



PUBLIC HEARING

DRAFT GUIDELINES ON THE MONITORING OF THE IPU THRESHOLD

26 February 2021

Overview



Agenda

EBA presentation

- Timelines and next steps
- Background and legal basis
- Overview of draft guidelines
- Questions for consultations

Questions and comments from participants

House keeping rules

- To avoid background noise please remain muted, unless you take the floor
- To increase audio quality please turn off video streaming, unless you take the floor
- If you would like to intervene:
 - please indicate that on Webex chat, or
 - write your question / comment in Webex chat
- Whenever intervening please identify yourself by providing:
 - your full name (unless already used on Webex)
 - name of your organisation

Timelines and next steps



Background



Article 21b

Intermediate EU parent undertaking

1. Two or more institutions in the Union, which are part of the same third-country group, shall have a single intermediate EU parent undertaking that is established in the Union.

(...)

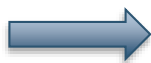
4. Paragraphs 1, 2 and 3 shall not apply where the total value of assets in the Union of the third-country group is less than EUR 40 billion.

5. For the purposes of this Article,

- (a) the **total value of assets in the Union** of the third-country group shall be the sum of the following:
 - i. the total value of assets of **each institution** in the Union of the third country-group, as resulting from its consolidated balance sheet or as resulting from their individual balance sheet, where an institution's balance sheet is not consolidated; and
 - ii. the total value of assets of **each branch** of the third-country group authorised in the Union in accordance with this Directive, Directive 2014/65/EU or Regulation (EU) No 600/2014 of the European Parliament and of the Council
- (b) the term **“institution”** shall also include investment firms.

Legal basis

Questions about certain technical aspects of the calculation of the IPU threshold and practical application of the IPU requirement:



- How to determine the relevant cut-off date for the calculation of the total value of the assets in the EU?
- How to take into account the fluctuation in the amount of EU assets when calculating the threshold?
- etc.

3 June 2020: **Letter of the European Commission** requesting the EBA to provide additional guidance



EBA guidelines based on its own initiative in accordance with Article 16 of Regulation (EU) No 1093/2010:

“EBA shall, with a view to establishing consistent, efficient and effective supervisory practices within the ESFS, and to ensuring the common, uniform and consistent application of Union law, issue guidelines addressed to all competent authorities or all financial institutions (...)”

Calculation of the total value of assets in the Union

Scope of consolidation

- Assets of: institutions at the highest level of consolidation in the Union (including all their branches; no further adjustments) + stand-alone institutions + branches authorised in the Union
- Data as in supervisory reporting or, if not available, interim information (supervisory perimeter of consolidation)

Cut-off date and fluctuation of assets

- Average over the last four quarters

Transitional period

- Point-in-time value of assets as at 27 June 2019
- If not available – data as at 30 June 2019 may be used, if this is a sufficiently good approximation
- The obligation to have an IPU applies if on 30 December 2023 the average value of assets above EUR 40 billion

Monitoring of the threshold

Quarterly assessments

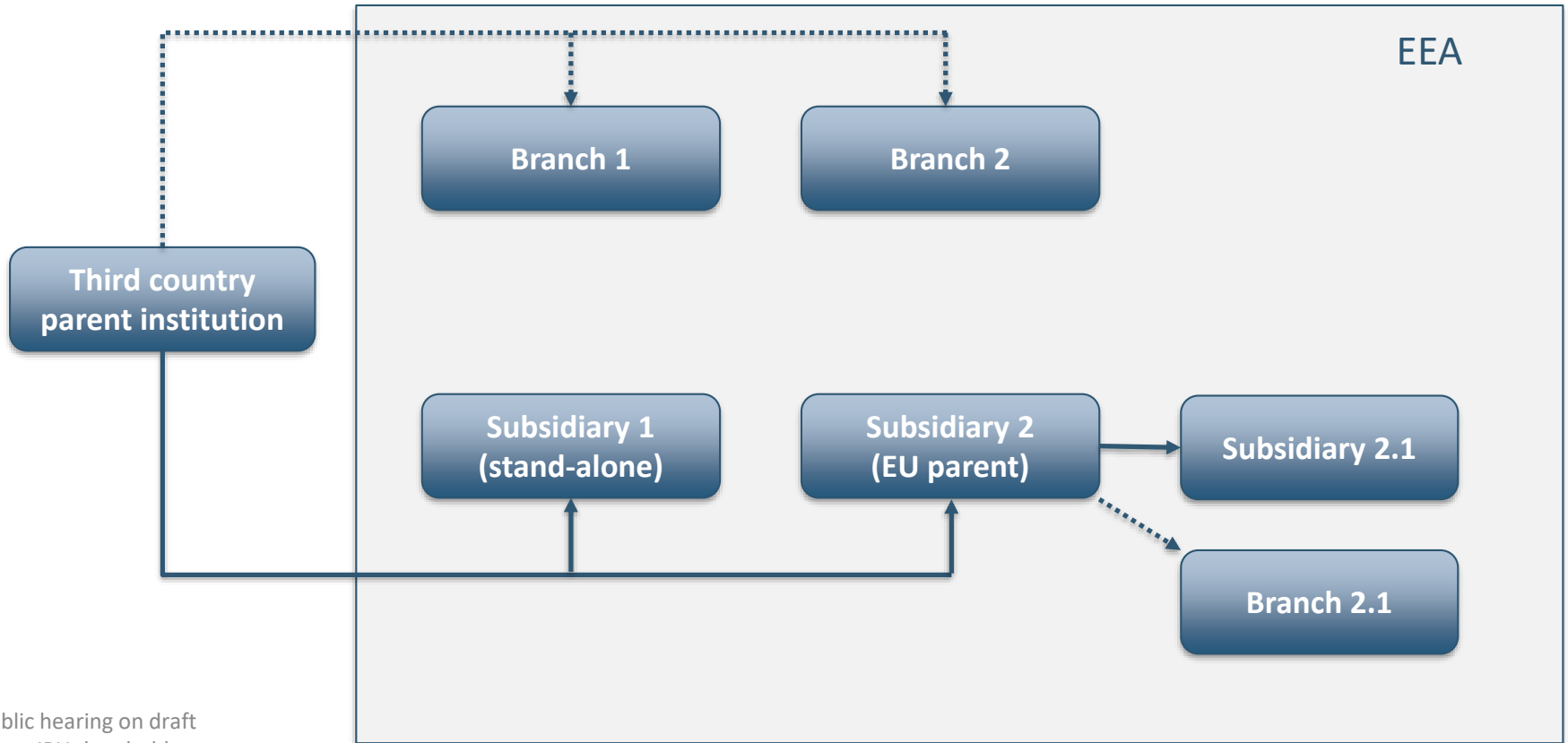
- Calculation of the average of the total value of assets in the Union of the third-country group over the last four quarters (backward looking perspective)
- Must be continued after the IPU is established
- Quarterly information to the competent authority

Forward-looking monitoring

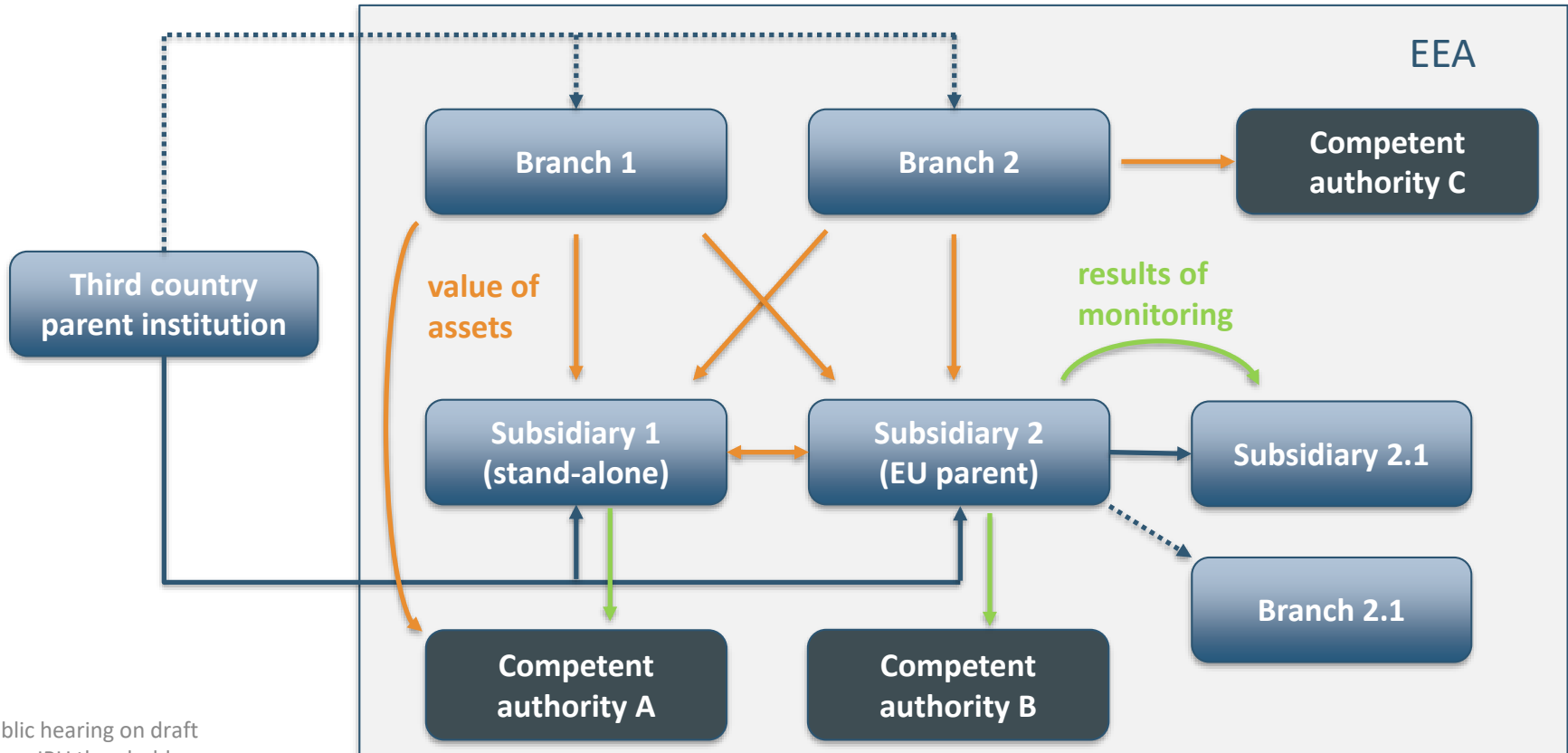
- Based on strategic planning and the forecast of assets
- Time horizon of at least three years
- To be performed annually
- Information to competent authority if the breach of the threshold is expected within the next three years
- No obligation to carry out forward-looking monitoring after the IPU is established

- Performed by:
- EU parent institutions
 - stand-alone institutions
- or
- IPU upon its establishment (quarterly assessments)

