COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.06.1997
COM(97) 285 final

96/0121 (COD)

Amended proposal for a

EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE

AMENDING ARTICLE 12 OF DIRECTIVE 77/780/EEC ON THE COORDINATION OF LAWS, REGULATIONS AND ADMINISTRATIVE PROVISIONS RELATING TO THE TAKING-UP AND PURSUIT OF THE BUSINESS OF CREDIT INSTITUTIONS,

ARTICLES 2, 5, 6, 7, 8 AND ANNEXES II AND III OF DIRECTIVE 89/647/EEC ON A SOLVENCY RATIO FOR CREDIT INSTITUTIONS,

ARTICLE 2 AND ANNEX II OF DIRECTIVE 93/6/EEC ON THE CAPITAL ADEQUACY OF INVESTMENT FIRMS AND CREDIT INSTITUTIONS

(COM(96)183 final/2 - C4 - 0258/96 - 96/0121(COD))

(presented by the Commission pursuant to Article 189 a (2)
of the EC-Treaty)

EXPLANATORY MEMORANDUM

I. INTRODUCTION

The proposal for a Directive concerned by this amended proposal was submitted to Parliament and the Council on 30 April 1996 pursuant to Articles 189b(2) and 57(2) of the EC Treaty.

The Economic and Social Committee handed down a favourable opinion at its 338th plenary session on 25 September 1996. One of its two suggestions (concerning the amendment to Article 8(1) of Directive 89/647/EEC) has been incorporated into the amended proposal, Parliament having adopted an amendment to that effect.

Parliament adopted (first reading) the legislative resolution giving its opinion on the proposal for a Directive (COM(96) 183 final 2 - C4 - 0258 - - 96/121(COD)) at its sitting on 10 April 1997 (EP 258.436/181).

Parliament's opinion comprises two amendments; both have been included in this amended proposal.

II. COMMENTS ON THE AMENDMENTS

Parliament called on the Commission to amend two points in the proposal for a Directive. The Commission considers the two amendments to be acceptable.

1. The first amendment merely rectifies a shortcoming in the initial proposal. It aligns Article 5(3) of Directive 89/647/EEC on the proposed text by stating that it applies to all the items listed in the new Annex III.

2. The second amendment concerns Article 7(3) of the proposal. It specifies that the Member States continue to have the option of applying a weighting of 20% to collateral in the form of securities issued by Zone A regional governments or local authorities.

   This amendment is altogether relevant and makes the proposal clearer. Article 7 of the proposal is designed to include, as security to which a zero weighting may be applied, collateral in the form of securities issued by regional governments or local authorities since Article 8(1) of Directive 89/647/EEC already provides for a weighting of 20%. Deleting the clause "other than those of the Member States" makes it clear that the latter can continue to apply a weighting of 20% and that zero weighting is possible only if the conditions laid down in Article 7 of Directive 89/647/EEC are met.

AMENDED PROPOSAL FOR A EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE AMENDING ARTICLE 12 OF DIRECTIVE 77/780/EEC ON THE COORDINATION OF LAWS, REGULATIONS AND ADMINISTRATIVE PROVISIONS RELATING TO THE TAKING-UP AND PURSUIT OF THE BUSINESS OF CREDIT INSTITUTIONS,

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Text proposed by the Commission	Amendments by Parliament
	Amendment 1
	Article 2a (new)
	Amendment to Article 5(3)
	The first sentence of Article 5(3) is replaced by the following:
	"3. In the case of the off-balance-sheet items referred to in Article 6(3), the potential costs of replacing contracts in the event of counterparty default shall be calculated by means of one of the two methods set out in Annex II."

Text proposed by the Commission	Amendments by Parliament

Amendment 2

Article 7(3)	Article 7(3)
1. The Member States may apply a weighting of 20% to asset items which are secured, to the satisfaction of the competent authorities concerned, by collateral in the form of securities issued by Zone A regional governments or local authorities <u>other than those of the Member States</u>, by deposits placed with Zone A credit institutions other than the lending institution, or by certificates of deposit or similar instruments issued by those credit institutions.	1. <u>Subject to Article 7(1)</u>, the Member States may apply a weighting of 20% to asset items which are secured, to the satisfaction of the competent authorities concerned, by collateral in the form of securities issued by Zone A regional governments or local authorities, by deposits placed with Zone A credit institutions other than the lending institution, or by certificates of deposit or similar instruments issued by those credit institutions.

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