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Dear Sirs,

Barclays welcomes the opportunity to comment on the European Banking Authority's ("EBA") consultation CP/2013/17 Draft Regulatory Technical Standards on Own Funds under Articles 33(2), 69(a) and 79(3) of the Capital Requirements Regulation (CRR) – Part 3 ("the consultation").

We outline our key messages on the proposals below, while the specific questions posed in the consultation paper are answered in Appendix 1. A separate, confidential attachment details the anticipated impact of the proposals to the extent that these are available. References used are to the CRR text as agreed by the Council, in line with those used by the consultation, rather than the final version published in the Official Journal, to avoid confusion.

Minority interest (MI)

It is essential that the scope of eligible entities is established for the purposes of the MI sub-consolidation calculations. In particular the eligibility of third country holding companies should be confirmed. It is clear that policy makers intended to include EU intermediate holding companies within scope, and, provided that the prudential regulatory and supervisory requirements are deemed equivalent to those within the EU, the inclusion of third country sub-groups is, in our view, appropriate. However, the language of Article 76, by referring to the CRR and CRD, makes the status of third country holding companies unclear. To exclude such entities would break the chain of consolidations and therefore make ineligible the MI from third country institutions (that meet the eligibility requirements) owned by such entities. Structural reform initiatives such as the Liikanen proposals and the Independent Commission on Banking, and national legislation, such as Section 165 of Dodd Frank, have the potential to increase the incidence of holding companies within group structures and therefore the potential impact of their exclusion.

The position of EU groups headed by EU parent holding companies needs to be clarified. In this situation the full consolidation will be materially the same as any sub-consolidation performed on the operating bank sub-group. The use of 'institution' in Article 79 and following suggests that there should be no restriction on the MI in the main operating bank below the holding company. Any other interpretation of the requirement would favour one group structure over another and potentially raises right of establishment issues and, as noted above, the impact of structural reform initiatives also needs to be taken into account. An alternative could be to deem the requirement for sub-consolidations to have been met by the consolidation at the highest level within a jurisdiction with no adjustment for MI in the main operating subsidiary.

As the consultation notes, currently sub-consolidation may not be required for each subsidiary within the capital framework. For example, in the case of groups headed by an EU parent holding company, a sub-consolidation may not be performed for the main operating bank and its subsidiaries. The solutions outlined in the paragraph above, i.e. Article 84 or to deem the requirement to have been met at the highest level of consolidation in a jurisdiction, would address this issue. Should the EBA continue to believe that it is still necessary to require a sub-consolidation at the level of the main operating bank our answer to questions 11 and 12 provides some suggestions.

Further clarity is sought on certain aspects of the MI calculation; for example in relation to whether the fully loaded capital requirements should be used for Article 79(1)(a) and also the fully loaded capital base.

Deductions of indirect holdings

We recommend that a firm's defined benefit pension fund is scoped out of the list of eligible entities. For other indirect exposures, where there is potential double counting, we recommend that either (i) there is alignment on the basis of look through or (ii) further consideration is required to address double counting.

The proposed scope of intermediate entities means that there would be double counting of capital requirements, or Tier 1 impacts. For defined benefit pension funds double counting would be a result of the combination of the Article 33(1) deduction for pension assets and the accounting framework (pension costs and pension liabilities also reduce Tier 1). However the issue also arises for other intermediate entities – securitisation transactions and fund exposures also have capital requirements associated with their direct exposures, which, in the case of securitisation, may already require deduction. Furthermore, as regards pension funds, the assets are not consolidated for reporting purposes.

The treatment proposed requires detailed information on underlying investments, which may not always be available or align with the definitions in the CRR and would be operationally burdensome to accommodate, particularly within the trading book. In the absence of such information the proposal quickly defaults to full deduction of the exposure and therefore is likely to over-estimate the risks, with consequent potential impacts on investment strategies at a time when banks are seeking investors for their capital instruments.

Finally, there is a lack of clarity over certain aspects of the proposal, in particular the treatment of tranching exposures

Synthetic holdings

We recommend that 'exposure value' is defined consistently with that used for the rest of the capital requirements framework and that a distinction is made between banking and trading books. Therefore, our recommendation would include the use of delta values within the trading book. Further detail on our proposal is set out on pages 4 and 5.

We view the use of notional values for all exposures to be inappropriate because it would potentially overstate, or understate, firms' exposures. It is therefore not reflective of the risks and would create inconsistencies between risk management and the capital framework, which would be likely to have a consequent, and potentially serious, negative impact on the equity markets in Europe.

