
Press release

AFME: EBA's Basel III assessment underestimates impact of Covid-19 on banks' balance sheets

15th December 2020

Following today's publication of the EBA's updated assessment of the impact on the capital requirements of Europe's banks from implementing the December 2017 Basel III agreement in Europe, Michael Lever, AFME's Managing Director, Prudential, said:

"The EBA's evaluation shows Europe's largest banks, which account for most of the region's assets, are still facing an increase of approximately 20% in their capital requirements from the European implementation of Basel III. Moreover, this estimate is based on 2019 data which is likely to be nearly 18 months out of date by the time the European Commission issues its CRR3 proposal implementing the Basel agreement next year.

"In addition, the EBA's analysis excludes any detailed quantification of the financial impact from the Covid-19 pandemic, although its simulations suggest further material increases in capital shortfalls. As a result, it is highly likely that today's report underestimates the full impact on banks' balance beyond that resulting from the finalisation of Basel III and further undermines the G20 and EU commitment of no significant capital increases from the finalisation of the post 2008 crisis regulatory framework.

"This makes it imperative that the Commission commits to undertaking a further evaluation of the combined impacts of Basel III implementation and Covid-19 on banks' capital requirements based year-end 2020 data, or later, before the CRR3 proposal is finalised."

– Ends –

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Notes:

1. 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 (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.
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