



EUROPEAN COMMISSION

Directorate General Financial Stability, Financial Services and Capital Markets Union

Director General

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Mr. Andrea ENRIA
 Chairperson
 European Banking Authority
 One Canada Square, Canary wharf
 LONDON E14 5AA
 United Kingdom

Sent by e-mail

Subject: Call for Advice to the EBA for the purposes of revising the own fund requirements for credit, operational, market and credit valuation adjustment risk

Dear Mr. Enria,

The Commission services are currently preparing for the implementation in EU law of the revisions to the credit risk, operational risk and credit valuation adjustment risk frameworks, as well as the implementation of the new output floor, which were agreed¹ by the Group of Governors and Heads of Supervision in December of last year (the so-called finalisation of the Basel III reforms²). The Commission services are also closely following the ongoing work³ of the Basel Committee on Banking Supervision (BCBS) on the market risk framework (expected to be concluded by the end of 2018) since it may lead to revisions to that framework which would then need to be implemented in EU law as well.

As part of the implementation process, the Commission services are seeking technical advice from the European Banking Authority (EBA) on the potential impact of the abovementioned revisions, including any potential revisions to the market risk framework, on the EU banking sector and the wider EU economy, and on possible implementation challenges which would arise for institutions established in the EU (please see enclosed the Call for Advice for more details).

I cannot stress enough the importance of this exercise. Up to date, there has been no comprehensive EU-specific assessment of the impact of implementing the abovementioned revisions in EU law. Because of the broad scope of the exercise and the

¹ Two additional elements of the package of reforms, namely the final revisions to the measurement of the leverage ratio and the introduction of a leverage ratio buffer for global systemically important banks (G-SIBs) are currently being discussed as part of the negotiations on the package of amendments to Regulation (EU) No 575/2013 and Directive 2013/36/EU proposed by the Commission in November 2016. These elements are therefore not further considered in the present Call for Advice.

² BCBS (2017) "Basel III: Finalising post-crisis reforms" (BCBS/2017/D424), available at: <https://www.bis.org/bcbs/publ/d424.pdf>.

³ On 22 March 2018, the BCBS published a consultation document including a number of proposed revisions to the market risk framework (the latter was published by the BCBS in January 2016).

substantial amount of work that will be needed in order to prepare the EBA's advice, my services have already contacted the EBA's staff to discuss the content of the Call for Advice. My services stand ready to support the EBA in completing this technical advice as efficiently as possible. The invaluable input from the EBA will be instrumental in informing the Commission's decision.

To this end, I would ask the EBA to deliver its analysis to the Commission services by 30 June 2019. If the delivery of the analysis on the revisions to the credit valuation adjustment (CVA) and market risk rules would not be possible by that date, the EBA should deliver that analysis by 30 September 2019 at the latest. In that case, the EBA should still deliver a preliminary analysis of the new output floor and a preliminary analysis of the combined impact of the key revisions in the report submitted by 30 June 2019.

Thank you in advance for your cooperation and I look forward to receiving the EBA's advice.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'O. Guersent', with a long horizontal line extending to the right.

Olivier GUERSENT

Cc: J. Berrigan, M. Merlin, A. Schaedle, D. Thienpont, K. Wiedner, S. Hrovatin, K. Wynands (CAB-DOMBROVSKIS), J Ceyskens (CAB-DOMBROVSKIS)

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