I hope that you find our comments helpful. Please do not hesitate to contact Roger Versluys (+44 (0)20 7773 2791 or roger.versluys@barclays.com) or Diane Hilleard (+44 (0)20 3134 5399 or diane.hilleard@barclays.com) if you have any questions or comments on any of the issues raised in this response.

Yours sincerely,



Peter Estlin
Co-Head of Finance, Barclays

Appendix 1 – Response to the questions in the consultation

Indirect and synthetic holdings

Q01: Are the provisions of Article 14a sufficiently clear? Are there issues which need to be elaborated further?

There are a number of areas where further clarity is required as follows:

1. 'Intermediate entities' within scope (Art 14a(1)–. In particular we have questions regarding the inclusion of funds within the definition of intermediate entities (see below)
2. 'Supporting the investment risk (Art 14a(1)(b) – In respect of defined pension funds it is not clear what is meant when it says 'where the institution is supporting the investment risk' . We assume that it means only the pension fund(s) that are set up by the firm for the benefit of their employees and our answers to questions 2 and 3 below are based on that assumption.
3. 'Any exposure' (Art 14a(1)) – Any exposure could include derivative positions that do not create a synthetic position in the underlying, for example where an interest rate or currency swap is provided to an intermediate entity. There needs to be better delineation between the types of exposures (see also point 4 below)
4. 'The loss that the institution would incur as a result would not be materially different from the loss the institution would incur from a direct holding of those Common Equity Tier 1 instruments' (Art 14a(1)) – It is unclear how this descriptor of the holdings covered reconciles with the treatments proposed in Articles 14b to 14g. (see questions 5 to 7 for further detail)

We recommend that fuller explanation of the interaction between the indirect holdings and synthetic holdings rules.

The inclusion of mutual funds, investment funds, index funds or securitisation SPEs raises a number of questions.

1. Where we have an exposure to the 'units'¹ of a fund or tranche of a securitisation, there will already be a requirement to hold capital against the exposures, for example through the CIU treatment or securitisation rules. As a result requiring additional capital charges, potentially full deduction, may result in double counting. For example in the CIU requirements there are certain conditions that have to be met to be able to look through. However the indirect holding rules seem to suggest that look through should be sought even if those requirements are not met. Therefore there will be the potential for double counting if look through is not used for the CIU exposure. Therefore we recommend that either the look-through requirements are aligned or further consideration is given to how to address the double counting.
2. It is potentially possible for a fund manager to fall within the scope of Article 4(8)(c), i.e not be an institution within the meaning of Article 4(4). Therefore if the intention was to capture the situation where such a fund manager holds an investment in a financial sector entity on its own balance sheet, then Article 14a(1)(a) would not capture that situation.

We also seek clarification on another situation where we are unclear as to which section of the draft RTS would apply; i.e. tranching positions in an index through a derivative. The consultation addresses the question of tranching exposures but the transaction would not be through an intermediate entity such as those suggested by Article 14a. Article 17 of the Near Final Version of the RTS on own funds, deals with exposures through indices but does not tackle the question of how tranching exposures should be handled. We seek further clarification on this matter.

¹ Unit used as a generic term for the participation in the fund.

Q02: Provisions included in paragraph 1 of the following Article 14a refer in particular to pension funds. These provisions have to be read in conjunction with the deductions referred to in Article 33(e) of the CRR. Would you see any cases where there might be an overlap between the two types of deductions? Please describe precisely these situations and the nature of the problem.

To require deduction of indirect holdings of financial sector entities held by defined benefit pension funds would represent double counting.

Where the pension fund is in surplus there will be a pension fund asset, then Article 33(1)(e) requires the amount to be deducted.

Where the pension fund is in deficit as a reduction of the value of the investments in financial sector entities, or indeed other investments, there will be a pension fund liability, the other side of the double entry to which will be a reduction in Common Equity Tier 1 capital.

The cost of acquiring the pension fund's investments, including financial sector entities, will have reduced CET1, as it will have been taken through profit and loss by virtue of the accounting for the pension cost. Should the investments in financial sector entities increase or decrease in value post acquisition further impact on capital will be determined by whether this generates a pension asset or liability.

We do not believe that it is necessary to require further deductions for indirect holdings because of the double counting and recommend that defined benefit pension funds are excluded from scope.

