



Convegno "Le banche regionali e la sostenibilità del modello di business"

Bolzano
23 Novembre 2018

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- A) The Banking Package**
- B) Proportionality in the BP**
- C) Basel December 2017 Agreement**



A) The Banking Package

- **3% binding leverage ratio**
- **Binding 100% NSFR**
- **Fundamental Review of the Trading Book (Market Risk)**
- **Pillar 2 (no macroprudential!)**
- **Better SME and infrastructure funding**
- **TLAC/MREL**
- **Intermediate Parent Undertaking (IPU)**
- ***Loans guaranteed by salary or pension***
- ***LGD from NPL disposal***



Proportionality

What is it about?

Introduction of elements of flexibility to reduce compliance burden caused by regulation (Call for Evidence after Basel 3)

Key constraints

- a) rules should be applied consistently to all banks
for the single market principle (minimum level of security to operate in the all EU on a lev-
playing-field)
- b) There is a trade-off between simpler rules and risk sensitivity
because simpler rules are less risk-sensitive, they need to be calibrated more conservatively:

more simplification = less risk sensitivity = more prudent calibration (higher costs)



Proportionality

Main objective

Strike the right balance between:

- alleviating the compliance burden and
- capturing risks which are relevant from a prudential perspective,
- while preserving comparability across banks
- and an overall level-playing-field within the single market



B) Proportionality in the BP

0 - Definition of small bank

- TA < 5 bn (but MS option to reduce threshold)

This threshold applies to 87% of EU banks, which represent only 7% of EU Total Assets.

Note: true that in some jurisdictions some higher thresholds are applied (in DE significant institutions if TA > 15 billion EUR)

1 – Supervisory reporting

- EBA mandate to propose simplifications for small banks



B) Proportionality in the BP

2 – Disclosure requirements

- Small and medium-sized (TA < 30 bn) non-listed banks subject to less extensive and frequent disclosures

3 – Remuneration rules (Rules on deferral and pay-out in shares)

- Exemptions for small banks and employees with limited variable remuneration



B) Proportionality in the BP

4 - FRTB

Exclusion for:

- Small banks under 50 million TA, and trading book under 5% TA : banking book rules
- Medium banks under 500 million and trading under 10% TA : use of existing standardised approach (now called simplified standardised approach)

5 – Counterparty Credit Risk

- Keep the OEM (Original Exposure Method) if limited derivatives activities (no migration to the new standardised approach)
- Introduction of new simplified standardised approach

6 - NSFR

EU Council: simplified reporting

EU Parliament: simplified NFSR



C) Basel December 2017 Agreement

1 – Exploratory consultation (done)

2 - Call for Advice from EBA (now collecting data)

3 - A fully-fledged EU impact assessment

to better analyse impact on smaller and medium banks :
capital requirements not to significantly increase

4 - A legislative proposal only by next Commission

5 – Transitional Arrangements to ensure smooth phase-in

6 – COM against front-running new rules in Banking Package

would delay approval, but f.i. revised RW for mortgages (more LTV dependent) will finally arrive

7 - Output floor at 72.5%

Seems a sensible calibration, but we will check it once again