

PRESS RELEASE

Basel III agreement to further strengthen resilience of European banking sector, while maintaining its ability to finance growth

Brussels, 29 June 2023 – The EBF notes the agreement reached by the Swedish Presidency of the EU with the European Parliament and the European Commission on the Banking Package, a core legislative piece that will transpose into EU law the Finalisation of Basel III as well as other prudential topics.

“We are on track with the implementation of Basel III in Europe. The European banking system has stood firm in the face of bank crises in other countries this year, thanks to the significant level of resilience achieved during the regulatory reform. The agreement on the Banking Package implies a significant capital increase for European banks — it is important that other jurisdictions, notably the US, follow suit soon,” said EBF CEO Wim Mijs.

Today’s agreement retains the application of the output floor at a local level which will further increase the capital requirement for banking groups with cross-border subsidiaries, way beyond the consolidated level option offered by Basel III. The EBF is hopeful that it can be revisited in 2028 for a more integrated and efficient banking system.

Europe currently has the highest capital ratio across all global regions. We have to secure the competitiveness of the banking system for economic growth in Europe. It is also important to note that the Basel standards are applied across all banks in Europe, which has proven instrumental in avoiding contagion from the recent bank crises in other regions.

Beyond the Basel III reforms, the package does not outline an improved prudential treatment of securitisation. While a partial and transitory relief to securitisation is a step in the right direction, a broader approach is necessary to unlock the lending potential of European banks.

The Banking Package will deliver a significant number of technical mandates to the European Banking Authority (EBA) many of which will have a relevant effect on banks. Priority should be given to reporting guidelines, calculations and certain regulatory fixes. It will be essential to plan the implementation to ensure sufficient preparatory time for the banking sector to ensure IT processes and controls are adapted accordingly.

With this agreement, Europe stays the course of Basel III implementation at the committed timeline of 1st of January 2025.

About the EBF:

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.

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