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GREEN NON-PAPER FOR CONSULTATION:

PROPORTIONALITY IN BANKING REGULATION

In order to maintain diversity and a true level playing field, the principle of proportionality needs to be respected more consistently in EU banking regulation and its application. Although small institutions might not per se be less risky, they tend to have less complex business models and operate on a regional basis. They are easier to monitor and do not pose systemic risks.

The Commission's objective of strengthening the principle of proportionality and reducing unnecessary compliance costs is much appreciated. However, in our view the November 2016 proposal falls short of achieving sufficient progress in proportionality and cost reduction.

This non-paper is meant to foster the debate about proportionality and contains two sections: A) Potential Areas for Amendments; and B) Potential criteria for small and non-complex institutions.

A) POTENTIAL AREAS FOR AMENDMENTS

Based on the considerations above, we would like to propose for discussion the following potential areas for amendments.

REGULATORY REPORTING (CRR)

<u>COM proposal:</u>

Article 99 (7) CRR is amended to include a mandate to **EBA to deliver a report** to the Commission on the **cost of regulatory reporting** by 31 December 2019, to quantify reporting costs and to make recommendations on ways to simplify reporting for small institutions. Article 99 (7) CRR II: "*EBA shall assess the financial impact on institutions of Commission Implementing Regulation (EU) No 680/201429 in terms of compliance costs and report its findings to the Commission by no later than [31 December 2019]. That report shall in particular examine whether reporting requirements have been applied in a sufficiently proportionate manner."*

Small institutions (as defined in new Article 430a) will be required to submit **regulatory capital reports less frequently** than it is the case now. Reporting on large exposures will be simplified by removing the reporting item on the expected run-off of the exposure and by better specifying, through secondary legislation, reporting obligations concerning shadow banking entities. Article 99 (4) CRR II: "*The reports required in accordance with paragraphs 1 to 3 shall be submitted on an annual basis by small institutions as defined in Article 430a and, subject to paragraph 6, semi-annually or more frequently by all other institutions."*

Competent authorities are allowed to **waive reporting requirements** if data items are already available by other means. Article 99 (11) CRR II: *„Competent authorities may waive the requirements to report data items specified in the implementing technical standards referred to in this Article and Articles 100, 101, 394, 415 and 430 where those data items are already available to the competent authorities by means other than those specified under the above mentioned implementing technical standards, including where that information is available to the competent authorities in different formats or levels of granularity."*

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Possible Greens additions:

New Article 99 (4a) CRR II to reduce reporting frequency for Asset Encumbrance, Large Exposures and Leverage Ratio: *"**4a. Small institutions as defined in Article 430a shall submit the reports required in Articles 100, 101, 394 and 430 on an annual basis**."*

Replace Article 99 (7) CRR II by the following: ***"7. The EBA shall be mandated to develop by 31 December 2019 a common EU reporting framework to streamline EU and national reporting requirements including regulatory reporting, the reporting for resolution or deposit guarantee purposes, monetary policy, AnaCredit and other statistical data requests to ensure that requirements apply at the same point in time. Newly introduced reporting requirements shall be applied not earlier than 2 years after their publication. Final reporting templates need to be made available at least 1 year prior to their application date. The EBA shall, together with the ECB, the SRB, national competent and resolution authorities as well as statistical authorities, draw up a calendar on planned additional reporting requirements and update it on a yearly basis."***

Changes to Article 99 (11) CRR II: *„Competent authorities**, statistical authorities, the ECB as well as the ESAs** ~~may~~ **shall** waive the requirements to report data items specified in the implementing technical standards referred to in this Article and Articles 100, 101, 394, 415 and 430 where those data items are **outdated or** already available to the competent authorities by means other than those specified under the above mentioned implementing technical standards, including where that information is available to the competent authorities in different formats or levels of granularity. **Competent, resolution, designated and relevant authorities shall make use of data exchange wherever possible**."*

