



EUROPEAN COMMISSION

*Brussels, 19.9.2014
C(2014) 6579 final*

Dear President,

The Commission would like to thank the Senát for its Opinion on the proposal for a Regulation on structural measures improving the resilience of EU credit institutions and the proposal for a Regulation on reporting and transparency of securities financing transactions {COM(2014) 40 final}.

The Commission appreciates the Senát's support to the Commission's efforts to foster greater stability and resilience of the European banking sector and to increase the transparency of shadow banking.

The Commission however regrets the Senát's doubts about the value added of the former proposal as the objectives could be achieved by means of existing legislation at EU level.

The proposed Regulation on structural reform measures complements the financial regulatory reforms undertaken over the last several years by setting out rules on structural changes for the largest banks in Europe, in particular those with significant trading activities. The failure of such banks could have a damaging impact on the rest of the financial system and the whole economy. These measures would affect only around 30-35 banks out of the more than 8000 banks operating within the EU.

The proposal is fully in line with the G20/Financial Stability Board's efforts to address the too-big-to-fail (TBTF) problem and the recognition that structural banking reforms can facilitate resolvability of large and complex banks.

Some Member States have proposed or adopted structural reform measures for their national banking systems. The coexistence of inconsistent national legislations would increase the probability that capital movements and investment decisions would be distorted within the Internal Market. Without a Union-wide approach banks will be forced to adapt their structure and operation along national boundaries, thereby making them even more complex and increasing fragmentation. EU action is necessary to ensure that divergent national solutions do not undermine the functioning of the single market.

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The Commission shares the Senát's opinion about the important role of the universal banks in the European banking landscape. The Commission recognises that the model of universal banking has proven its advantages in Europe. The proposal is therefore not calling for a break-up of European universal banking groups. Universal banks would continue to serve clients with a broad set of services and financial products. The reform measures proposed would simplify the way the TBTF banks operate and would facilitate their resolvability.

The Commission acknowledges the Senát's call to lay down all essential elements of the legislative act in the act itself and to restrict the use of implementing or delegated acts to the extent possible. The Commission agrees with the importance to specify essential issues in the Regulation in order to provide legal certainty and clarity to all relevant stakeholders.

The Commission notes the Senát's concerns about the possible uneven playing field due to a possible recognition of foreign legislations as equivalent. The proposal indeed provides the possibility for the Commission to adopt implementing acts to recognise third countries' structural reforms as being equivalent but only when they meet certain strict conditions. In this context, the Commission would like to reassure the Senát that the recognition of equivalence can be granted only if these conditions are met fully.

Finally, the Commission notes the Senát's concerns about the possible incompatibility of the mechanism for granting possible derogations from the requirements for separation of certain trading activities from credit institutions with the legal form of the proposal. The Commission believes that such mechanism is legally compatible with the proposed legal form of a Regulation and that the numerous safeguards introduced in the respective provision will preserve the integrity of the single market.

The points made above are based on the initial proposal presented by the Commission. The proposal is now for consideration with the European Parliament and Council, at which your government is represented. The European Parliament already supported the overall approach to the EU action needed in this area in its report adopted on 3 July 2013.

The Commission hopes that these clarifications address the concerns raised by the Senát and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*