
Press release

AFME welcomes European Commission legislative proposal on Capital Requirements Regulation but more is needed

28 April 2020

In response to the Commission's proposal today to make targeted amendments to the Capital Requirements Regulation (CRR) to provide temporary relief to banks in the context of the Covid-19 crisis, **Michael Lever, Head of Prudential Regulation at AFME**, said:

"The banking industry has a key role to play alongside and in partnership with governments in helping to mitigate the negative economic consequences arising from Covid-19. It is therefore essential that banks are equipped to fulfil this role so that funding quickly gets where it is needed and markets continue to function without major disruption.

"We strongly support the measures contained in today's fast-track proposal, which should help towards achieving this goal and should be concluded as rapidly as possible. However, more needs to be done to mitigate the impact of Covid-19 on businesses and the economy.

"In particular, some assessments of the capacity that has been freed up may be overestimated because they do not consider the reality of market pressures, or the full range of prudential constraints banks have to respect. It is therefore important that co-legislators now consider further targeted and time limited changes to the framework. These are likely to be needed to assist borrowers, markets and the economy. In particular, full capital relief for Covid-related state guarantees must be provided across all metrics of the framework and further, strictly temporary, exclusions from the leverage ratio exposure measure may well be necessary.

"Co-legislators should also not forget the impact of the additional bank lending on MREL requirements. Finally, small changes to market risk regulations are needed to ensure EU supervisors have the flexibility allowed under the current Basel Agreement.

"Many of these proposed changes have already been adopted by other jurisdictions in recognition of the benefits that they bring through enhancing the capacity of their banks to support their customers and market functioning through this crisis. Europe should not delay in following suit."

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants

and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. 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. Follow us on Twitter @AFME_EU