The publication of the final text of the fourth Capital Requirements Directive (CRD 4) will mark a significant step in the move towards a more durable European financial system, strongly supporting economic growth, Europe's leading financial markets representatives said today.

Speaking ahead of the expected publication of CRD 4 today by the European Commission, Michael Lever, managing director and head of prudential regulation at the Association for Financial Markets in Europe (AFME), said:

“CRD4 is broadly welcomed by the industry as reinforcing the significant changes that have already been made to improve the banks' resilience, risk management and market discipline. As one of the major pieces of financial reform for Europe, its impact on both the financial sector itself and the wider economy will be felt for many years to come.

“We anticipate that CRD 4 will also herald moves toward greater harmonisation of financial regulation among member states. Done well, this should contribute strongly to deepening integration, reinforcing financial stability and supporting sustainable economic growth.”

However, AFME also warned of the risks of the impact of CRD 4 being considered in isolation from the many other pieces of regulation currently being introduced.

Michael Lever added:

“While welcoming the CRD4 package we continue to have concerns about a number of important aspects of the underlying proposals. We hope that the coming legislative process and the observation and transition periods will be used to address these elements.

"It is important to understand better the overall effect on the economy of the large number of regulatory reforms that are currently underway or envisaged. We must be sure that the cumulative effect of these measures, at a time when Europe's economies are fragile, does not stifle economic recovery.

“We urge the Commission to monitor the impact of these and other rules very closely during their implementation phases and to be prepared to reconsider some of its requirements if it becomes clear that they are having a damaging effect on the economies of member states.
“On the wider stage, we look to regulators globally to ensure that all requirements are implemented consistently and in a co-ordinated fashion so that a level playing field is maintained. This will help secure the flow of finance for Europe and bring confidence that our banks can continue to be able to play their part in supporting recovery and growth.”

CRD4 is the legislation under which the updated global standards on capital and liquidity agreed by the Basel Committee on Banking Supervision (Basel III) will be applied in Europe. The Basel standards are not globally binding, with each jurisdiction having the flexibility to formulate its own rules.

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Notes:
1. The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.
2. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu