



Press Release  
16 June 2006

## **CEBS: IMPACT STUDY SHOWS EXPECTED REDUCTION OF MINIMUM CAPITAL REQUIREMENTS AFTER IMPLEMENTATION OF NEW DIRECTIVE**

The Committee of European Banking Supervisors (CEBS) today publishes a report on the effects of the Capital Requirements Directive (CRD) on the amount of the regulatory minimum capital in Europe. The report summarises the results of the fifth Quantitative Impact Study (QIS 5).

The results of the QIS 5 show that minimum required capital under the CRD would on average decrease relative to the current regime. For example, for the biggest banking groups minimum required capital would on average decrease by 7.7 percent and for smaller banks by 15.4 percent. These results are broadly in line with the expectations of the European supervisors, also taking into account the rather favourable macroeconomic environment. Additionally the results show that the CRD provides on average an incentive for European banks to move to more sophisticated risk measurement and management techniques.

Compared with the current regulation, the largest decrease in the minimum required capital is due to residential mortgage exposures, followed by other retail exposures. No separate QIS was carried out for investment firms. However, some investment firms were included in the data set as part of the figures provided by the banking groups to which they belong.

The effective impact of the implementation of the CRD will depend on the risk profile of the institutions at the relevant implementation dates and will be limited by the transitional floors that apply until the end of 2009.

CEBS expects that in the course of implementing the CRD, supervisors will ensure that banks will maintain a solid capital base throughout the economic cycle. CEBS believes that mechanisms, including the supervisory review process (Pillar 2), are in place to achieve this goal.

The Basel Committee on Banking Supervision has reviewed the calibration of the new capital framework for international banking organisations and decided to maintain the current calibration (1.06 scaling factor for credit risk-weighted assets).

For more information, please use the following link:  
<http://www.c-eps.org/documents/QIS5.pdf>

Press Contact:  
Jouko Marttila  
Communications Officer  
Tel: +44 207 382 1780  
Mobile: +44 791 706 4197  
E-mail: [jouko.marttila@c-eps.org](mailto:jouko.marttila@c-eps.org)