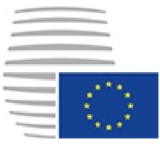

Council of the European Union

PRESS
EN
PRESS RELEASE
474/15
19/06/2015

Restructuring risky banks: Council agrees its negotiating stance

On 19 June 2015, the Council agreed its negotiating stance on structural measures to improve the resilience of EU credit institutions.

On the basis of this mandate, the incoming Luxembourg presidency will start negotiations with the European Parliament as soon as the latter has adopted its position.

The proposal is aimed at strengthening financial stability by **protecting the deposit-taking business** of the largest and most complex EU banks from potentially risky trading activities.

The proposed regulation would apply only to **banks that are either deemed of global systemic importance or exceed certain thresholds** in terms of trading activity or absolute size. Despite recent regulatory reforms in the banking sector, these credit institutions and groups remain **too-big-to-fail**, too-big-to-save and too complex to manage, supervise and resolve.

Tackling excessive risks

The draft regulation is intended to reduce excessive risk taking and prevent rapid balance sheet growth as a result of trading activities. It sets out to shield institutions carrying out activities that deserve a public safety net from losses incurred as a result of other activities. It provides for the **mandatory separation of proprietary trading** and related trading activities and establishes a framework for competent authorities to take measures to reduce excessive risk taking.

Trading activities other than proprietary trading would be subject to a risk assessment. If a competent authority finds that an excessive risk exists, it could require trading activities to be separated from the core credit institution, or demand an increase in the core credit institution's own fund requirements, or impose other prudential measures. Trading entities would be prohibited from taking retail deposits eligible for deposit insurance.

Scope

According to the Council's text, the regulation would apply to global systemically important institutions (in accordance with directive 2013/36/EU on capital requirements) or to entities with total assets of at least €30bn over the last three years and trading activities of at least €70 billion or 10% of their total assets. These banks would be allocated into **two tiers**, depending on whether the sum of their trading activities during the last three years exceeds €100 billion or not. Stricter reporting requirements, a more thorough risk assessment, and different supervisory actions would apply to banks exceeding the threshold.

The regulation would not apply to institutions with total eligible deposits (under directive 2014/49/EU on deposit guarantee schemes) of less than 3% of their total assets, or total eligible retail deposits of less than €35bn.

As proposed by the Commission, it would also not apply to sovereign debt instruments. But in the Council's text, a review clause has been further elaborated to specify that the Commission would review this exclusion taking into account developments at European and international level.

National regimes

To accommodate existing national regimes, the Council text provides **two options** for addressing excessive risk stemming from trading activities: This could be done either through national legislation requiring core retail activities to be ring-fenced, or through measures imposed by competent authorities in accordance with the regulation.

Liikanen report

The draft regulation builds on the recommendations of a report published in October 2012 by a "high-level group" chaired by the governor of the Bank of Finland, Erkki Liikanen (the "Liikanen report").

The regulation requires a **qualified majority** for adoption by the Council, in agreement with the European Parliament. (Legal basis: Article 114 of the Treaty on the Functioning of the EU.)

Council position on draft regulation on structural measures improving the resilience of EU banks

Press office - General Secretariat of the Council
Rue de la Loi 175 - B-1048 BRUSSELS - Tel.: +32 (0)2 281 6319
press.office@consilium.europa.eu - www.consilium.europa.eu/press