EUROPEAN COMMISSION

Brussels, 19.10.2012
C(2012) 7029 final

Dear President,

The Commission would like to thank the Narodno Sabranie for its Opinion on the proposal for a Directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate {COM(2011) 453 final} and the proposal for a Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms {COM(2011) 452 final}.

The Commission has duly noted the concerns expressed about certain elements of these proposals (collectively referred to as the "CRD4" proposals) such as the maximum harmonisation in respect of the capital requirements and the proposed single liquidity sub-group (SLSG) concept.

The Commission would like to reiterate that it attaches great importance to the principle of maximum harmonisation. A single market requires a common rulebook so as to avoid potential distortions of competition and regulatory arbitrage which could be caused by differentiated levels of capital requirements across Member States. Acting together at EU level helps to avoid "beggar-thy-neighbour" policies between Member States whereby a much higher level of capital requirements for a credit institution in one Member State could lead to capital repatriation from another Member State. If such a credit institution was a significant lender in the host Member State, it could provoke a scaling back of credit with adverse consequences for growth and employment in the host Member State.

The Commission recognises that financial markets are not perfectly integrated at national level. Therefore the CRD4 proposals identify specific areas in which national authorities should be able to apply the following measures:

- *A temporary increase of minimum requirements, in particular as a result of Member State proposals, by Commission delegated act (Article 443 of the CRD4 proposal for a Regulation);*

Mrs. Tsetska TSATCHEVA
President
Narodno Sabranie
2 Narodno Sabranie Square,
BG - 1169 SOFIA

- *Inclusion of national "structural variables" in the determination of the countercyclical capital buffer rate (Article 126(3)(c), CRD4 proposal for a Directive);*
- *The application of supervisory (pillar 2) measures to types of institutions (Article 95, CRD4 proposal for a Directive);*
- *Increasing the risk weights for lending based on mortgage secured immovable property, (Article 119(2) CRD4 proposal for a Regulation).*

These already provide a considerable degree of national flexibility. The subject of maximum harmonisation is being intensively discussed in the current Council and Parliament negotiations on the proposals.

As regards the proposed single liquidity sub-group (SLSG) concept, the Commission acknowledges that in the absence of agreement between the competent authorities of the Member States concerned, Article 19(2) of the CRD4 proposal for a Regulation foresees binding mediation by the European Banking Authority (EBA). However, the Commission would specifically draw your attention to the fact that, as regards the key organisational arrangements within the SLSG, such as the distribution of amounts and the location and ownership of the required liquid assets to be held within the sub-group, these should be agreed by the competent authorities of the Member States concerned. This mediation would remain non-binding. If it proves not to be possible to come to an agreement, each competent authority responsible for supervision should take its own decision, as specified in Article 19(3) of the CRD4 proposal for a Regulation.

I hope that these clarifications address the concerns expressed by the Narodno Sabranie and I look forward to continuing our political dialogue in the future.

Yours faithfully,

Maroš Šefčovič
Vice-President