Europäische Bausparkassenvereinigung
Fédération Européenne d'Epargne et de Crédit pour le Logement
European Federation of Building Societies

Mailing list Supervision/Accounting/Money Laundering

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JP

Commission withdraws proposal on structural measures improving the resilience of EU credit institutions

Dear Sir or Madam,

In the context of its work programme for 2018, the European Commission announced that it is withdrawing its legislative proposal on structural measures improving the resilience of EU credit institutions without replacement. The reasons given are on the one hand that other measures, such as the creation of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), have already sufficiently stabilised the financial system. On the other hand, the co-legislators had been unable to make sufficient progress in the legislative procedure.

On 29 January 2014, the European Commission had presented its proposal for a Regulation, with two focal points: the prohibition of proprietary trading and provisions on the ring-fencing of certain trading activities from retail business.

Whereas the Council of the European Union had agreed relatively quickly on a general approach to this dossier, the European Parliament has so far been unable to agree on a common position. The main bone of contention between Conservative rapporteur and Social Democrat shadow rapporteur was the question of whether the ring-fencing of certain trading activities should be at the discretion of the national competent authorities or whether there should be an automatic mechanism for this which would come into effect when certain criteria are met.

The European Federation of Building Societies had first made it clear, in the consultation procedure conducted by the European Commission in relation to the proposed ring-fencing of the relevant risky proprietary trading, that its members already operate within a bank separation system. According to national provisions, they are prohibited by law from engaging in certain banking business. In the further legislative procedure, the Federation advocated that certain transactions, used for the purpose of the interest rate, currency and credit risk management of an institution, should be exempted from the prohibition of proprietary trading. The justification given was that the investment of surplus deposits is necessary for the management of the pool of funds. In addition, it is regulated by special law that surpluses in the pool of funds may be placed only in gilt-edged investments.

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Yours sincerely,

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