Q03: Please provide also some input on the potential impact? What would be the size of the deduction of defined benefit pension funds under the treatment proposed in the following Article? Would the treatment cause a change in the investment policy of the pension fund with regard to such holdings, or have any other consequences for the operation of the defined benefit pension scheme?

Requiring deduction of pension fund holdings of financial sector entities may influence the investment policy of such funds, as banks will wish to avoid the deduction and therefore seek the removal of such investments from mandates, although this may not be possible, as banks do not control the mandates. At a point in time where banks are seeking to raise additional capital to meet new regulatory requirements the proposed approach would result in a counter-productive outcome.

Q04: Do you agree with the examples of synthetic holdings provided in paragraph 2 of the following Article 14a? Should other examples be added to this list?

We agree that the list of examples is appropriate, as far as it goes. However the list only addresses the long positions created and Articles 39, 42, 56 and 66 provide for netting. Article 14a should make it clear that short positions are also included and that it is the net position that is assessed.

An alternative way of defining the complete population would be by reference to MiFID and whether the derivative would create a specific or issuer risk position for capital requirements purposes.

Q05: Are the provisions contained regarding synthetic holdings in paragraph 2 of the following Article 14a and in Article 14e sufficiently clear? Do you agree that the amount to be deducted shall be the notional amount? Would you see any situations where another amount shall be used?

No and we disagree that notional amount is the appropriate exposure value to use in all circumstances.

As a result of including only long positions in the list of examples in Article 14a(2), it is unclear what exposure value should be used for the short positions in the calculating the net exposure value. The definition of exposure value for long and short positions should be symmetrical.

We recommend that the trading and banking books are differentiated and that the exposure value used should generally be that used for the capital calculation and that reference should be made to the netting provisions.

In summary we recommend the following:

Exposure type	Banking Book	Trading book
Total return swap	Nominal	Delta weighted in accordance with their use for capital requirements Nominal where not used.
Guarantees and CDS	Nominal	
Call options	Mark to market	
Put options sold	Nominal at strike price	
Forwards	Nominal	

The suggested approach to exposure value above is an improvement on the proposal in the consultation because it better reflects the risk associated with the positions, is consistent in most cases with the approach to capital requirements, provides a complete solution for both banking and trading books, firms with model approval and without, is subject to appropriate levels of supervisory approval, mitigates the risk of inconsistent risk management behaviour between financial and non-financial markets in capital instruments and mitigates potential negative impact on the operation of markets.

Furthermore there will be a further capital buffer in the form of the requirements for non-delta risks; exact treatment will depend on the outcome of the EBA's current consultation in this area.

Finally we would also like to highlight the issue of maturity in relation to netting of longs and shorts in the trading book. In the absence of guidance on a number of issues from the EBA, the requirement for hedges to be at least one year or of matching maturity will cause significant problems for the trading of such positions. The industry is in the process of developing frequently asked questions on this topic for submission to the EBA.

Q06: Are the provisions relating to the deduction of serial or parallel holdings through intermediate entities sufficiently clear? Do you see any unexpected consequences? Are there issues which need to be elaborated further?

And

Q07: Are the provisions of Article 14d relating to a structure-based approach sufficiently clear? Are there issues which need to be elaborated further?

No, the approaches are not sufficiently clear and we have concerns about the consequences of the proposed draft RTS.

Regarding exposures to funds and securitisation SPEs, please see question 1.

Article 14(c) covers the situation where there is perfect knowledge of the underlying holdings, yet part (1)(b)(ii) in the lower of calculation does not seem to relate to the underlying holding of the intermediate entity. We seek further clarity on what is intended by this provision.

We find the approach to tranching/non-pari passu positions confusing and seek further clarity on how the calculations should be performed. For example, where a position in a fund is offset by a short position on the fund is it possible to net the exposures first and then look through? If not, netting will be operationally difficult, as there is no guidance on how to allocate exposures to counterparties and then be able to net them.

In practice, however, the proposed treatment for look through will be operationally difficult to comply with because the information required from may be difficult to obtain. It is possible in the case of liquid exchange traded funds, but other entities will be challenging.

Therefore firms will have to default to the structure based approach. If the look through approach is not possible, it may not be possible to distinguish between investments in own shares from those in other financial sector entities. Therefore, the treatment in points (1) to (4) may not be available. Even if this is possible, the requirement to deduct the aggregate holdings in other financial sector entities as significant is likely to overstate the risk. Further, Article 14f includes indirect and synthetic holdings within the determination of the significant investment threshold calculation, although the text of Article 40 indicates that ownership is required. Where holdings are indirect or synthetic, ownership will not be the case.

