

## Commission launches consultation on further capital buffers for banks

The Internal Market Department of the European Commission has today launched a public consultation to seek stakeholders' views on possible measures to ease fluctuations in the financial system by introducing countercyclical capital buffers for banks. Countercyclical capital buffers are variable capital reserves that banks would have to accumulate during economically good times. Banks could draw upon these reserves to continue lending and borrowing when economic conditions worsen. A regime for countercyclical capital buffers could also help to moderate the build-up of excessive levels of credit in the financial system by raising the cost of credit. This would dampen demand where there is evidence that credit levels are growing above established benchmarks.

In February 2010, the Commission launched a consultation on further changes to the EU laws on capital requirements for banks (see [IP/10/197](#)). While the consultation already included orientations for the introduction of a capital conservation buffer, which would require banks to put aside a fixed reserve, the Basel Committee published a consultation paper in July 2010 on a proposal for additional and variable countercyclical buffers. These reserves would be added to banks' minimum regulatory capital and the capital conservation buffer.

Since this development changes the Commission's earlier ideas about capital reserves, a second consultation is necessary. In the light of the feedback received from this consultation, the Commission will further consider whether capital buffers should be introduced in the EU through the upcoming amendment to the Capital Requirements Directive, due to be proposed in the first quarter of 2011.

The consultation is available at:

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