Press release | 16.04.2013

EU bank regulation (CRD IV)

EP caps bank bonuses and improves accounting transparency with new legislation

The European Parliament today approved legislative proposals establishing rules for banks (the capital requirements directive - CRD IV). The Greens played a central role in the legislative process and welcomed the vote and the legislation, which will provide for an EU cap on bank bonuses and provisions to ensure greater transparency for banks' accounts, on top of key provisions ensuring banks are properly capitalised. Commenting after the vote, Green finance spokesperson **Philippe Lamberts** (MEP, Belgium) said:

"The CRD banking legislation adopted today is a real breakthrough in terms of regulating Europe's banking sector. The EU Parliament played a crucial role in ensuring this legislation is truly robust, with its successful insistence on a cap on bonuses, transparency of banking activities and a capital surcharge for systemic banks. The legislation thus goes far beyond its basic capital requirements remit and will help put Europe's banking sector on a sounder footing.

"EU-wide curbs on the excessive bonuses paid to bankers would mean the EU is finally, if belatedly, responding to public interest and demand regarding the sometimes obscene levels of bankers' remuneration. The variable remuneration of bankers and traders may not exceed the total amount of their salary (at a ratio of 1:1), unless shareholders explicitly approve higher bonuses (up to twice the amount of the salary). While the European Parliament would have preferred a stricter 1:1 limit, the final deal represents a huge step forward.

"Crucially, the legislation will also ensure much greater transparency for banks' accounts. Banks will be obliged to publish the details of their activities and in particular their profits, taxes paid and subsidies received for every country in which they are active. This is crucial with a view to ensuring proper transparency for issues like revenue collection and tackling tax avoidance.

"The legislation will also provide for additional capital requirements for banks deemed 'too big to fail' (i.e. banks whose bankruptcy would have serious consequences for the financial system and real economy). In addition to the minimum requirements (10.5%), these bloated banks will be required to maintain additional capital of up to 3.5%.

"The failure to include a binding leverage ratio for banks is a source of regret, although this is an essential regulatory instrument for limiting excessive levels of debts. New rules on liquidity, obliging banks to hold liquid assets and reduce their dependence on short term financing, are also far weaker than necessary."

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Responsible MEPs

Philippe Lamberts

Member

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