



## How revised bank capital requirements have affected lending: Commission consults

15 July 2015

In the wake of the financial crisis the EU, like many other jurisdictions, introduced stricter rules on capital requirements for banks. Today the Commission is starting a consultation on how some of those rules have worked in practice – for example, whether they have affected lending to small businesses and financing of infrastructure projects. During the legislative process leading to the adoption of the new capital requirements, the EU legislator tasked the Commission to examine these matters.

Jonathan Hill, EU Commissioner for Financial Stability, Financial Services and Capital Markets Union, will launch the consultation tonight at the UK leg of the "Investment Roadshow", promoting the EU's €315 billion Investment Plan ([IP/14/2128](#)): *"Bank funding is and will remain central to our economy; whether it is lending to small businesses, or long-term investment in infrastructure. The Capital Requirements Regulation and Directive have restored resilience, stability, and trust in the European banking sector. These are vitally important objectives which the legislation has helped to achieve—but it is right to ask whether the rules have unintended consequences. This is part of our commitment to Better Regulation, and helps us strike the best possible balance between managing risk and enabling growth."*

Capital Requirements for banks are set out in the Capital Requirements Regulation ([CRR](#)) and Capital Requirements Directive ([CRDIV](#)). While stronger capital requirements are needed to ensure the resilience and sustainability of the banking sector, the Regulation obliges the Commission to report on their impact on loans to people, small businesses and long-term financing in infrastructure.

Questions the consultation is seeking to answer include:

- To what extent have CRR and CRDIV affected the level of capital held by banks?
- Are all the new requirements under all circumstances proportionate to the risks they were meant to address?
- What impact are the rules having on lending to smaller businesses, and to infrastructure projects?
- Could some of the rules be simplified or differentiated by risk or size, without compromising on their objectives of financial soundness and stability of banks?

Today's public consultation seeks the broadest possible range of views from the financial services industry and other stakeholders. All interested parties are encouraged to complete the [questionnaire](#), which will help the Commission provide its report. As a follow-up, the Commission will publish a feedback report and organise a public hearing later this year, paving the way for the Commission's final report in 2016.

Future Commission actions, if any, will aim to safeguard the resilience of the banking system while taking into account the overarching objective of supporting jobs and growth in the EU.

In addition to supporting the Commission in its reporting obligations, the consultation is also in line with the Commission's focus on jobs, growth and investment as set out in the President's Political Guidelines; with the [EU's Investment Plan \(IP/14/2128\)](#), which aims to improve the environment for investment in Europe, including in particular as regards SME and infrastructure projects; and with the Commission's commitment to Better Regulation ([IP/15/4988](#)), so that EU legislation does what it is intended to do, avoiding any unnecessary burden.

### Background

The CRR and CRD IV set out a more prudent definition of eligible capital and require higher minimum regulatory capital in all EU banks, ensuring that the capital that banks need to hold adequately reflects the risks they take. In addition, supervisors and macroprudential authorities may apply additional prudential requirements to institutions within their supervisory scope.

The CRR also introduces a so-called 'SME supporting factor' which reduces the amount of capital required for SME loans relative to other loan categories—facilitating lending to SMEs, given the important role these companies play in the European economy.

The consultation aims to gather views and evidence in the light of the following reporting requirements for the Commission to the European Parliament and the Council set out in the CRR:

- Article 505 requires a report on the appropriateness of the CRR requirements in light of the need to ensure adequate levels of funding for all forms of long-term financing for the economy, including critical infrastructure projects;
- Article 516 requires a report on the impact of the CRR on the encouragement of long-term investments in growth-promoting infrastructure;
- Article 501 requires a report on the impact of the CRR own funds requirements on lending to SMEs and natural persons.

Key milestones:

Launch of the review	15 July 2015
Close of the public consultation	7 October 2015

**For more information on CRR and CRD IV:**

[http://ec.europa.eu/finance/bank/regcapital/index\\_en.htm](http://ec.europa.eu/finance/bank/regcapital/index_en.htm)

[http://europa.eu/rapid/press-release MEMO-13-690\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-13-690_en.htm?locale=en)

[http://europa.eu/rapid/press-release MEMO-13-272\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-272_en.htm)

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