

# Capital Requirements Directive Recast of Directive 93/6/EEC

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# Objectives of the CRD

- Introduce the “Basel II” framework, agreed at G-10 level, into EU legislation
- But tailored to reflect specific features of EU financial markets
- A more risk-sensitive framework for capital requirements for banks and investment firms
- Incentives for financial institutions to improve risk management
- More efficient allocation of capital in the EU, boosting the overall economy

# History of Directive 93/6/EEC

- Introduced to extend the scope of the EU capital framework to investment firms as well as banks
- Updated in 1998 to reflect the agreement of the Market Risk Amendment at G-10 level
- Will be renamed Directive 2006/xx/EC on formal adoption of the CRD

# Key provisions of recast 93/6/EEC

The key provisions of the Directive are:

- the definition of an investment firm
- the definition of the Trading Book
- the rules on what investment firms can count as capital
- the capital requirements for Market Risk

# Provisions of recast 93/6/EEC

Article 2 (& 37)– interaction with recast 2000/12/EC  
- which rules apply when

Article 3 – definitions

- 3(1)(b) says what an investment firm is
- link to Directive 2004/39/EC

Articles 4 to 10

- initial capital requirements for investment firms

Article 11

- definition of the Trading Book

# Provisions of recast 93/6/EEC

## Articles 12 to 17

- own funds requirements for investment firms
- what can be counted as capital

## Articles 18 to 21

- capital requirements for Market Risk (apply to banks)
- specific rules and waivers for investment firms

## Articles 22 to 27

- consolidation

## Articles 28 to 32

- large exposures

# Provisions of recast 93/6/EEC

## Article 33

- valuation of trading positions

## Article 34

- risk management
- internal capital assessment

## Article 35

- reporting requirements

## Articles 36 to 38

- supervision

# Provisions of recast 93/6/EEC

Article 39

- disclosure

Articles 42 and 43

- comitology

Articles 45 to 45d

- transitional provisions

Articles 46 to 50

- the usual provisions on when the Directive takes effect, and so on



# Provisions of recast 93/6/EEC

Annexes – provide the details rules for the calculation of capital requirements

Annex I

- position risk

Annex II

- settlement risk & counterparty credit risk

Annex III

- foreign exchange risk

# Provisions of recast 93/6/EEC

## Annex IV

- commodities risk

## Annex V

- using internal models to calculate capital requirements

## Annex VI

- large exposures

## Annex VII

- further detail on trading and the Trading Book

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Further information:

- [http://europa.eu.int/comm/internal\\_market/bank/regcapital/index\\_en.htm](http://europa.eu.int/comm/internal_market/bank/regcapital/index_en.htm)

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