

## 9. Review of the Capital Requirements Directive

ABI Contact: Carol Hall 0207 216 624, Danka Starovic 0207 216 319

ABI Lead Committees: Investment Committee

Other interested committees: European Committee

Issue: Following the recommendations of the de Larosiere Group and the consultation papers of the Basel committee in January, the European Commission intends to come forward with further legislative proposals amending the Capital Requirements Directive (CRD).

Status: There are two packages of CRD proposals to be aware of. The **first** is the package "CRD3" of legislative proposals that came out in June and covered the supervisory review of remuneration and capital requirements for the trading book and re-securitisation.

Work progressed quickly in Council with a general approach adopted by COREPER on 10 November. The text strengthened the Commission proposals, including that bonuses should never be guaranteed, and at least 50% of bonus should be in shares. It also enables supervisors to impose fines for companies that do not comply.

Discussions in the European Parliament on CRD3 began on 2 December. A draft report by Rapporteur Arlene McCarthy (UK, S&D) is scheduled for discussion on 26 January 2010.

The Commission had intended to propose a **second** package ("CRD4") in the autumn covering leverage, liquidity, and through-the-cycle provisioning. They were also looking at excessive procyclicality and at the existing text with a view to minimising national discretions on CRD. However, this package will be postponed until the new Commission is firmly in place in 2010.

ABI Action: The Commission launched a very short consultation for the "summer package" in April/May to which the ABI responded. We will continue to monitor developments, mainly for read-across to insurance supervision, and consult with members once the proposals have been made.

Background: In October last year, the Commission proposed a review of the CRD. There were a number of changes, the most notorious being the "originate to distribute" model for securitisation (new Article 122a). In order to overcome the "potential conflict of interest" and strengthen due diligence, the Commission introduced a model that ensures all originators retain at least 5% of the total of the credit risk transfers they have underwritten.

### Useful documents:

[Commission's consultation documents](#)

[Commission's proposal](#)

[Council "general approach"](#)