



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senato della Repubblica for its Opinion concerning the 'CRDIV' package {COM(2011) 452_453 final}.

The Commission welcomes the positive Opinion of the Senato on the Commission's proposal which we firmly believe will lead, once adopted, to a more stable financial system in the EU that will support economic growth in a more sustainable way.

The Opinion is accompanied by some recommendations specifically on the treatment of exposures to sovereign debt and on the inclusion of leasing companies in the scope of the Commission proposal. The Senato also raises some concerns on the impact on Italian banks of the on-going recapitalization exercise coordinated by the EBA.

As far as the bank recapitalization exercise is concerned, the EBA recommendation of 8 December 2011, reflecting the agreement of the European Council of 26 October 2011, clearly states that the aim of the exercise is to equip EU banks with an exceptional and temporary capital buffer to re-build confidence in the EU banking sector and restore access by banks to sources of funding that have quickly dried up in the second half of 2011. In that respect it is expected that EU banks will emerge from this exercise stronger due to boosted capitalization and enhanced investor confidence and, as a consequence, with a strengthened competitive position vis-à-vis their international players.

With regard to the prudential treatment of exposures to central governments, the Commission is fully aware of the relevance of the issue, particularly in the present context. The recapitalization exercise mentioned above seeks to make sure that EU banks are well equipped to deal with the current volatility of sovereign debt markets. This gives us adequate time to reflect on the appropriateness of current rules on capital requirements for credit risk associated to such category of assets and to take into proper consideration all the multiple interconnections with other regulatory areas including that of liquidity provisions.

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As far as the liquidity provisions are concerned, the Senato observes that the forthcoming rules in this area should not be applicable to leasing companies because of their specific characteristics. In that respect, the CRDIV proposal, including future liquidity rules, will apply to credit institutions and investment companies only. Financial institutions other than credit institutions, including undertakings specialised in leasing activities, are outside the scope of the Commission proposal.

Finally, building up of a truly single rule book in the area of financial services, including the adoption of the CRDIV "package", is an essential condition to achieve the single market in financial services and to establish a genuine Economic and Monetary Union. Building on that, the European Council on 28 and 29 June, 2012 decided on a series of actions to tackle the current financial crisis and to break the vicious circle between banks weaknesses and tensions on sovereign debt markets. The most important one is the establishment of a "banking union" through a single supervisory mechanism (SSM) for banks and a common deposit and resolution framework. The Commission adopted the SSM proposal on 12 September and is now actively contributing to the legislative process to make its adoption possible by the end of the year.

The Commission looks forward to continuing the constructive dialogue with the Senato della Repubblica on the issue of prudential requirements for credit institutions and investment firms.

Yours faithfully,

*Maroš Šefčovič
Vice-President*