Mandates may also not be publicly available or be insufficiently detailed to perform the analysis, thus resulting in the deduction of the entire amount of the funding as an investment in own shares. For example, the definition of financial exposures within mandates will not necessarily align with the definition of financial sector entities within the CRR.

As a result the capital charges for indirect holdings are likely to be punitive relative to the risk.

In a trading book environment, where exposures are expected to be short term, the requirements will be particularly burdensome from an operational perspective.

As noted in question 1 the draft RTS does not address the implications of double counting.

Broad Market Indices

Q08: Are the provisions of Article 24b sufficiently clear? Are there issues which need to be elaborated further?

And

Q09: What in your view is the best means for ensuring that the benchmark rate is not materially affected by the credit standing of an individual participating institution? The criterion of minimum number of contributors or that of minimum representativeness of the market or both?

And

Q10: What would be the minimum number of contributors to ensure this absence of correlation? If a minimum representativeness of the market was chosen as an alternative route, how to ensure and calculate this representativeness? Would the percentage of 60% be sufficient?

We note in 4.3.4 (20) that two approaches were considered on broad market indices. We would favour a hybrid approach of both an 'agreed list' of inter-bank lending indices, in order to provide market certainty on indices that can be referenced without further consideration of general principles, as well as the general principles that may be used in the event an Issuer wishes to reference an index not on the 'agreed list'.

The underlying objective is to ensure that no correlation exists between the credit standing of the institution and the index used in determining the distributions on Additional Tier 1 and Tier 2 instruments. If done correctly, the question of correlation will involve a degree of quantitative analysis which will likely vary from index to index and cannot simply be defined by a predetermined minimum number of contributors or a minimum representativeness of the market. As a minimum, we would expect that the large benchmark indices in the most liquid currencies would be on the 'agreed list'. This would be subject to review and change, from time to time, with the onus on an institution and its local regulator to demonstrate that correlation does not exist in a local market index which they wish to add to the 'agreed list'.

We note also that the 'agreed list' concept and the question of suitable indices more generally would helpfully be coordinated with other regulatory initiatives addressing benchmark indices – such as the Wheatley Review in the UK – to ensure a consistency of approach and applicable outcomes.

Minority interest

Q11: How would you treat minority interests arising from an institution permitted, under Article 8 of the CRR, to incorporate a subsidiary in the calculation of its solo requirement (individual consolidation method)?

And

Q12: How would you treat minority interests arising from a subsidiary not subject to supervision on a sub-consolidated basis although it is the parent undertaking of other institutions? If the subsidiary would be allowed to undertake the calculation referred to in Article 79(1) on the basis of its sub-consolidated situation, some conditions would have to apply in order to secure this calculation in the absence of a supervision on a sub-consolidated basis. What would you propose as conditions?

This section of our response sets out the issues that we think need to be addressed regarding the requirement to calculate minority interest at the individual subsidiary level on a sub-consolidated basis, including the questions above. We have taken this approach because of the inter-related nature of the issues.

Scope – third country holding companies

Clarification of scope is vital to the determination of the sub-consolidations required to be performed and therefore we recommend clarity is provided. In particular we seek confirmation that third country holding companies, where subject to prudential supervision in a jurisdiction is considered at least equivalent to that of the EU, are included within scope.

Article 76(1) identifies the entities for which eligible MI can be calculated. It requires the subsidiary to be either an institution or an undertaking that is subject by virtue of applicable national law to the requirements of this Regulation and Directive and subject to the prudential scope of consolidation (also referenced in Article 34b(3) of the draft RTS). Third country intermediate financial holding companies will fall within the scope of the prudential consolidation; however, they will be subject to local implementation of Basel III rather than the CRR and CRD itself.

Recital 27b of the CRR indicates that intermediate holding companies can be regarded as eligible for minority interest purposes. It states:

“The minority interests arising from intermediate financial holding companies that are subject to the requirements of this Regulation on a sub-consolidated basis may also be eligible, within the relevant limits, as Common Equity Tier 1 capital of the group on a consolidated basis, as the Common Equity Tier 1 capital of an intermediate financial holding company attributable to minority interests and the part of that same capital attributable to the parent company support both *pari passu* the losses of their subsidiaries when they occur.”

