PARLIAMENT OF ROMANIA

CHAMBER OF DEPUTIES

DECISION

approving the Opinion on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (COM (2015) 473)

Pursuant to the provisions of Articles 67 and 148 of the Romanian Constitution, republished, of Law No 373/2013 on cooperation between Parliament and the Government in the area of European affairs, and of Rules 160 to 185 of the Rules of Procedures of the Chamber of Deputies, approved by Decision No 8/1994 of the Chamber of Deputies, republished, as amended,

The Chamber of Deputies hereby adopts this Decision.

Sole Article. Having regard to Opinion No 4 c-19/928 adopted by the Committee for European Affairs at its meeting of 8 December 2015, the Chamber of Deputies

1. notes that this proposal for a Regulation is part of the same legislative package as the proposal for a Regulation laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation (COM(2015) 472) and that it sets out a harmonised EU prudential framework for credit institutions and investment firms by laying down uniform rules that are directly applicable to those institutions and which include capital charges for credit risk attached to securitisation positions;

2. takes note of the general framework of the proposal under examination, i.e. financial integration in the EU, and notes that the European institutions' agenda includes enhancing the quality of European financial integration as a key priority;

3. notes that there are approaches according to which financial integration of the members of the Economic and Monetary Union (EMU) should be an absolute priority, with the rest of the EU joining in later in the process; objects to such a line of action, because it is likely to cause a disconnect between the euro area and the rest of the EU and because the need for rapid action takes precedence over the strong political and civic commitment of several Member States to support the Union's political integration irrespective of the sacrifices that budgetary, fiscal or other restrictions might entail;

4. stresses that the Capital Markets Union (CMU) is one of the pillars of the Investment Plan for Europe and can contribute to completing the single market and enhancing sustainable growth, as less fragmentation of capital markets might help reduce capital costs and improve their distribution, thereby supporting the development of businesses, particularly SMEs, and the creation of new jobs;

5. recalls that insufficiently regulated and controlled capital markets were a major reason for the outbreak of the financial crisis, and that imperfect capital markets led to erroneous risk assessment and a discrepancy between the returns sought and the risks actually incurred. Indeed, a number of banking supervision measures have been taken a result of the economic crisis which do not apply to capital markets yet; therefore, takes the view that every new proposal, especially regarding securitisation, should focus on tackling the causes of the crisis. The Chamber of Deputies believes that one of the objectives of the CMU should be to improve market efficiency and ensure that there is a fair, adequate and economically sound risk-return relationship on EU capital markets;

6. stresses that long-term financing of the European economy to benefit the real economy is a large-scale project that cannot achieved without improving access to capital markets through new sources of financing that complement traditional mechanisms, with the key objective of improving capital allocation across the European economy and making better use of currently idle capital stocks;

7. acknowledges that promoting cross-border capital flows by creating a common legal and financial architecture will enhance Member States' ability to adjust to market fluctuations, as it improves the quality of financial integration through more diversified financial flows and enhances efficiency to the benefit of small and large firms and investors alike;

8. acknowledges that the development of a safer and more sustainable EU securitisation market is a building block of the CPU project and can contribute to a closer integration of financial markets and more diversified sources of financing for the EU economy;

9. acknowledges that the recovery of the capital and securitisation markets in the EU is also needed in view of the lag behind the US markets, with equity markets accounting for just 60%, corporate bond markets just 35% and securitisation markets just 20% in comparison with the US;

10. recalls that the objective of creating a sustainable market for high-quality securitisation was identified in the Investment Plan for Europe as one of the five areas where short-term action was needed;

11. notes that such diversification of funding sources requires a level playing field among participants for similar financing activities; takes the view that the harmonisation process pursued by the proposed Regulation under examination can provide a level playing field for credit institutions and investment firms and boost confidence in the stability of institutions across the EU;

12. notes that an analysis of the financial crisis has highlighted the mechanistic reliance on external ratings in determining capital requirements and the insufficient risk sensitivity due to the lack of sufficient risk drivers across approaches in determining risk weights, as shortcomings of the current securitisation framework;

13. takes note of the European Banking Authority's (EBA) report on qualifying securitisations and its recommendations to lower capital charges for STS (simple, transparent and

standardised) securitisations to a prudent level relative to those set out in the Revised Basel Framework and to amend the regulatory capital requirements for securitisations set out in the Capital Requirements Regulation (CRR) in line with the Revised Basel Framework in order to tackle the weaknesses of the current rules;

14. notes that the current securitisation framework in the CRR, which is essentially based on the standards developed by the Basel Committee on Banking Supervision (BCBS), does not make a distinction between STS securitisations and other, more complex and opaque transactions; although it has been revised, the securitisation framework does not currently provide for a more risk-sensitive treatment for STS securitisations;

15. notes that, to achieve the overarching objectives of the proposal for a Securitisation Regulation, i.e. restarting securitisation markets on a more sustainable basis and making this a safe and efficient instrument for funding and risk management, it is proposed to amend the regulatory capital requirements for securitisations in the CRR in order to implement the regulatory capital calculation approaches set out in the Revised Basel Framework and introduce a re-calibration for STS securitisations, in line with EBA's recommendation;

16. takes the view that securitisations can help diversity sources of financing and release regulatory capital which can then be reallocated to support further lending, providing additional investment opportunities, allowing portfolio diversification and facilitating funding flows across the Union;

17. takes the view that standardising certain financial instruments and making them accessible across the internal market could be an appropriate tool for enhancing liquidity, strengthening the functioning of the single market, and enabling a comprehensive overview and supervision of the European capital markets;

18. advocates restarting securitisation markets on a more sustainable basis, amending the regulatory capital requirements for securitisations in the CRR to implement the regulatory capital calculation approaches set out in the Revised Basel Framework, and introducing a re-calibration for STS securitisations in line with EBA's recommendation;

19. is in favour of introducing a clear distinction between STS and non-STS securitisations, and acknowledges that the resulting securitisation framework would be more risk-sensitive and better balanced, preferential capital requirements would incentivise banks to comply with differentiated STS criteria, and investors would be encouraged to re-enter the securitisation market, as a differentiated framework would send a clear signal that risks are now better calibrated and that, therefore, the likelihood of a systemic crisis reoccurring has been reduced;

20. takes the view that this proposal would lead to a substantial simplification of the prudential regulatory capital framework applicable to credit institutions and investment firms by implementing a single hierarchy of approaches applicable to all institutions, regardless of the approach used for the calculation of capital requirements associated with the underlying exposures, and by deleting several specific treatments for certain categories of securitisation positions;

21. takes the view that it would be necessary to clarify how the CMU will interact with the other two pillars of the European Investment Plan, namely the European Fund for Strategic Investments (EFSI) and the European Investment Advisory Hub;

22. points out that, to supplement the removal of obstacles or barriers to allow capital to move freely, new channels should be identified that allow economies to mobilise themselves better and allocate the existing savings potential more efficiently, with a focus on households. The Chamber of Deputies holds the view that household financing conditions, and in particular mortgage lending conditions, are decisive in the management of monetary policy and that this area should therefore be approached as soon as possible so as to create a unified capital market.

This Decision was adopted by the Chamber of Deputies at its sitting of 14 December 2015, in compliance with Article 76(2) of the Romanian Constitution, republished.

THE PRESIDENT OF THE CHAMBER OF DEPUTIES,

VALERIU-ȘTEFAN ZGONEA

Bucharest, 14 December 2015.

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