Speech by Minister of State for European Affairs, Lucinda Creighton T.D.,
Joint Debate: Capital requirements Directive (CRD IV) at the Plenary Session of the European Parliament

Strasbourg 16 April 2013

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A Uachtarán,
A Chomhaltaí Onóracha,

An pacáiste reachtaíochta atá os bhur gcomhair inniu, is toradh é ar go leor oibre ónár dhá n-institiúid. Ó thaobh na Comhairle de, ba mhaith liom buíochas a ghabháil go háirithe le hobair Uachtaránachtaí na Polainne, na Danmhairge, agus na Cipire.

Ba mhaith liom buíochas a ghabháil freisin leis an rapóirtéir, an tUasal KARAS, le Cathaoirleach an Choiste ECON Bean BOWLES agus leis na scáth-rapóirtéirí an tUasal BULLMAN, an tUasal LAMBERTS agus an tUasal FORD, as a gcomhoibriú agus a ndea-thoil sa chaibidlíocht. Cuirim fáilte roimh an bhfíric gur éirigh linn le déanaí teacht ar chomhaontú polaitiúil, is ionann sin is a rá go bhféadfar na rialacha nua a chur i bhfeidhm ón gcéad lá d’Eanáir dhá mhíle is a ceathair déag.
This legislative package will constitute the heart of the Single Rule Book for banks and will pave the way for Banking Union. It also means that we can fulfil our international commitments on financial regulation and implement the Basel III accords on capital and liquidity requirements.

I would like to signal two points which deserve particular attention. Firstly - as we all know - the European Union faces huge challenges in raising its competitiveness and achieving strong economic growth. We therefore have to balance the necessary accumulation of capital buffers and liquidity by banks, with ensuring that adequate funding is released to the real economy, particularly to SMEs. I think that the package we have negotiated does indeed provide sufficient incentives to achieve the latter.

Secondly, while the Basel accords concern the largest global banks, our text covers both banks and investment firms. We have therefore had to include specific provisions to take account of this, whilst ensuring that we still comply with global rules and meet the prudential business requirements.

Members will be fully aware of the key elements of the text on which you will be voting later today, but allow me simply to highlight a few important points.

Perhaps the most fundamental is that banks will have to hold more and better capital and comply with liquidity management requirements. This will be a major safeguard of stability in the financial sector and discourage unreasonable risk taking. We have in particular agreed, in addition to the systemic risk buffer of capital that Member States may introduce, on a
buffer that will be specifically applicable to systemically important institutions. This will be mandatory for global systemically important institutions. The rules on capital buffers have been carefully drafted to ensure a proper balance between the supervisory interests of home and host states of banking institutions.

Member States may adopt national measures to counter macro-prudential or systemic risks at national level, but sufficient safeguards have been included to prevent any disruptions to the single market, any violation of Basel rules and any undermining of prudential supervision.

On Net Stable Funding Ratio, Leverage ratio and Liquidity coverage ratio, we have agreed on a set of rules that strike the right balance between the Basel requirements, prudential supervision, and our ambition to ensure both a secure financial sector and Europe's international competitiveness.

We have also included provisions on transparency requirements. For example, the banks will have to disclose profits made, taxes paid and subsidies received country by country, as well as turnover and number of employees. From 2014 these should be reported to the Commission and from 2015 made publically available.

The package also includes an agreement on the capping of bankers' bonus pay at the ratio of 1:1 to the fixed part of the annual remuneration. There are some possibilities for a degree of flexibility in raising this ratio to 2:1 with shareholder involvement, and the possibility of paying 25% of the bonus by deferred instruments at discounted rate. I think this is a good compromise, which should help discourage excessive risk taking.
As far as supervision is concerned, the role of the European Banking Authority will be enhanced, given the large number of important supervisory tasks have been delegated to it.

President, Honourable Members

Our agreement on this legislative package does not mean that our work is at an end. The experience we gain in implementing the legislation will need to be assessed and evaluated. A number of review clauses have been built into the text which could lead to improvements in the future. They cover, for example, funding for all forms of long term financing for the economy, the regime applicable to large exposures, and the liquidity coverage requirement, as well as limits on exposures to shadow banking entities.

Overall, we consider that the result reached at the end of our negotiations is a very satisfactory outcome, and very much hope that it will receive the support of this parliament. It constitutes a major step towards better
Translation of para on page 1

President,
Honourable Members,

The legislative package you have in front of you today is the result of a great deal of work by both our institutions. On the Council side I would like to pay tribute in particular to the work of the Polish, Danish, and Cyprus Presidencies.

I would also like to thank the rapporteur Mr. Karas, the Chair of the ECON Committee Mrs Bowles and the shadow-rapporteurs Mr. Bullman, Mr. Lamberts and Ms Ford for their cooperation and goodwill in these negotiations. I welcome the fact that we have recently been able to reach political agreement. This means that the new rules can apply from 1 January 2014.