



EUROPEAN COMMISSION

*Brussels, 28.6.2018
C(2018) 3980 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council on the prudential requirements for investment firms {COM(2017)790 final}.

This proposal, together with the proposal on the prudential supervision for investment firms {COM(2017) 791 final}, forms a comprehensive framework setting out revised and appropriate capital and other requirements for investment firms across the Union. These requirements correspond to the business models and risks of investment firms in a proportionate way. In this respect, they help ensure suitable protection for their clients and safeguard financial stability against the risks incurred and posed by these firms. By establishing a robust and proportionate prudential framework for investment firms to conduct their activities and help channel investment flows in the single market, the two proposals form part of the Commission's actions to deepen capital markets in the Union. The proposals also strengthen the Banking Union, by ensuring that the prudential requirements and supervision of systemic investment firms are aligned with credit institutions of similar size.

The Commission is pleased that the Bundesrat supports the overall objectives of the proposals. In particular, the Commission notes the views of the Bundesrat that the objectives of the proposals to ensure proportionate prudential requirements for non-systemic investment firms should be ensured, including the principle that the calculation of their capital requirements according to the proposed approach should not be excessively complex and that their capital requirements should never exceed those of systemic investment firms. Considering the far larger size of systemic investment firms, there is so far no evidence that non-systemic investment firms could end up with higher requirements. The Commission would like to recall that the proposal contains a gradual phase-in of the new provisions to mitigate large increases in requirements, which should also cater for some extreme cases.

*Mr Michael MÜLLER
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In addition, the Commission takes good note of the Bundesrat's remarks that overlapping requirements for non-systemic investment firms should be avoided and that the criteria for investment firms to benefit from the simplest prudential treatment should be kept under close review by the European Parliament and the Council. The Commission also welcomes the Bundesrat's view that the proposal represents a good opportunity to ensure greater harmonisation in the prudential treatment and supervision of systemic investment firms operating in the European Union.

Finally, the Commission notes the Bundesrat's remarks concerning the treatment of negotiated trades under the Regulation on Markets in Financial Instruments. However, the Commission considers that these concerns are outside the scope of the proposals for a revised prudential framework for investment firms.

The Opinion of the Bundesrat has been made available to the Commission's representatives in the ongoing negotiations on the revised prudential framework for investment firms with the co-legislators and will inform these discussions.

The Commission hopes that these clarifications address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Valdis Dombrovskis
Vice-President*