

PRESS RELEASE

Basel III: EBF comments on EBA updated impact assessment

BRUSSELS, 17 December 2020 – The European Banking Federation notes the publication this week by the European Banking Authority (EBA) of its [updated assessment](#)¹ of the impact of the forthcoming Basel III agreement implementation on the capital requirements of Europe's banks.

The EBA study shows that the impact on banks' balance sheets remains very significant (+ 18.5%, and even more for Europe's largest banks which account for most of the region's assets: + 22.4%). The assessment still amounts to a capital shortfall of between €33 billion and €52.2 billion, most of it in large banks. Important is to note that the EBA's analysis does not consider any detailed quantification of the financial impact from the Covid-19 pandemic, although its simulations suggest further material increases in capital shortfalls.

Contrary to the [study](#)² published by Copenhagen Economics, the EBA study still does not take into account the current capital ratios of banks. Banks indeed typically operate with capital buffers, e.g., as capital ratios fluctuate as part of the daily business and due to expectations from supervisors as well as investors. The current crisis has laid bare the importance of the management buffers. Thanks to the management buffer European banks have been able to withstand a major economic shock and keep up the level of lending. Therefore, the EBF reiterates that the EBA should use as main reference the sheer amount of capital needed to restore the current capital ratios.

It appears therefore essential that the European Commission implement the Basel IV framework at the European level with no significant adverse impact on any jurisdiction while respecting the international level playing field in banking and taking into consideration the European specificities.

The EBF believes that appropriate implementation of Basel IV is even more important in the context of the recovery from the COVID-19 crisis for banks to be able to continue providing

1

https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2020/961423/Basel%20III%20reforms%20-%202019Q4%20update%20and%20Covid%20impact.pdf

2 <https://www.copenhageneconomics.com/publications/publication/eu-implementation-of-the-final-basel-iii-framework#:~:text=In%20December%202017%2C%20the%20Basel,for%20different%20types%20of%20portfolios.>

European Banking Federation aisbl

Brussels / Avenue des Arts 56, 1000 Brussels, Belgium / +32 2 508 3711 / info@ebf.eu
Frankfurt / Weißfrauenstraße 12-16, 60311 Frankfurt, Germany
EU Transparency Register / ID number: 4722660838-23

the very much needed financing for corporates, SMEs, and households. Doing it diffidently would put at risk the chance of a sustainable recovery in Europe.

To mitigate this adverse impact, the EBF has identified a number of concrete implementational options to make the package more suited to the European specificities, including the possibility to implement the output floor as a separate capital requirement where only internationally agreed capital buffers are applied (the so-called parallel stack approach), solutions to avoid penalising unrated corporates which form the vast majority of companies in Europe, a cap to the operational risk requirement in line with other jurisdictions, as well as maintaining the options already enacted in European legislation (CVA, SME supporting factor, etc.).

MEDIA CONTACTS:

Ruta Barthet, Senior Communications & Media Officer
r.barthet@ebf.eu, +32 492 46 73 04

Raymond Frenken, Director of Communications
r.frenken@ebf.eu +32 2 508 3732

ABOUT THE EUROPEAN BANKING FEDERATION:

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The EBF is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere.