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PRESS RELEASE

Press release final report: Structural Banking Reforms in Belgium: final report

In June 2012 the NBB published an Interim report on structural banking reforms in Belgium, in response to the Belgian government's request to analyze the desirability and feasibility of introducing structural reforms for the banking sector. That report presented the NBB's provisional views regarding appropriate measures to improve stability of the Belgian financial system. At the request of the Belgian government, the NBB is now publishing its final report. This report discusses the implementation of the recommendations from the interim report and puts forth a number of new recommendations.

The term structural banking reforms can cover a range of measures, running from the complete prohibition of certain activities by banks to the separation of particular activities in different legal structures. Support for structural reforms derives from the argument that allowing banks to combine commercial and investment banking activities can increase risk and complexity, thereby making orderly resolution of a failed bank more difficult and costly.

The intended objectives of structural banking reforms are multiple, and challenging. Since the publication of the Interim report, the Liikanen group at EU level and several countries have proposed or considered structural banking reforms involving separation from banks of some trading activities above a threshold. The specific trading activities to be separated differ considerably across the various proposals.

The NBB proposes a policy approach that is broader than a single policy of separating a subset of trading activities from deposit-taking banks. In addition to the recommendations targeted at trading activities – which include a capital surcharge for trading activities above some level as well as a requirement to separate from banks, within another legal entity, proprietary trading activities above a threshold – the policy recommendations cover the areas of recovery and resolution, savings, and depositor protection. The report argues that this array of policies creates "multiple lines of defense" with respect to the challenge of achieving the goals cited for structural reforms. These wide-ranging policies should significantly enhance financial stability in Belgium.

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