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'I' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee

Subject: REGULATION (EU) OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in non-domestic currencies of Member States

- *Confirmation of the final compromise text with a view to agreement*

INTRODUCTION

1. On 23 November 2016, the Commission transmitted to the Council and to the Parliament a proposal for a Regulation amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012 (the "original proposal").
2. The original proposal as referred to in 1 above comprised a set of arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in non-domestic currencies of Member States. These arrangements were intended to give "institutions" (credit institutions and investment firms) a transitional period to prepare for new regulatory capital requirements in those areas.

3. The Council acknowledged that said transitional arrangements should start to apply with effect from 1 January of 2018 to achieve their intended purpose and, accordingly, decided to split the relevant provisions from the original and have them adopted as a self-standing Regulation ("the split proposal").
4. The ECON Committee of the European Parliament agreed to split the transitional arrangements from the original proposal in the same manner and adopted its report on the split proposal on 14 July 2017. The European Economic and Social Committee and the European Central Bank delivered their opinions on the original proposal on 30 March and 8 November 2017 respectively. Said opinions refer to the transitional arrangements insofar as part of the original proposal.

II. STATE OF PLAY

4. The Council agreed on a negotiating mandate on the split proposal at the level of Coreper on 6 June 2017. On that basis, the Estonian Presidency has conducted negotiations with the European Parliament and the Commission with a view to a first reading agreement.
5. On 30 October 2017, and following the technical work thereafter, a provisional agreement was reached which resulted in the final compromise text as set out in document 13725/17.

III. CONCLUSION

6. Against this background, the Permanent Representatives Committee is invited to:
 - (a) approve the final compromise text regarding the Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in non-domestic currencies of Member States

- (b) confirm that the Presidency can indicate to the European Parliament that, should the European Parliament adopt its position at first reading as regards the Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and the large exposures treatment of certain public sector exposures denominated in non-domestic currencies of Member State as set out in document 13725/17, subject, if necessary, to revision of that text by the legal linguists of both institutions, the Council would approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.
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