Changes to Article 100 (1) CRR II: *"Institutions shall report to their competent authorities on their level of asset encumbrance **only if more than 15% of their assets are encumbered. Promotional and consortium loans as well as open market operations shall not be qualified as encumbered.**"*

DISCLOSURE (CRR)

COM proposal:

New provisions are added in Part Eight to provide for a **more proportionate disclosure regime** that takes into account the relative size and complexity of institutions. These are classified into **three categories** as either significant (Article 433a), small (Article 433b) and other (Article 433c), with a further distinction between listed and non-listed institutions. Disclosure requirements will apply to each category of institutions on a sliding scale basis, with a **differentiation in the substance and frequency of disclosures**.

At the upper end of the sliding scale, large institutions with listed securities will be required to provide annual disclosures of all the information required under Part Eight, plus disclosures of selected information on a semi-annual and quarterly basis, including in the latter case a key prudential metrics table (Article 447). On the lower end, **small non-listed institutions** will only be required to make **selected disclosures** of **governance, remuneration** and **risk management information** and the **key metrics** table on an **annual basis.**

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Possible Greens additions:

Waiver for disclosure requirements for small non-listed institutions. Changes to Article 433b CRR II: *"2. By way of derogation from paragraph 1, small institutions that are non-listed institutions shall ~~disclose the following information at least on an annual basis:…~~* ***not be obliged to issue any disclosure reports.****"*

Selected annual disclosures for medium (i.e. non-small and non-large) non-listed institutions as foreseen in the Commission proposal for small non-listed institutions in Article 433b. Changes to Article 433c CRR II: "*2. By way of derogation from paragraph 1, other institutions that are non-listed institutions shall disclose the information outlined below and~~, at least,~~ with the following frequency:*

(a) the information referred to in points (a), (e) and (f) of Article 435(1) on an annual basis;

(b) the information referred to in points (a), (b) and (c) of Article 435(2) every two years;

(c) the information referred to in Article 450 on an annual basis;

(d) the key metrics referred to in Article 447 on an annual basis.

MARKET RISK (CRR)

COM proposal:

Banks with **small trading books** (under EUR 50 million and less than 5% of the institution's total assets) can still benefit from a **derogation**, which allows them to **apply the treatment of banking book positions to their trading book** (Article 94 CRR II).

Banks with **medium-sized activities** subject to the market risk capital requirements (under EUR 300 million and less than 10% of the institution's total assets) may use the **simplified standardised approach**, which corresponds to the existing standardised approach (Article 325a CRR II).

Possible Greens additions:

Increase the exemption for **small trading** books in Article 94 CRR II from EUR 50 million to EUR 100 million for **real commodity business** up to EUR 50 million.

Extend the **exemption** for small trading books in Article 94 CRR II **to** the requirements for the **management of the trading book** (Article 102-104 CRR).

Increase the threshold for permission to use the **simplified standardised approach** from EUR 300 million to EUR 500 million for **real commodity business** up to EUR 200 million.

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REMUNERATION (CRD)

COM proposal:

As required under Article 161(2) of the CRD, the Commission has reviewed the efficiency, implementation and enforcement of the CRD remuneration rules. The findings of this review, reflected in the Commission Report COM(2016) 510, were overall positive.

The review however showed that some of the rules, namely the rules on **deferral** and **pay-out in instruments**, are **not workable** for the smallest and least complex institutions and for staff with low variable remuneration. The review also showed that **proportionality** with regard to the smallest and least complex institutions as reflected in Article 92(2) of the CRD has been **interpreted in different ways**, leading to an uneven implementation of the rules in the Member States. A targeted amendment is therefore proposed to cater for the problems encountered in the application of the rules on deferral and pay-out in instruments in small and non-complex institutions and towards staff members with low variable remuneration. To this end, Article 94 is amended to clarify that the rules apply to all institutions and their identified staff, except for those that are below the **thresholds set for derogations**. At the same time, some flexibility is offered to competent authorities to adopt a stricter approach.

The amendments concerning provisions on remuneration also aim to address another need for more proportional rules identified by the Commission's review by allowing listed institutions to use share-linked instruments for meeting the CRD requirements.

Article 94 (3) CRD V:

"3. By way of derogation from paragraph 1, the principles set out in points (l), (m) and in the second subparagraph of point (o) shall not apply to:

(a) an institution the value of the assets of which is on average equal to or less than EUR 5 billion over the four-year period immediately preceding the current financial year;

(b) a staff member whose annual variable remuneration does not exceed EUR 50.000 and does not represent more than one fourth of the staff member's annual total remuneration."

Possible Greens additions:

Increase the **threshold for the exemption** to all institutions that are not "large" as defined in Article 430a CRR II.

Article 94 (3) CRD V:

"3. By way of derogation from paragraph 1, the principles set out in points (l), (m) and in the second subparagraph of point (o) shall not apply to:

(a) an institution ***or subsidiary that is not large as defined in Article 430a (1) and (2) CRR II*** ~~*the value of the assets of which is on average equal to or less than EUR 5 billion over the four-year period immediately preceding the current financial year;*~~

(b) a staff member whose annual variable remuneration does not exceed EUR 50.000 and does not represent more than one fourth of the staff member's annual total remuneration;

In addition, institutions fulfilling the criteria in Article 94 (3) CRD V and applying the bonus cap to their entire staff could be **exempted** from the requirement to **identify material risk takers**.

Changes to Article 94 (2) CRD V:

"2. EBA shall develop draft regulatory technical standards with respect to specifying the classes of instruments that satisfy the conditions set out in point (l) (ii) of paragraph 1 and with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on the institution's risk profile as referred to in Article 92(2).

EBA shall submit those draft regulatory technical standards to the Commission by 31 March 2014.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Article 10 to 14 of Regulation (EU) No 1093/2010.

The obligation to identify staff whose professional activities have a material impact on the institution's risk profile as referred to in the first subparagraph shall not apply to institutions benefitting from the derogation in Article 94 (3) and applying the bonus cap as referred to in Article 94 g (i) to their entire staff."

NSFR (CRR)

COM proposal:

The Basel Committee has developed its NSFR proposal for large, systemically important banks with cross border activities and significant activities in capital and whole sale funding markets. While the Commission proposal aims at taking into account a number of EU specificities in the implementation, there are **almost no elements of proportionality** (except in Art. 428x (4) for small derivative books).

Possible Greens additions:

Non-systemic institutions should be allowed to alternatively calculate a **simplified NSFR** (sNSFR) based on the same calculation method as the Basel NSFR recommendation but taking into account **only a reduced number of data fields instead of over 100**. The reporting of encumbered assets is simplified drastically. However, the minimum NSFR ratio shall be kept at 100%.

Due to the simplifications, some ASF (Available Stable Funding) and RSF (Required Stable Funding) factors would need to be re-determined based on the NSFR Commission proposal. Where positions with different factors are combined, generally the more conservative factor should be chosen.

LCR (CRR)

COM proposal:

No proportionality measures foreseen.

Possible Greens additions:

Maintaining a monthly reporting frequency for the short-term oriented LCR with a time horizon of 30 days seems appropriate also for small institutions. However, in order to lower the administrative burden, the **requirement to daily monitor** the LCR should **not be applied to small institutions having a LCR above 150%**.

New Article 412 (1a): *"**1a. In derogation from Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 with regard to liquidity coverage requirement for Credit Institutions, small institutions as defined in Article 430a CRR II shall not be obliged to daily monitor their LCR if they show a LCR equal to or exceeding 150%."***

Additionally, **national liquidity reporting requirements** need to be **phased out**.

Changes to Article 412 (5) CRR: "*5. **As from [two years after the entry into force of the CRR Amending Regulation]** Member States ~~may maintain or introduce~~ **shall phase out** national provisions in the area of liquidity requirements ~~before binding minimum standards for liquidity coverage requirements are specified and fully introduced in the Union in accordance with Article 460. Member States or competent authorities may require domestically authorised institutions, or a subset of those institutions, to maintain a higher liquidity coverage requirement up to 100 % until the binding minimum standard is fully introduced at a rate of 100 % in accordance with Article 460~~."*

Changes to Article 413 (3): *"3. **As from [two years after the entry into force of the CRR Amending Regulation]** Member States ~~may maintain or introduce~~ **shall phase out** national provisions in the area of stable funding requirements ~~before binding minimum standards for net stable funding requirements are specified and introduced in the Union in accordance with Article 510~~."*

ALMM - Additional liquidity monitoring metrics (Article 415 CRR)

COM proposal:

Article 415 (3) CRR II **doesn't contain any proportionality** measures:

"3. EBA shall develop draft implementing technical standards to specify the following:

(a) …;

(b) additional liquidity monitoring metrics that are required to allow competent authorities to obtain a comprehensive view of the liquidity risk profile and which shall be proportionate to the nature, scale and complexity of an institution's activities.

EBA shall submit to the Commission those draft implementing technical standards for the items specified in point (a) by [one year after the entry into force of the amending Regulation] and for the items specified in point (b) by 1 January 2014.

Until the full introduction of binding liquidity requirements, competent authorities may continue to collect information through monitoring tools for the purpose of monitoring compliance with existing national liquidity standards.

Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.".

Possible Greens additions:

As ALMM is meant to avoid concentration of refinancing risks, **institutions** showing **deposits** with a **high degree of granularity** should be **exempt** from this requirement. Besides, as CRR II introduces binding liquidity requirements (LCR and NSFR), competent authorities should be **prevented** from **collecting additional information** through **national** liquidity standards.

Changes to Article 415 (3) CRR:

"3. EBA shall develop draft implementing technical standards to specify the following:

(a) …;

(b) additional liquidity monitoring metrics that are required to allow competent authorities to obtain a comprehensive view of the liquidity risk profile and which shall be proportionate to the nature, scale and complexity of an institution's activities.

EBA shall submit to the Commission those draft implementing technical standards for the items specified in point (a) by [one year after the entry into force of the amending Regulation] and for the items specified in point (b) by 1 January 2014.

As from [two years after the entry into force of the CRR Amending Regulation] ~~*Until the full introduction of binding liquidity requirements,*~~ *competent authorities* ~~*may continue*~~ ***shall cease*** *to collect information through monitoring tools for the purpose of monitoring compliance with existing national liquidity standards.*

Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.

The Commission Implementing Regulation (EU) 2016/313 of 1 March 2016 with regard to additional monitoring metrics for liquidity reporting shall not apply to small institutions as defined in Article 430a CRR II if their refinancing is based on deposits with a high degree of granularity."

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INTEREST RATE RISK (CRR/CRD)

COM proposal:

Following developments at the BCBS level on the measurement of interest rate risks, Articles 84 and 98 of the CRD and Article 448 of the CRR are amended in order to introduce a revised framework for capturing interest rate risks for banking book positions. The amendments include the introduction of a common standardised approach that institutions might use to capture these risks or that competent authorities may require the institution to use when the systems developed by the institution to capture these risks are not satisfactory, improved outlier test and disclosure requirements. In addition, EBA is mandated, in Article 84 of the CRD, to elaborate the details of the standardised methodology, the criteria and conditions that institutions should follow to identify, evaluate, manage and mitigate interest rate risks and, in Article 98 of the CRD, to define the six supervisory shock scenarios applied to interest rates and the common assumption that institutions have to implement for the outlier test.

No proportionality measures foreseen.

Possible Greens additions:

While capturing interest rate risk is of utmost importance, small institutions should have **more time to introduce** the **new** and **complex calculation** methods. Therefore, a **transitional to** the **newly introduced common standardised** approach could be envisaged for **small institutions**.

