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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Other issues
Article	18
Paragraph	7
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	NA
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Scope of applicability of the required method of prudential consolidation under the Article 18(7) CRR
Question	Is Article 18(7) CRR applicable for the calculation of prudential requirements at the individual level of that institution?
Background on the question	Article 18(7) CRR requires - where an institution has a subsidiary which is an undertaking other than an institution, a financial institution or an ancillary services undertaking or holds a participation in such an undertaking - the institution to apply to that subsidiary or participation the equity method by default. It is unclear whether Article 18(7) CRR shall apply also for the calculation of prudential requirements at the individual level of the institution or whether the application of that provision is restricted only for the calculation of prudential requirements on the basis of the consolidated situation of the institution.
Final answer	Since Article 18 CRR determines “Methods of prudential consolidation”, it follows that Article 18(7) CRR is only applicable on a consolidated basis. Therefore, pursuant to Article 18(7) CRR, at the consolidated level, an institution shall apply the equity method to the aforementioned subsidiary or participation. This, without prejudice to the provisions of the second

	<p>subparagraph of Article 18(7) CRR, according to which competent authorities may allow or require institutions to apply a different method (including the method required by the relevant accounting framework) provided that certain conditions are met.</p> <p>At the individual level, the ordinary regime of Article 24(1) CRR applies and, an institution shall apply to the aforementioned subsidiary or participation the valuation method as prescribed by the applicable accounting framework.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5578

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