Article 79(3a) provides for the potential to waive the requirements of the article to parent financial holding companies in certain circumstances, and does not appear to be restricted to those within the EU.

MI from third country institutions would be eligible, provided that they are subject to equivalent prudential regulatory and supervisory requirements (on the basis of Article 102). However, if such third country institutions are subsidiaries to a holding company and the holding company is not eligible (albeit also subject to prudential consolidation in that jurisdiction and part of the EU consolidation), the link would appear to be broken because sub-consolidation will be unacceptable at that level and it is not clear how it would be possible to incorporate eligible capital from institutions that are below. Such an outcome would be perverse and unwarranted as the rules should not favour one corporate structure over another.

The introduction of banking structural reform, such as the Liikanen proposals, and national regulations such as Section 165 of Dodd Frank Act in the US are likely to increase the number of international groups with holding companies within their structure.

We believe that there is scope to interpret Article 76 to include third country holding companies because the text refers to the CRR and CRD being implemented by virtue of national law. As the CRR is directly applicable, there is no need to transpose into national law and therefore we believe that this suggests the recognition of third country holding companies can be regarded as eligible. Therefore, we strongly urge the EBA to consider the competitive and extra-territorial implications of not recognising the MI from third country jurisdictions that are otherwise deemed to be imposing equivalent legislation to the CRR and CRD.

We believe that this interpretation is supported by the original intention of Basel III², as holding companies are not supervised on a standalone basis, but are subject to the same requirements as banks on a consolidated basis.

Footnote 23 of Basel III states: 'For the purposes of this paragraph, any institution that is subject to the same minimum prudential standards and level of supervision as a bank may be considered to be a bank.'

Further Question 6 of the Basel FAQs on the definition of capital states:

"Regarding the treatment of capital issued out of subsidiaries, how should the surplus capital be calculated if the subsidiary is not regulated on a stand-alone basis but is still subject to consolidated supervision?"

For capital issued by a consolidated subsidiary of a group to third parties to be eligible for inclusion in the consolidated capital of the banking group, paragraphs 62 to 65 of the rules text requires the minimum capital requirements and definition of capital to be calculated for the subsidiary irrespective of whether the subsidiary is regulated on a stand-alone basis. In addition the contribution of this subsidiary to the consolidated capital requirement of the group (ie excluding the impact of intra-group exposures) must be calculated. All calculations must be undertaken in respect of the subsidiary on a sub-consolidated basis (ie the subsidiary must consolidate all of its subsidiaries that are also included in the wider consolidated group). If this is considered too operationally burdensome the bank may elect to give no recognition in consolidated capital of the group to the capital issued by the subsidiary to third parties. Finally, as set out in paragraph 62, it should be noted that minority interest is only permitted to be included in consolidated Common Equity Tier 1 if: (1) the instrument would, if issued by the bank, meet all of the criteria for classification as common shares for regulatory purposes; and (2) the subsidiary that issued the instrument is itself a bank. The definition of a bank for this purpose is any institution that is subject to the same minimum prudential standards and level of supervision as a bank as mentioned in footnote 23."

Scope - Article 79(3a)

Article 79(3a) is also potentially relevant to the scope of sub-consolidation. It is not clear what granting a waiver from the application of Article 79 means in practice. Does it mean that the minority interest in the holding company can be recognised in full, i.e. waiving the requirement of point (1), or does it mean that consolidation is applied at the next consolidation point above it?

Banking groups headed by EU parent holding companies

In the situation where a group is headed by an EU parent financial holding company it is not clear whether a restriction is applied to the minority interest of the main operating bank, nor do we think it appropriate to do so. Article 79 and following, refer to the 'institution' calculating the MI that is eligible for inclusion in consolidated own funds. Article 79 is in alignment with the requirements of Article 8, which requires the highest institution in the group to ensure that the group, including the holding company, complies with the requirements of the CRR on a consolidated basis. Since the highest institution will not be a subsidiary of an institution itself and the parent holding company will be a small non-operating entity no restriction to MI of the highest operating bank should be applied.

Any other interpretation of the requirement favours one group structure over another and potentially raises issues around right of establishment. With the introduction of structural reform, such as the Liikanen proposals and the Independent Commission on Banking in the UK, the incidence of holding company group structures may increase. Therefore it is imperative that this issue is clarified.

