

The EU must stand by its commitment to full implementation of Basel III standards to enhance financial stability

17 April 2023

Dear Finance Ministers, Commissioner McGuinness, Members of the Economic and Monetary Affairs Committee of the European Parliament, Financial Counsellors and Attachés of the Council of the EU,

We are writing to you to support the call of the EU top banking supervisors for the timely, full and faithful implementation of the Basel III framework at EU level.

The recent banking crisis, triggered by the collapse of Credit Suisse and Silicon Valley Bank and investors' subsequent loss of confidence in some of the largest EU banks, has shown the importance of strong regulatory frameworks for banks and the consequences of weaker application of the internationally agreed upon rules. U.S. and Swiss authorities had to resort, once again, to forms of bail-out to deal with these failures. We call on you to draw conclusions from these cases for a substantial financial reform agenda and at least reconsider the deviations from the Basel III framework in the ongoing trilogue negotiations on the EU banking prudential package.

We all remember the promise of policy-makers to never again rescue banks with public money in the wake of the crisis of 2008. Basel III was built precisely to avoid the repetition of such a crisis. Strikingly, a crisis that began with small and medium size US banks (Silicon Valley Bank, Signature Bank, First Republic) that are not subject to the Basel III framework saw global investors turn, within days, against EU banks, which are visibly considered fragile and are subject to prudential rules deviating substantially from Basel III. The markets' verdict is clear. Confronted with this evidence, we call on you to faithfully implement Basel III.

The top EU banking supervisors have been sounding the alarm for a while now. Andrea Enria, Chair of the Supervisory Board of the ECB, Luis de Guindos, Vice-President of the ECB and José Manuel Campa, Chair of the EBA signalled the need to 'stick to our commitments' on strong rules for strong banks back in November 2022¹. We need to heed their advice and remember that Basel III was built on careful consideration, the evidence and the lessons drawn from the 2008 financial crisis. Faithful implementation of the rules is the absolute minimum for financial stability and the EU's international credibility.

At the moment, substantial deviations from the Basel III reforms have been suggested by the EU Council and the Parliament. The key areas of concern are unjustified lower risk treatment for

1 [The ECB blog - Strong rules, strong banks: let's stick to our commitments](#)

unrated corporates, mortgages, intra-group equity exposures, credit valuation adjustment for derivatives, relaxation of prudential treatment for securitisations and weaker application of the output floor. The proposed transitional arrangements would ensure that the new rules will not be fully applied in the EU for nearly a decade - 25 years after the crisis they were designed to respond to. **EU supervisors have warned that these deviations risk the EU rules being declared as non-compliant by the Basel Committee.** This would have a huge impact on confidence in EU banks, with good reason.

Beyond the implementation of the Basel III framework, the EU banking package does not properly capture climate-related financial risk, which most authorised voices see as a great risk to financial stability. Unless properly addressed, climate-related risks are likely to induce another crisis which will destabilise the EU banking sector and cumulate with the looming climate crisis. This failure should be addressed by adjusting capital requirements for fossil fuel exposures, in particular implementing the “one-for-one” rule for financing of new fossil fuel exploration.

Furthermore, the bail-out of Credit Suisse has shown that banks remain too big to fail. The Swiss Finance Minister prominently stated that implementing the resolution plan for Credit Suisse, designed and approved by the Swiss authorities, “would have triggered an international financial crisis” - clear proof that the bank resolution framework, as of today, remains a dead letter. Ambitious financial reforms beyond Basel III should include the reinforcement of bank resolution rules and their implementation. Structural reforms related to the separation of retail and investment banking activities and the size of banks should also be debated. For Europe to reclaim control over its monetary and fiscal policy, the EU needs to take a strict line on financial regulation to stop, once and for all, the irresponsible, and ultimately unaffordable, practice of bailing out banks.

The current banking crisis should serve as a wake-up call, if the warnings from our top banking authorities are not enough on their own. There is time for the EU to ensure timely, full and faithful implementation of the Basel III framework. We call on you as our decision makers to act now and steer us back on course.

