Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. Capital Requirements Directive (CRDIV)

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The Council was briefed by the Presidency on progress in negotiations with the European Parliament on two proposals amending the EU's rules on capital requirements for banks and investment firms ("CRD 4").

The proposals set out to amend and replace the existing Capital Requirement Directives and divide them into two new legislative instruments:

- a Regulation establishing prudential requirements that institutions need to respect and
- a Directive governing access to deposit-taking activities.

The Cypriot Presidency stated its objective of finalising negotiations as soon as possible. As the incoming presidency, it has held its first "trilogues" and scheduled further meetings with the Parliament on 11 and 12 July.

Work under the previous Danish Presidency was almost completed on the Directive, with only a few key open issues remaining, and talks are now focused on the Regulation.

The negotiations with the Parliament are aimed at adoption of the Regulation and Directive at first reading.

Outstanding issues include a proposed flexibility package, bankers' remuneration, crisis management, sanctions, the balance of power between the authorities of "home" and "host" countries, corporate governance, and powers to be given to the European Banking Authority (EBA).

General approach: the Council agreed a general approach on the two proposals on 15 May with a view to negotiations with the European Parliament.

The draft Directive introduces:

- additional requirements for a capital conservation buffer of 2.5% CET 1 identical for all banks in the EU, and an institution-specific countercyclical capital buffer, as well as
- the possibility for Member States to introduce a systemic risk buffer of additional CET 1 capital for the financial sector or one or more subsets of it.

Member States would be able to apply systemic risk buffers of up to 3% for all exposures and up to 5% for domestic and third country exposures, without having to seek prior Commission approval, while they could impose even higher buffers with prior Commission authorisation in the form of a delegated act.

If a Member State decides to impose a buffer of up to 3% for all exposures, the buffer has to be set equally on all exposures located within the EU.

The proposed CRD-IV package would also strengthen requirements in terms of governance and surveillance and provide for the application of sanctions by the surveillance authorities in the event that the EU rules are transgressed and seek to reduce the dependence of credit establishments on credit ratings produced by external entities by favouring approaches based on internal ratings or internal models.