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EUROPEAN COMMISSION

Commissioner Mairead McGuinness
Financial Services, Financial Stability and Capital Markets Union

Brussels, 25 November 2021
Ares (2021) 5682870

Subject: Your letter of 15 July 2021 ('European strategic autonomy can be reached via tangible regulatory and supervisory support')

Dear [redacted], dear [redacted]

Thank you for your letter of 15 July 2021 in which you highlight the challenges for Europe to achieve strategic autonomy with regard to financial market infrastructures and the provision of financial services by the EU banking sector, in light of the current pandemic situation and in the context of international competition. I take note of the regulatory and supervisory measures that you propose, which in your view would help EU banks deliver long-term sustainable profitability without jeopardising their financial stability.

I would first like to reiterate that the Commission recognises the essential role that the banking sector in general has played and continues to play in the current crisis. This is why the Commission wants to foster EU banks' capacity to support the economic recovery and growth after the crisis. The Commission is also aware of the importance of investment banks for the EU economy, as outlined in the Communication on Open Strategic Autonomy. Investment banks have to play a very important role for the Capital Markets Union. The development of financial market infrastructures in the EU is paramount for well-developed capital markets in the EU, a condition both for the success of the Capital Markets Union project and for the open strategic autonomy of the EU. I expect EU investment banks to fully support this.

The overarching objectives of our forthcoming legislative proposal to implement the final Basel III standards will be to strengthen the prudential framework while avoiding a significant increase in capital requirements and ensuring a level playing field at international level. The Commission is committed to implementing faithfully the final Basel III standards, using the flexibility provided therein to take into account the specificities of the EU economy and financial sector. Furthermore, the Commission will pay particular attention to possible distortions of the international playing field that would result from an uneven implementation of the standards across the globe.

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On the Single Resolution Fund (SRF), it is imperative that there is sufficient capacity for financing of resolution at Union level, in particular in case of a systemic crisis. The size of the SRF is linked with the size of the banking sector as a whole through the reference to the amount of covered deposits of all credit institutions authorised in all of the Member States participating in the Banking Union. The level of the SRF resources available must be maintained at a sufficiently prudent level to achieve balance between the need to finance the economy and preserve financial stability, including in case of failure of large institutions or in a systemic crisis.

The heterogeneity in the way Other Systemically Important Institutions (O-SIIs) are dealt with in the EU is one of the issues that the Commission will look into in the upcoming review of the macroprudential framework. This review will be completed by the end of 2022. A targeted public consultation will be launched in the coming months, offering banks and other stakeholders an opportunity to present their views on the identification of O-SIIs and the calibration of O-SII buffer rates.

Yours sincerely,

Mairead McGuinness

C.C.: John BERRIGAN (DG FISMA), [redacted] (Cabinet Commissioner McGuinness)