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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Implementation of Basel III - Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU (CRD) - Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor, and amending Regulation (EU) No 806/2014 (CRR) - General approach

I. INTRODUCTION

1. On 27 October 2021, the Commission adopted a “2021 Banking Package” comprising of legislative proposals amending the Capital Requirements Directive (CRD VI)¹ and the Capital Requirements Regulation (CRR III)² as well as a separate legislative proposal in the area of resolution.³

¹ Doc. 13245/21

² Doc. 13246/21

³ Doc. 13247/21. This file was fast tracked and is out of the scope of this note.

2. The proposals are based on Articles 53 and 114 of the Treaty on the Functioning of the European Union and are hence subject to the ordinary legislative procedure.
3. The Commission's impact assessments⁴ of the proposals were presented at the first working party on 3 November 2021. The European Economic and Social Committee adopted its opinion⁵ on 23 March 2022 and the European Central Bank delivered its opinions⁶ on 24 March and 27 April 2022.

II. MAIN ELEMENTS

4. The proposals aim at i) strengthening EU bank's resilience to potential future economic shocks, notably by implementing global, prudential Basel III standards, ii) at strengthening banks' resilience towards environmental, social and governance (ESG) risks and iii) at ensuring stronger and more harmonised supervision and risk management of banks across the EU.
5. The Working Party on Financial Services has examined the proposal in 6 informal videoconference and 9 working party meetings under the Slovenian, French and Czech Presidencies. Based on the discussions in those meetings, as well as on the written comments received, the Czech Presidency has prepared the compromise texts as set out in documents 13772/22 and 13773/22.

⁴ Docs. 13425/21 ADD 1- ADD 5 and 13246/21 ADD 1 – ADD 6

⁵ Doc. 07780/22

⁶ Docs. 07603/22 and 14150/22

6. The compromise reflected in those texts has gathered broad support from the Member States during the Working Party held on 26.10.2022, in which Delegations expressed their support for moving the file forward and for inviting the Council on 8 November 2022 to agree on a general approach.
7. Unless objected by the Permanent Representatives Committee, documents 13772/22 and 13773/22 will be made public by the General Secretariat of the Council after the examination of the Permanent Representatives Committee.

III. CONCLUSION

8. In view of the above, the Permanent Representatives Committee is invited to:
 - (a) examine the texts set out in documents 13772/22 and 13773/22 in view to a general approach;
 - (b) recommend to the Council to reach a general approach as set out in documents 13772/22 and 13773/22, and to invite the Presidency to start negotiations with the European Parliament on this basis with a view to reaching an agreement at first reading.
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