² Footnote 23 Basel III: A global regulatory framework for more resilient banks and banking systems (June 2011)

Another alternative to clarifying Article 84 would be to define the sub-consolidations required as being those of the highest consolidation within a jurisdiction (including the holding company i.e. the sub-consolidation would be the consolidation, with no adjustment to the MI of the highest operating bank. Provisions could be inserted to ensure that such an approach cannot be abused, by for example restricting this approach to the primary credit institution in the group and requiring that the perimeter of the consolidation covers all the entities that would be covered if further sub-consolidations were performed.

Situations where sub-consolidation is not required for capital purposes

Currently, consolidation is effectively required within the EU at the highest level of a group within a jurisdiction. However, where there is a parent financial holding company, the level of consolidation will be to that level, with no sub-consolidation performed for entities within the same jurisdiction below that level. This is the case for the Barclays Group, where consolidation is performed at the level of Barclays plc, but sub-consolidation is not performed for its immediate subsidiary, Barclays Bank plc and its subsidiaries. Barclays Bank plc is regulated at the individual level on the basis of its individually consolidated position.

Requiring sub-consolidation at the level of Barclays Bank plc means that it will not be possible to easily reconcile the MI calculation to any other supervisory reporting undertaken. Further, regulatory requirements will not be set at the Barclays Bank plc group level, since the group is not currently supervised on this basis.

As noted in the EU parent holding companies section above, one solution to this issue would be to deem the requirement for sub-consolidation to have been met if the consolidated perimeter is complete and the requirement applies to the primary credit institution, or alternatively if our proposal regarding Article 79 is accepted, the problem is eliminated.

Should the EBA proceed on the basis that sub-consolidations will need to be carried out at each level regardless of the comments above it will be necessary to provide more detail in the RTS on the basis for the calculation in the case where there is an EU parent holding company. We have identified two possible approaches:

1. Use the individual or individually consolidated position to calculate the eligible MI
2. Use the full consolidation, reversing out the holding company, with full consolidated capital requirements as the basis for the MI calculation. A reconciliation could be provided between the consolidated and 'sub-consolidated' positions.

Option 1 has the benefit of being already supervised and it is the lowest regulatory level that could constrain dividends. However, it is not a fully sub-consolidated position.

Option 2 would be a fully sub-consolidated approach, but would have a proxy regulatory requirement attached to it.

Our preference would be for option 1, as the information is already available.

Another situation where sub-consolidations may not be prepared for the consolidating supervisor will be in relation to third country parts of an international banking group. Supervision and consolidations will be performed at the holding company level in third country jurisdictions for the local regulator, but not at the consolidating supervisor level. For example, the South African part of our group has a holding company structure, with prudential consolidation up to the holding company level. Provided that supervisory co-operation agreements are in place and equivalence is established, we do not envisage a problem with calculations of MI (assuming the third country holding company issue is addressed), as it should be possible to use the local consolidated information.

Individual consolidation

As the focus within the CRR has moved from individual entity calculations to sub-consolidation, the nature of the question of how firms that use individual consolidation has changed. Earlier drafts of CRR did not require sub-consolidation, introducing a different misalignment of scope to that outlined in the section above on situations where sub-consolidation is not required – i.e. individual entity information would not be available to reconcile.

Where sub-consolidation is required and individual consolidation is used, these entities will be included within the sub-consolidation, given that they would meet the requirements for Article 76 as undertakings subject to the CRR and part of the consolidation and are subject to the stringent conditions of Article 8.

Other questions on the calculation of MI

As Article 24b of the draft RTS refers to Article 79(1), we also seek to clarify a number of other points in relation to the calculation.

Transitional provisions

Article 460 adjusts Article 79(1)(b) during the transitional period. However it is not clear whether Article 479(1)(a) should be prepared on a fully loaded or transitional basis. Basel FAQ 12 indicates that a fully loaded basis should be used. Please can the EBA confirm that the same approach should be used in the CRR. We also seek clarity on the capital base.

Local requirements

Article 79(1)(a) references the minimum requirements of the CRR and CRD, but also includes any additional local supervisory requirements in third countries. Can the EBA confirm that, where a supervisory and regulatory regime has been deemed equivalent, local requirements can be used and it will not be necessary to make any adjustments to align them completely with CRD IV? In other words, it is possible to look to the local implementation of Articles 87(1), 443, 443B, 476 of the CRR and Articles 100 and 122(2) of the CRD, as well as any additional local requirements.