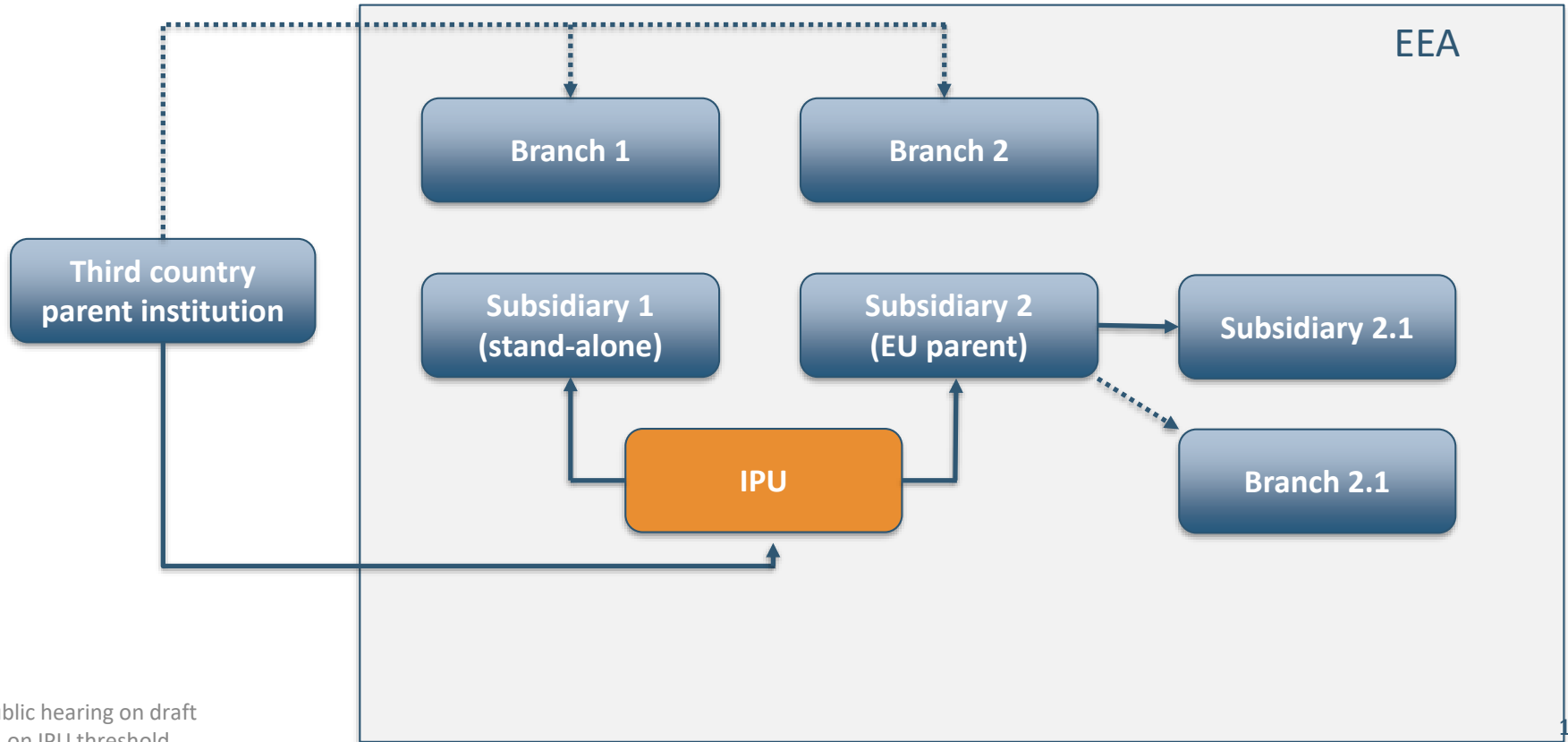
Exchange of information



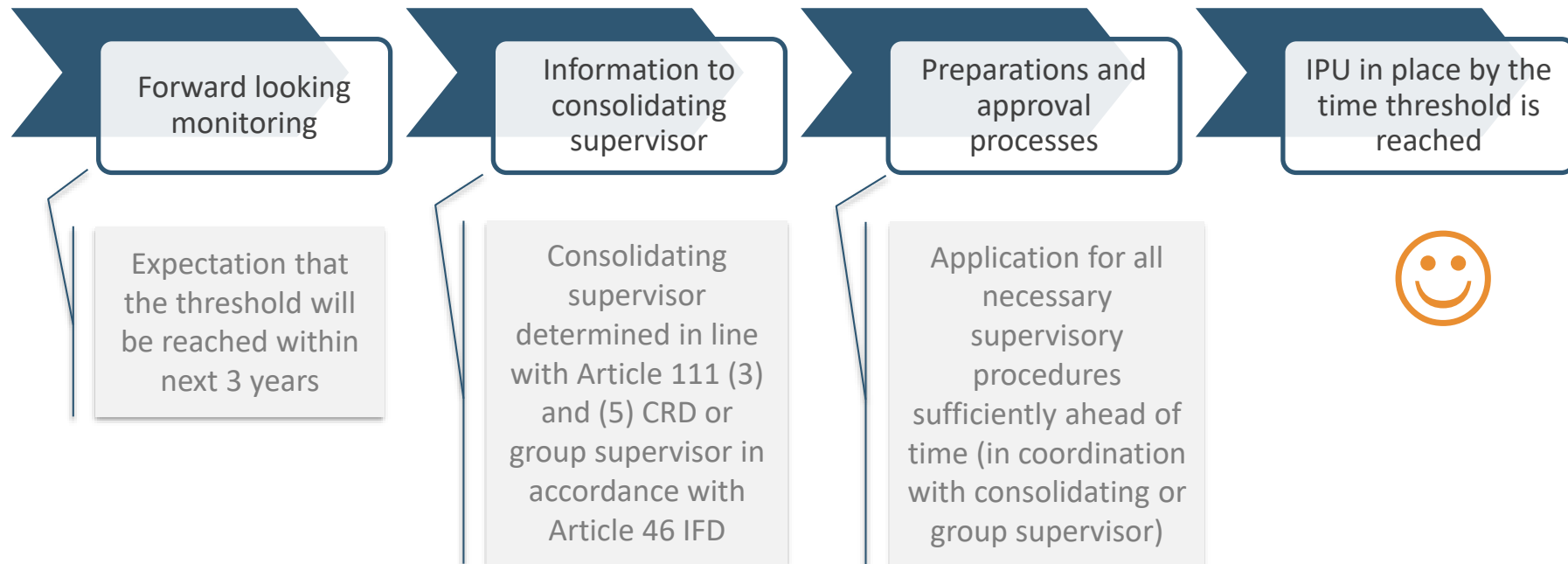
Exchange of information



Exchange of information upon establishment of IPU



Establishment of an IPU



Guidance for competent authorities

General

- Make every effort to ensure that institutions and third-country branches, as well as the IPU, comply with their obligations

Notifications to EBA (Article 21b(6) CRD)

- On an annual basis no later than by 30 June of any given year, or any time during the year in case of material change
- Results of quarterly monitoring as received from institutions and values of assets of third-country branches

For consolidating or group supervisor

- Upon receiving notification: liaise with the institutions and other relevant authorities at least for the following to be determined without undue delay:
 - whether one or two IPUs should be established
 - The appropriate timeline for establishing an IPU

Guidance for competent authorities – timelines

Timeline for establishing an IPU

- IPU should be in operation when the threshold is reached
- Other adequate timeline may be set where:
 - reaching the threshold was not foreseeable within the forward looking-monitoring and the timeline cannot be met
 - there is reasonable anticipation that the total value of assets in the Union will permanently drop below the threshold within one year from the date the threshold was reached
- In any case the timeline should be as short as possible and not longer than 2 years from the date the threshold was reached

Cool-off period of the IPU requirement

- Total value of assets remains below the threshold for 12 consecutive quarters
- Total value of assets dropped significantly and permanently below the threshold as a result of strategic changes in European operations of that third-country group (permission required)

Questions and comments from participants

Questions for consultations:

- Do you agree with the proposed clarifications with regard to the **scope of consolidation**? If in your view institutions belonging to third-country groups operating in the Union can have significant assets in third countries, please provide examples and, if possible, relevant values of assets?
- Do you agree with the proposed clarification with regard to the **calculation of the total value of assets in the Union** for the purpose of the IPU threshold?
- Do you agree with the proposed requirements for the **exchange of information**? Do you see any potential obstacles to exchanging the necessary information between the institutions and branches in the Union, which are part the same third-country group?
- Do you agree with the clarifications regarding the **timelines for establishing an IPU**? In your view, are there any other circumstances when establishing such undertaking may not be possible by the time the threshold of EUR 40 billion of the total value of assets is reached?



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