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Press release | 28.02.2013

EU bank regulation (CRD IV)

Bank bonuses capped and accounting transparency enhanced under breakthrough deal on capital requirements legislation

A deal on key legislative proposals establishing rules for banks (the capital requirements directive - CRD IV) was reached in negotiations between the European Parliament, Council and Commission last night. The Greens welcomed the outcome, which will provide for an EU cap on bank bonuses and provisions to ensure greater transparency for banks' accounts, on top of key provisions ensuring banks are properly capitalised. This deal, if endorsed, would represent a breakthrough in the regulation of banks at EU level.

Commenting on the outcome, Green negotiator and finance spokesperson **Philippe Lamberts** (MEP, Belgium) said:

"MEPs were able, in the final round of negotiations, to obtain three crucial points from the Council, namely a cap on bonuses, on transparency of banking activities and on capital surcharge for systemic banks. These concessions from the Council were almost unimaginable when we started negotiations over seven months ago.

"EU-wide curbs on the excessive bonuses paid to bankers would mean the EU is finally, if belatedly, responding to public interest and demand regarding the sometimes obscene levels of bankers' remuneration. According to the agreement, the variable remuneration of bankers and traders may not exceed the total amount of their salary (at a ratio of 1-1). However, shareholders will have the possibility - through their explicit approval - of increasing bonuses to up to twice the amount of the salary. While the European Parliament would have preferred a stricter 1:1 limit, the final deal to limit bonuses to 200% of annual pay represents a huge step forward.

"Crucially, the deal will also ensure much greater transparency for banks' accounts. After tense discussions, governments agreed to Parliament's demand to oblige banks to publish, for every country in which they are active, the details of their activities and in particular their profits, taxes paid and subsidies received. This is crucial with a view to ensuring proper transparency for issues like revenue collection and tackling tax avoidance. While this should come into force in 2015, it could be delayed if the Commission deems that these

requirements are detrimental to financial stability and investment inflows.

"The third important concession obtained by the Parliament is additional capital requirements for "too big to fail" banks, that is to say banks whose bankruptcy would have serious consequences for the financial system and real economy. In addition to the minimum requirements (from now amounting to 10.5%), these bloated banks will be required to maintain an additional capital of up to 3.5%.

"However, we must remember that this agreement is still only provisional, since the Irish Presidency - leading negotiations for the Council - must still obtain final approval from its European counterparts.

"There are also two significant and disappointing elements in the adopted legislative agreement: Parliament pushed hard but failed to obtain a binding leverage ratio for banks, although this is an essential regulatory instrument for limiting excessive levels of debts. It will not be until 2016 at the earliest that the Commission makes legislative proposals in this area. Moreover, the crucial new rules on liquidity that oblige banks to hold liquid assets and reduce their dependence on short term financing have been severely weakened by the Council."

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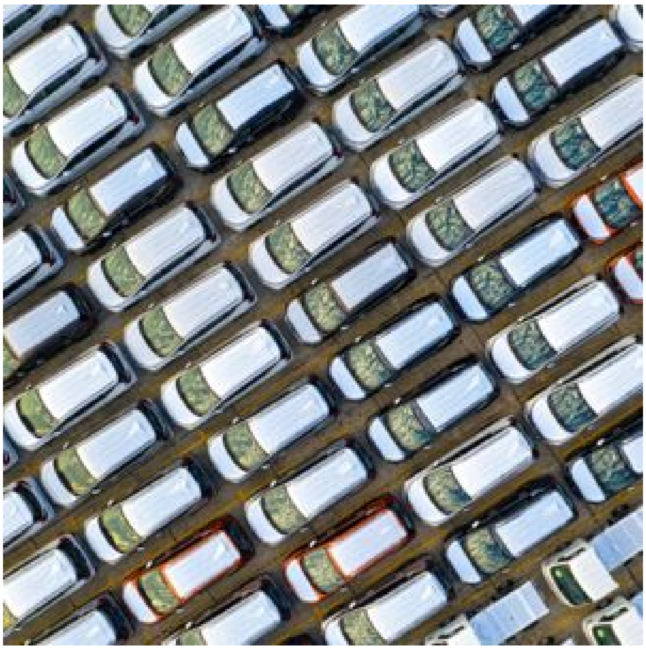

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Responsible MEPs

Philippe Lamberts

Member

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