Procedure file

Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Directive	1997/0124(COD)	Procedure completed
Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC) Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.04 Banks and credit		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	JURI Legal Affairs, Citizens' Rights		
	Former committee responsible		
	JURI Legal Affairs, Citizens' Rights		21/05/1997
		PPE CASSIDY Bryan M.D.	
	Former committee for opinion		
	ECON Economic and Monetary Affairs, Industrial Policy		03/07/1997
		PSE KATIFORIS Giorgos	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2095	19/05/1998
	Economic and Financial Affairs ECOFIN	2072	09/03/1998
	Economic and Financial Affairs ECOFIN	2044	17/11/1997

Key events

16/04/1997	Legislative proposal published	COM(1997)0071	Summary
14/07/1997	Committee referral announced in Parliament, 1st reading		
26/11/1997	Vote in committee, 1st reading		Summary
26/11/1997	Committee report tabled for plenary, 1st reading	A4-0380/1997	
17/12/1997	Debate in Parliament		Summary
18/12/1997	Decision by Parliament, 1st reading	T4-0630/1997	Summary
09/03/1998	Council position published	05169/2/1998	Summary

02/04/1998	Committee referral announced in Parliament, 2nd reading		
16/04/1998	Vote in committee, 2nd reading		Summary
30/04/1998	Decision by Parliament, 2nd reading	T4-0229/1998	Summary
19/05/1998	Act approved by Council, 2nd reading		
22/06/1998	Final act signed		
22/06/1998	End of procedure in Parliament		
21/07/1998	Final act published in Official Journal		

Technical information

Procedure reference	1997/0124(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	Rules of Procedure EP 66_o-p4; EC before Amsterdam E 057-p2
Stage reached in procedure	Procedure completed
Committee dossier	JURI/4/09853

Documentation gateway

Legislative proposal		COM(1997)0071 OJ C 240 06.08.1997, p. 0010	16/04/1997	EC	Summary
Economic and Social Committee: opinion, report		CES1173/1997	29/10/1997	ESC	Summary
Committee report tabled for plenary, 1st reading/single reading		A4-0380/1997 OJ C 388 22.12.1997, p. 0003	26/11/1997	EP	
Text adopted by Parliament, 1st reading/single reading		T4-0630/1997 OJ C 014 19.01.1998, p. 0104-0176	18/12/1997	EP	Summary
Commission opinion on Parliament's position at 2nd reading		COM(1998)0090 OJ C 118 17.04.1998, p. 0016	13/02/1998	EC	Summary
Council position		05169/2/1998 OJ C 135 30.04.1998, p. 0007	09/03/1998	CSL	Summary
Commission communication on Council's position		SEC(1998)0512	26/03/1998	EC	Summary
Text adopted by Parliament, 2nd reading		T4-0229/1998 OJ C 152 18.05.1998, p. 0015-0031	30/04/1998	EP	Summary

