



## European Banking Industry Committee

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European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB) European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)  
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)  
European Association of Public Banks (EAPB)

Mr Jean-Claude Thébault  
Director  
Internal Market DG  
European Commission  
Avenue de Cortenbergh 100  
B-1040 Brussels

18 June 2004

Dear Mr Thébault,

### **New capital requirements for banks and investment firms – implementation date**

The European Banking Industry Committee (EBIC) is grateful to the European Commission for inviting the views of the industry on the question of the implementation date of the new capital requirements framework following the staged implementation approach agreed by the Basel Committee.

### **Objectives**

EBIC believes that the decision on the implementation date should be driven by the following objectives. There must be:

- *no* requirement for an institution to move to an approach for only one year. For example, a bank intending to adopt the Advanced IRB approach from end-2007 must not be required to move to the Foundation IRB approach from end-2006;
- certainty in the requirements to be placed on institutions subject to the proposed Regulatory Capital Directive;
- a level playing field across the European Union and internationally;
- continued momentum in the regulatory process and in banks' implementation processes.

### **Assessment**

EBIC Members have considered the options the Commission has presented to us against these objectives. The conclusions we have reached are based on our understanding of these options and represent for a number of Associations majority views rather than unanimous positions.

All EBIC Members would be concerned if any of the options the Commission has presented to us were to be exercised at the national level as the Commission suggests. This could result in the application of different approaches across the EU during the one year transitional period and banks being required to adopt an approach that was inappropriate to their business needs.

Some EBIC Members<sup>1</sup> would support option 3 if the optionality were to be exercised at bank level. They believe that option 3 would most directly meet the objectives given above. It would allow banks to take advantage of the new framework from end-2006. This would help to maintain momentum in the regulatory process and in banks' implementation processes.

Other EBIC Members<sup>2</sup> believe that option 5 would most clearly deliver the objectives set out above. They note that banks remaining on Basel I until end-2007 would be subject to the requirements of Pillars 2 and 3 of Basel II. This would produce a confusing result during the transitional year for both institutions and supervisors, and result in an increase in systems costs.

All EBIC Members are agreed that the implementation date chosen must be delivered in practice. There is no room for loss of momentum. EBIC therefore urges the Commission to press ahead with the adoption of a proposal for a Regulatory Capital Directive in July. It remains vital for the proposed Directive to be available for the Dutch Presidency to pursue its intensive programme of meetings.

Yours sincerely,



Ian Mullen  
EBIC Chairman



Simon Wills  
Chairman of EBIC Capital Adequacy Working  
Group

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<sup>1</sup> ESBG, EACB, EFBS, EAPB

<sup>2</sup> FBE, EMF