



# A STRONG FINANCIAL SYSTEM

#StrongBanks

**Banks have a central role in financing the EU economy and promoting growth and jobs.**



*"Europe needs a strong and diverse banking sector to finance the economy. We need bank lending for companies to invest, remain competitive and sell into bigger markets, and for households to plan ahead. Today, we have put forward new risk reduction proposals that build on the agreed global standards while taking into account the specificities of the European banking sector."*



**Valdis Dombrovskis** Commission Vice-President in charge of Financial Stability, Financial Services and Capital Markets Union

## BANKS IN THE EU HAVE ALREADY BECOME STRONGER AND SAFER

The EU has already overhauled its rules for financial services over the past few years in line with internationally-agreed standards.



Thanks to this single set of harmonised rules (the “Single Rulebook”), EU banks are much better capitalised and more resilient.



But more targeted measures are needed to further reduce the risks associated with banking and to enhance the ability of institutions to channel adequate funding to the economy.

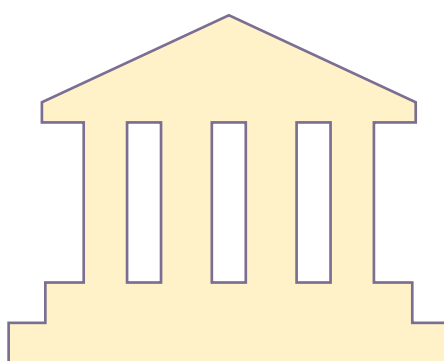
## HOW WE ARE MAKING THEM EVEN STRONGER

Updated rules on capital requirements to make banks even more resilient

Less burdensome reporting rules for small banks

Updated rules for the biggest banks to hold sufficient funds in case of problems

More risk-sensitive capital requirements for SMEs and infrastructure loans



## WHAT WE ARE PROPOSING

### REVAMPING EU BANKING RULES

Capital Requirements Regulation (CRR) and Directive (CRD)

Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRM)

- ✓ A binding Leverage Ratio (LR) to prevent banks from excessive lending when they do not have enough capital.
- ✓ Requiring banks to finance their long-term loans with stable sources of funding (Net Stable Funding Ratio, NSFR).
- ✓ Banks have to hold sufficient capital in line with the effective risks they take when trading in securities and derivatives (Fundamental Review of the Trading Book, FRTB).
- ✓ The biggest banks have to hold sufficient assets to draw on quickly in case of financial distress (Total Loss-Absorbing Capacity, TLAC).
- ✓ Harmonising creditor hierarchy to increase clarity for investors.
- ✓ Making EU rules more proportionate and easing reporting requirements for smaller banks.
- ✓ Making it easier for banks to lend to SMEs and to fund infrastructure projects and thereby support investments.

### WHO WILL BENEFIT FROM THESE PROPOSALS?



#### EU economy

It will benefit from sounder banks and more investments in SMEs and infrastructure



#### Taxpayers

They will be even better protected against bank failures



#### Banks

They will have to comply with a more comprehensive, risk-sensitive and clearer prudential framework



#### Smaller banks

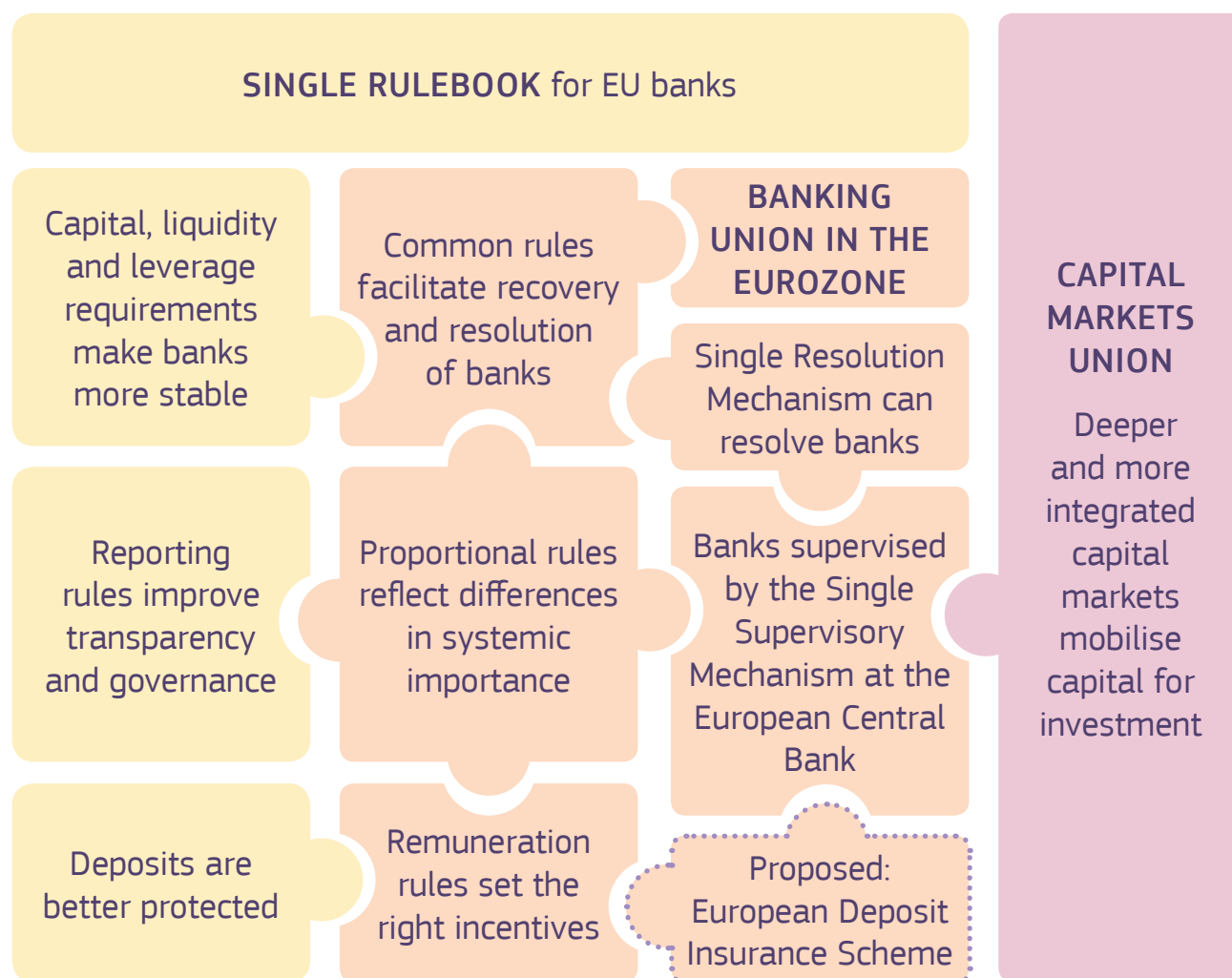
They will see disproportionate reporting requirements reduced



#### SMEs

They will have easier access to loans

## HOW THIS FITS INTO THE BIGGER PICTURE



## GLOSSARY

**BRRD** – Bank Recovery and Resolution Directive

**CRD** – Capital Requirements Directive

**CRR** – Capital Requirements Regulation

**FRTB** – Fundamental Review of the Trading Book

**LR** – Leverage Ratio

**NSFR** – Net Stable Funding Ratio

**SRMR** – Single Resolution Mechanism Regulation

**TLAC** – Total Loss Absorption Capacity