Changes to Article 84 (1) CRD V:

"1. Competent authorities shall ensure that institutions implement internal systems or use the standardised methodology to identify, evaluate, manage and mitigate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities.

By way of derogation, small institutions as defined in Article 430a CRR II shall be required to use the standardised methodology only two years after the entry into force of this Directive."

Changes to Article 98 (5) CRR II:

"5. The review and evaluation performed by competent authorities shall include the exposure of institutions to the interest rate risk arising from non-trading book activities. Supervisory measures shall be required at least in the case of institutions whose economic value of equity referred to in Article 84(1) declines by more than 15 % of their Tier 1 capital as a result of a sudden and unexpected change in interest rates as set out in any of six supervisory shock scenarios applied to interest rates.

By way of derogation, for small institutions as defined in Article 430a CRR II, the requirements laid down in the first subparagraph shall apply only two years after the entry into force of the regulatory technical standards referred to in paragraph 5a of this Article."

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SREP - Supervisory Review and Evaluation Process (CRD)

COM proposal:

No proportionality measures foreseen. **In contrast, COM proposes a deletion** of Article 103 CRD IV.

~~*"Article 103 CRD IV: Application of supervisory measures to institutions with similar risk profiles*~~

~~*1. Where the competent authorities determine under Article 97 that institutions with similar risk profiles such as similar business models or geographical location of exposures, are or might be exposed to similar risks or pose similar risks to the financial system, they may apply the supervisory review and evaluation process referred to in Article 97 to those institutions in a similar or identical manner. For those purposes, Member States shall ensure that competent authorities have the necessary legal powers to impose requirements under this Directive and under Regulation (EU) No 575/2013 on those institutions in a similar or identical manner, including in particular the exercise of supervisory powers under Articles 104, 105 and 106.*~~

~~*The types of institution referred to in the first subparagraph may in particular be determined in accordance with the criteria referred to in Article 98(1)(j).*~~

~~*2. The competent authorities shall notify EBA where they apply paragraph 1. EBA shall monitor supervisory practices and issue guidelines to specify how similar risks should be assessed and how consistent application of paragraph 1 across the Union can be ensured. Those guidelines shall be adopted in accordance with Article 16 of Regulation (EU) No 1093/2010."*~~

Possible Greens additions:

Besides proportionality already enshrined in Art. 97 (4) CRD IV, it could be considered that the **SREP** (Art. 97, 98 CRD IV) [as well as the Capital Adequacy Assessment Process (**ICAAP** - Article 73 CRD IV) and the Internal Liquidity Adequacy Assessment Process (**ILAAP** - Article 86 CRD IV)] would **only** be **obligatory for medium and large institutions**. For smaller, non-complex institutions, the **NCA** should have the **discretion** to decide, on the basis of a one-time supervisory assessment with respect to the relevant institution, whether the performance of the SREP [as well as ICAAP and ILAAP] is necessary from a prudential perspective. **This derogation would be conditioned to a CET1 ratio exceeding Pillar 1 and combined buffer requirement and could be subject to a review every five years.**

On top, we suggest to **reject** the **deletion of Article 103 CRD** as this Article allows competent authorities to treat banks with similar business models in the same way. Thus Article 103 CRD prevents administrative burden and strengthens the proportionality principle in the SREP.

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RECOVERY PLANNING (BRRD)

COM proposal:

No proportionality measures foreseen.

Possible Greens additions:

Where the resolution authority deems it feasible and credible to liquidate the institution under normal insolvency proceedings according to a resolvability assessment in Art. 15 (1) BRRD, the following should apply:

a) The national resolution authority should be able to **waive** the current **requirement** for institutions to draw up **recovery plans** (Article 5 (1) BRRD) and for resolution authorities to draw up **resolution plans** (Article 10 (1) BRRD).

b) Institutions that are deemed to be liquidated under normal insolvency proceedings shall **not be subject to any MREL requirement**, or the MREL requirement shall par default equal the own fund requirement set by competent authorities. As a consequence, resolution authorities would not need to set MREL for such institutions that will never be resolved.

