SUMMARY
of the Opinion on the Proposal for a
Regulation of the European Parliament and of the Council on structural measures improving the resilience of EU credit institutions
COM (2014) 43 final

The Chamber of Deputies welcomes this initiative as the proposed measures have the role:

- to strengthen the banking sector in the European Union, also having positive effects at the national level, due to the interconnectedness between the credit institutions in Romania and the European financial and banking system;
- to maintain the balance between the prevention of systemic risks and the financing of the durable economic growth;
- to establish rules referring to the structural modifications of those banks which are considered to be *"too big to fail"* by imposing prohibitions on proprietary trading and by recommending the potential separation of certain transaction activities;
- to provide for the annual presentation of the banks which make the object of the Regulation proposal and of those which are exempted. But we consider that presenting and updating, at least twice a year, such a list, would be a more efficient measure so that to better monitor the market modifications.

The Chamber of Deputies:

a. recommends a deeper and more specialized quantitative definition of the implementing thresholds of the Regulation as well as the re evaluation of the threshold of ten percent of their total assets, for the small banks, which could be subject to major imbalances, further to stopping proprietary trading (as described in the Regulation proposal);
b. considers that strengthening prohibition of proprietary trading will impose the separation of entities within a banking system which can lead to altering relations with clients if increased fees are applied. Moreover, leverage limitation as a consequence of this separation can even have the opposite effect of the expected one, namely excessive leverage with respect to the activities recently separated from the main activity (a situation of *excessive alternative financing*);

c. considers that setting up trading entities by the activities transfer as a consequence of the separation will lead to diminishing the economic competitiveness of a banking system and to increasing the social and economic costs due to additional taxes and fees, greater research fees, also reducing significantly the economies of scale. As a result, the benefits can be under the costs limit;
d. considers that prohibition of proprietary trading can also have a relative effect in the market of the banking labor so that the employees who are engaged in such operations can be in the situation to transfer themselves in other financial companies, which could have been recently set up;
e. draws the attention upon the fact that the Regulation proposal does not clarify the way of achieving the separation between proprietary trading and that of market-making. The definition with regard to transaction activities does not offer clear criteria as to the way of separating proprietary trading which will be prohibited if the respective bank does not comply with the mentioned limits and thresholds;
f. notices that the Regulation proposal does not clearly specify the criteria according to which the national authority can decide on the separation of activities;
g. considers that if the credit institution or the parent financial company in the EU is identified as being an institution of a systemic importance at a global level, according to Article 3, paragraph (1), letter (a) of the Regulation proposal, then all its branches and subsidiaries can fall under its stipulations, irrespective of its location. Although we agree with the purpose of this paragraph, our opinion is that the branches should be subject to a more detailed analysis before deciding on their observance of the stipulations of this Regulation proposal;

The Chamber of Deputies supports and approves the current Regulation proposal, noticing however, that the above mentioned aspects should be clarified. The high level of complexity of the financial transactions requires – within the Regulation proposal - a more clear specification of the types of transactions which will be prohibited.