Kind regards,

The signatories of our joint letter: 36 organisations and 79 individuals, including civil society, economists and citizens



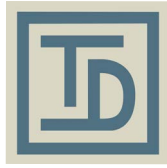
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SID

Society for International Development



urgewald



Vartotojų aljansas

Lithuanian Consumers Alliance



weed



**Both
ENDS**

**Zuko-Germany
Zukunftskonvent**



Veblen Institute
for Economic
Reforms

Organisations

1. Finance Watch
2. A and B Make 3
3. Asociatia Consumers United/Consumatorii Uniti
4. Association of Ethical Shareholders Germany
5. Association For Promotion Sustainable Development
6. ASUFIN
7. Attac France
8. Attac Norway
9. Both ENDS
10. Bürgerbewegung Finanzwende
11. Clean Air Action Group
12. Climate Safe Lending Network
13. Ekö
14. Ekumenická Akademie (Ecumenical Academy)
15. Fair Finance Institute
16. Fair Finance International
17. Finance Innovation Lab
18. Financité
19. Genossenschaft für Gemeinwohl
20. Greentervention
21. Observatori del Deute en la Globalitzacio
22. Positive Money UK
23. Profundo
24. Reclaim Finance
25. Society for International Development
26. Sustainable Finance Lab
27. Talousdemokratia ry / Economic Democracy Finland
28. The Sunrise Project
29. Urgewald e.V.
30. Union of working consumers of Greece
31. Vartotoju Aljansas (Lithuanian Consumers Alliance)
32. Veblen Institute for Economic Reforms
33. Women Empowerment Against Poverty of Nepal (WEAPoN)
34. 350.org
35. WEED - World Economy, Ecology & Development
36. Zukunftskonvent

Individuals

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38. **Alain Grandjean**, Economist
39. **Andreia Santos**, Psychologist
40. **Anna Pick**
41. **Andrew Denis**, Fellow emeritus, City, University of London
42. **Bernard Christophe**, Former university Professor in management
43. **Carmen Giovanazzi**, Researcher
44. **Caspar Whitehead**, Associate
45. **Christian Kellermann**, Professor
46. **Christophe Nijdam**, Senior advisor for European affairs
47. **Christoph Scherrer**, Professor
48. **Con Horan**, Retired
49. **Diego Marin Rios**, Chairman of the Board
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51. **Els De Vuyst**, Art teacher
52. **Eve Zoma**, Esg analyst
53. **Fabio De Masi**, Former Member of European and German Parliament
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56. **G rard Ampeau**, Lecturer at the University of Caen
57. **Giuseppe Mastruzzo**, Director of the International University College of Turin
58. **Giuseppe Montalbano**, University Researcher
59. **Gr goire Coust **, Executive director
60. **Guy Flury**, Retired
61. **Gustav A. Horn**, SPD Bundesvorstand
62. **Hans Vernaeve**, Professor in Mathematics
63. **Helena Paul**, Researcher
64. **Hilal Atici**, Strategy Director
65. **Hugues Chenet**, Associate Professor of Sustainability
66. **Iskra Christova-Balkanska**, Professor
67. **Ivan Allegranti Ph.D.**, Candidate in Civil Law at the University of Camerino
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69. **Jean-Jacques Bieri**, Independant Consultant
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71. **Jean-Michel Naulot**, Former member of the Board of French Autorit  des march s financiers
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73. **J r me Cazes**, CEO of MyCercle
74. **Joachim Langer**, GW -Referent
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81. **Laurent Zibell**, Senior, consultant, Circular Economy
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83. **Lucie Pinson**, Founder & Executive director
84. **Ludo Van Oyen**, Lecturer
85. **Linda Van Goor**, Independent expert
86. **Manuel Vidal**, Research scientist
87. **Marc-Olivier Leclercq**, Consultant
88. **Martin Hellwig**, Professor of Economics, Director (em) Max Planck Institute
89. **Michael Jacobs**, Professor of Political Economy, University of Sheffield
90. **Michel Crinetz**, Retiree
91. **Michel Santi**, Economist
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93. **Nathan Lauer**, Communications
94. **Ollivier Bodin**, Economist Advisor
95. **Oscar Ugarteche**, Senior researcher
96. **Panagiotis Kalofonos**, Consumer Financial Advisor
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98. **Patrick Hebert**, Treasurer of Veblen Institute, Paris
99. **Philippe Gillig**, Associate professor in economics
100. **Pros Staelens**, Train driver
101. **Rainer Geiger**, Board Member, Finance Watch
102. **Raphael Calame**, Consultant

103. **Rouby Sylvain**, Finance manager
104. **Reinhard Bracke**
105. **Richard Ahlström**, Professor
106. **Samira Elkabbouri**, Legal Counsel
107. **Sophia Alcantara**, Sociologist
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