



The EU-wide recapitalisation exercise is an important element in strengthening European banks' position in the current environment characterised by heightened systemic risk arising from the sovereign debt crisis. The increased resilience of the banking sector through higher capital levels should support banks in maintaining the ability of lending to the real economy in the European Union.

We would like to underline, as Ministers recalled on 30 November, that the sovereign capital buffer component of the bank recapitalisation requirements is a fixed amount calculated on the basis of end September 2011 data and that therefore the sale of sovereign bonds will not alleviate the requirements to be achieved by 30 June 2012. The sovereign capital buffer is a temporary measure and once the deployment of the new EFSF's capacity becomes effective in addressing the sovereign debt crisis by lifting sovereign bond valuations from today's distressed prices, the EBA will reassess the continued need for and size of capital buffers against banks' sovereign exposures.

In addition, only the narrowest of actions that impact risk weighted assets (RWAs) would be permitted, such as the validation and roll-out to additional portfolios of appropriate internal models where these are already planned and under consideration by the competent authority and the sale of an organised business or whole lines of business. These latter actions are not considered as deleveraging for the financial system as a whole, as assets are transferred to third parties rather than reduced.

Both national supervisors and the EBA will seek to ensure that the actions taken to comply with the requirements do not lead to significant constraints on the credit flow to the real economy.

We call on the home country supervisors in particular to take into account the need to maintain exposure levels of banking groups to their subsidiaries in all Member States. To that end the EBA will seek to ensure that throughout the supervisory college discussions of recapitalization plans the principles of the Vienna Initiative of 2009 are respected, and if and where necessary the EBA will use its mediation role to that effect.

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