For **small institutions** that are **deemed** to be **eligible for resolution**, the **obligation to review and update** recovery and resolution **plans** shall not apply annually unless **material changes** have arisen.

Changes to Article 4 BRRD:

"1a (new). Where simplified obligations according to this Article are applied, the competent or resolution authority may waive the requirements referred to in Article 5 (1) and Article 10 (1). The right of the resolution authority to gather relevant information shall remain unaffected."

Changes to Article 45 BRRD:

"1. Member States shall ensure that institutions meet, at all times, a minimum requirement for own funds and eligible liabilities. The minimum requirement shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution.

For the purpose of the first subparagraph derivative liabilities shall be included in the total liabilities on the basis that full recognition is given to counterparty netting rights.

Where the resolution authority, after having undertaken the resolvability assessment according to Article 15 (1), concludes that an institution shall be liquidated under normal insolvency proceedings, the minimum requirement for own funds and eligible liabilities prescribed in the first subparagraph shall be equal to the own funds requirement set by competent authorities in accordance with Regulation (EU) No 575/2013 and Directive 2013/36/EU."

Changes to Article 10 (6) BRRD by the following:

"6. Resolution plans shall be reviewed, and where appropriate updated, at least annually and after any material changes to the legal or organisational structure of the institution or to its business or its financial position that could have a material effect on the effectiveness of the plan or otherwise necessitates a revision of the resolution plan.

<u>For small institutions as defined in Article 430a CRR II, resolution plans shall be reviewed, and where appropriate updated, not more than every three years or after material changes have arisen.</u>

For the purpose of the revision or update of the resolution plans referred to in the first subparagraph, the institutions and the competent authorities shall promptly communicate to the resolution authorities any change that necessitates such a revision or update."

ESTABLISHMENT OF COMMITTEES AND INDEPENDENCE OF BOARD MEMBERS

<u>COM proposal:</u>

No proportionality measures foreseen.

<u>Possible Greens additions:</u>

It is unquestioned that members of the management body of institutions must at all times comply with the requirements regarding their suitability (Art. 91 CRD IV). However, a legislative amendment could explicitly clarify that **competent authorities maintain their discretion to assess the suitability** of members of the management body (and its suitability as a collective body) on an ex ante- or ex post-basis, i.e. before or after an appointment of a member, **at least with regard to members of the supervisory board of an institution**. Although such discretion is already foreseen in the current CRD-framework, recent ESA Guidelines might overshoot the level 1 text in some aspects. Therefore, a **clarification in the level 1 text seems warranted**. Such a legal clarification could ensure that competent authorities remain able to allocate their resources in a flexible and cost-effective way and to take into account particularities stemming from national company and labour law.

New Article 91 (14) CRD:

<u>"14 (new). Notwithstanding Article 13 (1) of this Directive, competent authorities may assess, at their discretion, institutions' compliance with the requirements according to Article 91 (1) to (8) of this Directive regarding the management body in its supervisory function before or after the appointment of one of its members."</u>

In addition, the requirement to establish separate risk, audit and remuneration committees within an institution should be limited to banks exceeding total assets of EUR 5 billion in order to ensure a level playing field throughout the EU:

<u>Insert EUR 5 billion derogation threshold into Art. 88(2) CRD IV - nomination committee, Art. 76(3) and (4) CRD IV - risk committee, and Art. 95 CRD IV - remuneration committee.</u>

Regarding the overburdening of smaller banks with the Fit & Proper guidelines established by ECB/EBA for directors, a EUR 5 billion threshold could also apply to Article 23 (1) b. and 91 CRD IV.

Finally, requiring independence of supervisory board members as foreseen in Article 91 (8) CRD may not lead to ban members of affiliated companies from the supervisory board.

