



HOUSE OF LORDS

European Union Committee

House of Lords
London
SW1A 0PW

Tel: 020 7219 3616
euclords@parliament.uk
www.parliament.uk/lords

John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Rd
London SW1A 2HQ

11 June 2020

Dear John,

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards adjustments in response to the COVID-19 pandemic

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Commission Interpretative Communication on the application of the accounting and prudential frameworks to facilitate EU bank lending Supporting businesses and households amid COVID-19

Thank you for your Explanatory Memorandum dated 20 May, which was considered by the EU Services Sub-Committee at its meeting on 11 June.

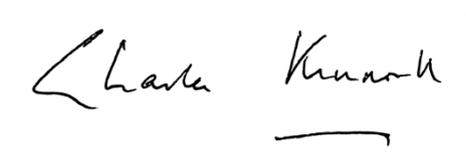
You note that some elements of the Commission's legislative proposal, if adopted, would take immediate effect and would therefore apply in the UK during the transition period. Given the importance of the UK banking sector, what discussions has the Government had with the EU and its Member States in the formulation of this proposal? Are there any specific areas where the Government would like to see changes or where further action may be warranted?

The Commission's proposal also seeks to bring forward the application of certain regulatory benefits in the Capital Requirements Regulation to the end of June, which would therefore apply in the UK. We note that Sam Woods, the Chief Executive Officer of the Prudential Regulation Authority (PRA), has described the EU's regulatory treatment of certain software assets as being "non-compliant with Basel". In this context, what is the Government's view of the Commission's decision to bring forward these measures?

Finally, you note that the Commission's proposed changes to the leverage ratio "will only apply in the EU from June 2021, alongside the rest of CRR II, so they will not apply in the UK as this is after the end of the transition period." However, if adopted, is it not the case that these changes would become EU retained law at the end of the transition period and therefore be applicable in the UK? Does the Government consider these proposed changes to be compliant with the rules agreed at the Basel Committee?

We retain the items under scrutiny and look forward to your response within 10 working days.

I am copying this letter to Sir William Cash MP, Chair of the Commons European Scrutiny Committee; Jessica Mulley, Clerk to the Commons Committee; Les Saunders, Cabinet Office, and James Chandler, HM Treasury.

A handwritten signature in black ink, appearing to read "Lord Kinnoull". The signature is written in a cursive style with a horizontal line underneath the name.

Lord Kinnoull
Chair of the European Union Committee