Procedure file

Basic information

INI - Own-initiative procedure	2001/2257(INI)	Procedure completed
Report on capital adequacy of banks, Basel II Subject 2.50.04 Banks and credit		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		15/04/2002
		PPE-DE RADWAN Alexander	

Key events

04/07/2002	Committee referral announced in Parliament		
08/07/2003	Vote in committee		Summary
08/07/2003	Committee report tabled for plenary	A5-0258/2003	
01/09/2003	Debate in Parliament		
02/09/2003	Decision by Parliament	T5-0358/2003	Summary
02/09/2003	End of procedure in Parliament		

Technical information

Procedure reference	2001/2257(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 142-p2; Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/15644

Documentation gateway

Committee report tabled for plenary, single reading		A5-0258/2003	08/07/2003	EP	
Text adopted by Parliament, single reading		T5-0358/2003 OJ C 076 25.03.2004, p. 0039-0103 E	02/09/2003	EP	Summary

Report on capital adequacy of banks, Basel II

The committee adopted the own-initiative report drawn up by Alexander RADWAN (EPP-ED, D) in the context of the final phase of the planned revision of the Basle II capital adequacy rules for banks active on the international markets. It welcomed the basic principles of the new Basle Accord but was concerned that the cost impact of the new rules on firms of all sizes and from all affected sectors should be properly assessed. The report regretted that no adequate study of the impact of the new capital adequacy rules on financing conditions for SMEs had been carried out at European level, and called on the Commission to carry out the planned SME study as quickly as possible. While welcoming the many improvements obtained in the course of the negotiations, it called for the risk weightings for SMEs to be reduced further via the retail loan threshold and for more attention to be paid to the problems connected to the financing of start-ups. It also welcomed the Commission·s intention to assign a lower risk weighting to mortgage bonds, in contrast to the Basel Committee. Lastly, the committee wanted to see a study on the impact on the economy as a whole and guarantees of democratic controls - through amendments to Article 202 of the EC Treaty - on implementing legislation and the Lamfalussy procedure, which would give Parliament the right to "call back" and examine again the rules introduced under "commitology". ?

Report on capital adequacy of banks, Basel II

The European Parliament adopted a resolution based on its own-initiative report drafted by Alexander RADWAN (EPP-ED, Germany) on the new Basel Accord. (Please see the summary dated 08/07/03.) Parliament also felt that the possibility that the new rules will generate procyclical effects had not been completely eliminated, despite the adjustment of risk weighting curves. The macro-economic consequences of the new accord should be examined before it entered into operation by carrying out a further impact study and to make any changes necessary. Parliament regretted that the Basel Accord and other international agreements laying down a framework for legislation at EU level came into existence without any form of democratic mandate or control by the European Parliament. In future, questions with such far-reaching political implications should not be determined in advance by expert committees alone. Parliament stated further that the Basel rules carried into effect in the EU should apply to a broad range of banks and investment firms where this is appropriate in terms of the risk profile of the institution, in order to ensure a uniform standard of supervision and fair competition. It pointed to the US authorities' plans to apply the most progressive aspects of the Basel agreements only to an extremely limited number of banks, and to exclude certain classes of investment firms altogether. This will not achieve internationally comparable standards of supervision and unilaterally imposes a cost burden on EU banks. Therefore, there must be an appropriate cost-benefit relationship to be taken into account when drawing up system requirements, so as to avoid any competitive disadvantages for the European economy. The Commission should work closely with supervisory authorities of third countries, in particular with the US Federal Reserve Board and the Securities and Exchange Commission, to ensure a coordinated approach to implementation in the interest of maintaining a level playing field.?