1% for the EU banking sector as a whole. Liquidity ratios have also improved across EU banks, showing that the problems that Basel III was meant to tackle have been to a large extent overcome in the EU.

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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 3,500 banks – large and small, wholesale and retail, local and international – employing approximately two million people. EBF members represent banks that make available loans to the European economy of more than €20 trillion and that securely handle more than 400 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.