Parlamentul României
Senat

Courtesy translation

15 March 2017

OPINION

of the ROMANIAN SENATE

on the proposal for the PACK RRM (Risk Reduction Measures)

1. **REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, conterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012 – COM (2016) 850 final**

2. **REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No.856/2014 as regards loss-absorbing and Recapitalisation Capacity for credit institutions and investment firms – COM (2016) 851 final**

3. **DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2014/59/EU on loss-absorbing and recapitalisation capacity of credit institutions and investments firms and amending Directive 98/26/EC,Directive 2002/47/EC, Directive 2012/30/EU, Directive 2011/35/EU, Directive 2005/56/EC, Directive 2004/25/EC and Directive 2007/36/EC – COM (2016) 852 final**

4. **DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures – COM (2016) 854 final**

The Romanian Senate, pursuant to art.67,art.148 (2) and (3) of the Romanian Constitution and the Protocol no.2 annexed to the Treaty of Lisbon amending the Treaty on European Union and the Treaty on the Functioning of the European Union, ratified by Law no.13/2008, has examined the **proposal for the PACK RRM (Risk Reduction Measures).**

Considering the Report of the Committee for European Affairs, the Romanian Senate issued, on the 8-th of March 2017, an OPINION, as follows:

(1) The legislative package RRM {COM (2016) 850 final, COM (2016) 851 final, COM (2016) 852 final, COM (2016) 854 final} respects subsidiarity and proportionality.

(2) This Package aim of improving prudential regulatory framework and resolution through meaningful and credible measures of risk reduction is a response to the financial crisis of 2007-2008.

This Legislative package complets the European Commission reforms, being dedicated to the unsolved deficiencies and to the implementation of certain elements which are essential to ensure the resilience of institutions, only recently completed by the standardization bodies worldwide [ie, the Basel Committee on banking supervision (BCBS) and the Financial Stability Board (FSB)]:

- a mandatory indicator of leverage that will prevent the institutions to apply excessive leverage increases, for example to compensate a low profitability

- a mandatory indicator net stable funding (NSFR) which will be based on profiles of financing improved institutions and will establish a harmonized standard for determination of stable sources of funding and long term which must have institutions to cope with periods of market stress and difficulties of financing;
- own funds requirements (ie, capital) less risk-sensitive for the institutions dealing with significant transactions with securities and derivatives, to prevent too many differences between those requirements which are not based on risk profiles institutions;
- new standards regarding overall capacity to absorb losses (total loss-absorbing capacity - TLAC) institutions systemically important global (C-IBS), which will require those institutions required to have a greater capacity to absorb losses and recapitalization will address the interconnections of global financial markets and will further strengthen the EU's ability to G-SII resolution distressed, while reducing to a minimum the risks for taxpayers.

(3) The Romanian Senate recommended in terms of potential impact that would affect the balance between interests of the Member State of origin of European banking groups and Member States operating subsidiaries of these groups (the host Member States), with potential impacts on financial stability of these countries, such as package RRM to ensure that the host Member States continue to have available all the skills and tools necessary for supervision on an individual basis by the competent authorities of credit institutions - branches, in order to manage more efficiently the risks It could be induced in the national financial systems. The package RRM must contain, also, adequate assurance that parent institutions at the European level of the banking group assumes the responsibility for setting up the equity of subsidiaries and maintain a level of debt eligible for absorbing losses of the subsidiaries, including the quality and level of their appropriate in -a way regarded as satisfactory by the competent authorities or resolution authorities of the host Member States.

(4) Regarding the application of art. 108 (2) (c) of BRRD {COM (2016 852 final)} for the determination asset class subordinate (to be taken into account when applying tool bail) would be useful to consider strategy resolution of credit institutions (in case of SPE (Single point of entry) statutory subordination by law and in case of MPE (multiple point of entry) to be contractual subordination.

Lastly, some of the included new provisions are trying to reduce the flexibility of Member States in approaching the systemic and macro-prudential risks which are identified, thus reducing flexibility for Member States to take action to ensure financial stability justified own

p President of the Senate

Niculae BĂDĂLĂU