Additional information

European Commission	EUR-Lex

Final act

Directive 1998/31
OJ L 204 21.07.1998, p. 0013 Summary

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

OBJECTIVE: the aim of this proposal is to amend Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions with respect to the use of internal risk-management models for the calculation of market risks and the inclusion of measures to have appropriate capital available to cover the market risks inherent in commodities and commodity derivatives business. SUBSTANCE: the proposal is based on the work of the Basle Committee on Banking Supervision, which led to the publication, in January 1996, of the 'Amendment to the Basle Capital Accord to incorporate Market Risks', introducing into the 1988 Capital Accord a standardized method for the measurement of market risk identical to that already adopted in Council Directive 93/6/EEC. The amendments adopted sought to: - permit Member States to authorize financial institutions to use their own internal models, subject to strict conditions, to calculate capital requirements in relation to market risk, in order to align Community legislation with modern practices; - introduce new capital requirements in order better to cover the market risk associated with commodities and commodity derivatives. The proposed new requirements will, in general, be inferior to those arising from the combined application of the Solvency Ratio Directive and Directive 93/6/EEC, which is to be amended. The proposal for a Directive provides for three methods: - a simplified method imposing a very conservative flat capital requirement which should ensure that regulated institutions that engage incidentally in such risky and complex activities have a comfortable capital cushion; - a maturity ladder approach, which is the most appropriate answer in terms of the necessary capital coverage. The capital charge will generally be lower than under the first method; - the internal models which, at present, are not yet sufficiently developed for all aspects of derivatives activities. Notably, appropriate techniques have yet to be developed for options, which constitute a large element of commodities derivatives activity. The proposed Directive is deliberately intended to encourage such developments. The proposal takes account of the situation of certain investment firms dealing primarily in commodities and commodity derivatives. To give them sufficient time to adapt or upgrade their risk-management systems in order to be able to use internal models, a transitional period may be afforded to them by their Member State to use alternative rates subject to some additional prudential and transparency conditions. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The ESC welcomes and approves the Commission's proposal and urges the Council and the Parliament to consider it with all speed. This is necessary in the interests of protecting the competitive position of EU firms operating in international and highly competitive markets; it will also enhance the prudential control of banks and investment firms which is self-evidently desirable from a public policy perspective and is in the interests of the financial stability of the EU financial system and of the customers of financial institutions. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The report by Mr Bryan D. CASSIDY (PPE, UK) on the capital adequacy of investment firms and credit institutions has been adopted. The banking authorities of the G-10 countries (Basle Committee) issue rules on banking which apply to certain Member States. These rules have recently been updated to incorporate two new aspects which encourage flexibility: the use of internal models and the inclusion of commodities (e.g. shares) in the measurement of market risks. The present proposal for a European Directive is intended to adapt the Community rules to this new international legal context and preserve the competitiveness of EU financial institutions. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

Commissioner Fischler stated that he could not accept all the amendments tabled, as a result of international decisions made since the adoption of the proposal in question. The Commission could therefore accept Amendments Nos 2, 3, 5, 6, 7, 8 and 16 because these introduced useful clarifications. However it had to reject the more technical Amendments Nos 1, 9 and 10 because they were not fully consistent with the approach adopted at international level.

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

In adopting the report by Mr Bryan CASSIDY (EPP, UK) Parliament approved the proposal for a directive with amendments. Parliament recommended in particular that in order to provide the investment firms with the time needed to upgrade their risk management systems, the competent authorities might, subject to certain conditions, not impose the capital charges for commodities referred to in Annex VII to Directive 93/6/EEC for investment firms until after 31 December 2006. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The Commission's amended proposal incorporates the ten amendments adopted by Parliament at first reading. These amendments aim: - to extend the transitional provisions for the use of alternative spread, carry and outright rates for commodities risk until the end of 2006, in order to give investment institutions more time to modernize their risk management systems; - to provide more detail on how backtesting should be undertaken, particularly with regard to the frequency of such tests; - to introduce additional conditions to permit the use of internal models for calculating regulatory capital for specific risk as well as additional arrangements regarding the multiplication factor in the context of specific risks; - to clarify that institutions whose models do not meet the extra conditions, with respect to specific risk as introduced by the fourth amendment, must continue to calculate capital requirement for specific risk according to Annex I of the original directive; - to provide further explanation of how back-testing should operate in relation to the application of the 'plus factor'.

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The Council common position is in line with the amendments proposed by Parliament and with the Commission modified proposal. The enacting terms of the Directive in the common position are almost unchanged compared to the Commission proposal. The main changes aim to: - introduce a transitional regime (to 31 December 2006) for commodities business with regard to the capital requirements for establishments which meet a number of conditions to the satisfaction of the competent authorities; - to put back the cut off date for transposition of the Directive, initially set at 31 December 1997, to not later than 24 months after the Directive comes into force. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The Commission considers that the Council's common position is fully acceptable. It incorporates all Parliament's amendments and complements the Commission's initial and amended proposals by helpful clarification and additional provisions reflecting development in the international regulatory community since the adoption of the Commission's original proposal. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The committee has approved the proposal without any amendments. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

The European Parliament approved the common position. ?

Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

OBJECTIVE: to adapt the Community rules on capital adequacy in line with recent developments in international prudential rules. COMMUNITY MEASURE: Directive 98/31/EC of the European Parliament and of the Council amending Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions. SUBSTANCE: The directive aims to amend Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions with regard to the use of internal risk management models to calculate the capital requirements for market risks and to include measures to ensure the availability of capital needed to cover market risks linked to commodities operations and commodity derivative instruments. The directive also aims to update and amend Directive 93/6/EEC to take account of recent developments on the financial markets and international banking supervision. ENTRY INTO FORCE: 21/07/1998 DEADLINE FOR TRANSPOSITION: 21/07/2000 ?