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SPECIALITIES

Possible Greens additions:

- NSFR: Requirement for members of an institutional protection scheme (IPS) only at consolidated level
- LR: Take into account cash pooling function within the network of cooperative banks
- LR: Exemption for promotional loans (e.g. in analogy to French Livret A Model)
- FINREP: Derogation for small institutions to report only on an annual basis
- Accounting: Enshrine neutrality of prudential regulation towards accounting in a specific CRR Article

B) POTENTIAL CRITERIA FOR SMALL AND NON-COMPLEX INSTITUTIONS

After deciding which areas we intend to amend, we need to define which criteria institutions shall fulfil in order to benefit from simplifications and exemptions. The definition can, of course, also be adapted for each regulatory field.

QUANTITATIVE CRITERIA

COM proposal:

Article 430a CRR II regarding **disclosure** requirements: *"'small institution' means an institution the value of the assets of which is on average equal to or less than EUR 1.5 billion over the four-year period immediately preceding the current annual disclosure period."*

Other regulatory fields have different thresholds, for example derogation from **market risk** tied to small trading book (EUR 50 million), derogation from deferral and pay-out in instruments (**remuneration**) tied to assets equal or less than EUR 5 billion and variable staff remuneration that does not exceed EUR 50.000.

Possible Greens approach:

- Balance sheet < € 3 bn
- For SREP derogation: CET 1 ratio exceeding Pillar 1 and combined buffer requirement

QUALITATIVE CRITERIA

COM proposal:

Not available.

Possible Greens approach:

- No systemic relevance
- Qualification for simplified requirements under recovery and resolution planning
- The institution does not use internal models for the calculation of capital requirements
- The institution's trading book and derivative activities do not exceed the thresholds in Art. 94(1) and, respectively, Art. 273a(2) CRR
- The following activities are permitted:
  (1) Core activities
  (a) taking deposits that are eligible under the Deposit Guarantee Scheme in accordance with Directive 2014/49/EU of the European Parliament and of the Council;
  (b) lending including, consumer credit, credit agreements relating to immovable property, factoring with or without recourse, financing of commercial transactions (including forfeiting);

(c) financial leasing;
(d) payment services as defined in Article 4(3) of Directive (EU) 2015/2366;
(e) issuing and administering other means of payment such as travellers' cheques and bankers' drafts insofar as such activity is not covered by point (d);
(f) money broking, safekeeping and administration of securities;
(g) credit reference services;
(h) safe custody services;
(i) issuing electronic money;
(j) advising on and selling products of other regulated financial institutions without acting as a principal, subject to the requirements of (MIFID/MIFIR);

(2) Prudent risk, liquidity and capital management activities as defined in (3).

(3) The credit institution shall demonstrate to the competent authority that any trading activities it carries out are solely for the purpose of prudently managing its capital, liquidity and funding. These activities include:

(a) the use of interest rate derivatives, foreign exchange derivatives and credit derivatives eligible for central counterparty clearing to hedge its overall balance sheet risk to which the CCI is exposed through the carrying out of its core activities where the hedging activity is designed to reduce, and demonstrably reduces or significantly mitigates, specific, identifiable risks of individual or aggregated positions of the credit institution;
(b) purchasing and disposing of cash equivalent assets for the purpose of management of the cash position of the credit institution or high quality liquid assets that at least meet the standards set out in CRR Art 416 for the purpose of managing liquidity position of the credit institution;
(c) lending to and borrowing in the interbank markets for the purpose of managing the cash and liquidity position of the credit institution subject to the conditions in Article 15, paragraph 1;
(d) issuance and repurchase of securities for the purpose of meeting the capital management needs of the credit institution’s core activities. This may include securitisation not considered to pose a threat to the financial stability of the core credit institution or to the Union financial system as a whole;

Cash equivalent assets referred to in point (b) must be highly liquid investments held in the base currency of the own capital, be readily convertible to a known amount of cash, be subject to an insignificant risk of a change in value, have maturity which does not exceed 397 days and provide a return no greater than the rate of return of a three-month high quality government bond.