



# **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 level-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