



Press release – EAPB welcomes recognition of promotional banks in the European Commission’s proposals reviewing the legislative framework of the Banking Union and highlights the need for further adjustments in order to maintain a level playing field

On 23 November 2016, the European Commission published a set of proposals on the current legislative framework of the EU Banking Union. The proposals constitute the most substantial amendments to the existing provisions ever since the establishment of the post-crisis framework and will make important changes to the texts of various regulations and directives ([Capital Requirements Regulation \(CRR\)](#), [Capital Requirements Directive IV \(CRDIV\)](#), [Bank Recovery and Resolution Directive](#), [Single Resolution Mechanism Regulation \(SRMR\)](#)).

The European Association of Public Banks (EAPB) welcomes these legal proposals. Unlike the current provisions still in place today, the new proposals acknowledge that there is a need for a dedicated treatment of promotional banks when establishing new regulatory provisions such as the leverage and net stable funding ratio (LR and NSFR) in Union law. Therefore, EAPB and its members strongly support the possibility to make specific adjustments to promotional banks’ leverage ratios by allowing them to deduct certain promotional exposures from the LR exposure measure. At the same time, EAPB is convinced that a dedicated treatment can only be complete if it allows all affected promotional banks and business models including local finance providers to obtain the same treatment. In this perspective, it will be crucial to work with a “*public development credit institution*” definition which maintains a level playing field without offering the scope to regulatory arbitrage. EAPB believes that for reasons of regulatory consistency, this dedicated treatment should also be taken further to disclosure requirements. Any disclosed information may have significant effects on market expectations and should therefore capture a promotional bank’s capital structure in a way that reflects its underlying low risk business model. Consequentially, further adjustments will have to be made in order to clarify issues still open.

Mr. Marcel Roy, Secretary General of the EAPB comments:

“The European Commission’s review proposals on the EU banking regulation are an encouraging first sign that the stabilising and counter-cyclical function of promotional banks as lenders of last resort is recognised and deserves dedicated regulatory treatment.”

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Notes to Editor:

Promotional banks display of a very low-risk business model being engaged in the financing of public policy objectives of their public owners (mainly central, regional or local governments) and providing promotional finance to SMEs, infrastructure projects, social housing, export finance. Despite their specific business models, the majority of promotional banks in Europe currently has a banking license and is subject to EU banking regulation. 7 promotional banks within EAPB membership are even directly supervised by the ECB and have to comply with the same regulatory provisions as global systemically important banks (G-SIBs).

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About EAPB:

The European Association of Public Banks (EAPB) gathers member organisations (financial institutions, funding agencies, promotional and public banks, associations of public banks and banks with similar interests) from 17 European Member States and countries, representing directly and indirectly the interests of over 90 financial institutions towards the EU and other European stakeholders. With a combined balance sheet total of about EUR 3,500 billion and a market share of around 15%, EAPB members constitute an essential part of the European financial sector.