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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	48
Paragraph	4
Subparagraph	1
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	Consultancy firm
Subject matter	Simultaneous applicability of non-deduction exemptions under Articles 48 and 49 CRR regarding equity exposures on insurance holdings where an institution has a significant investment
Question	For an institution that has received permission to apply Article 49(1) CRR, has a significant investment below or equal to the threshold indicated in Article 48(1) and 48(2) (exempted from being deducted from Common Equity Tier 1 according to Article 49(1), are the amounts of holdings in insurance undertakings, to be risk-weighted at 250% according to Article 48(4) and the amounts of such holdings that are above this threshold risk-weighted in line with Article 49(4)?
Background on the question	Article 48 CRR allows institutions to not deduct from their own funds the portion of holdings in financial sector entities where they have a significant investment and that are below or equal to the threshold indicated in Article 48(1) and 48(2), and instructs institutions to risk weight the amounts of the holdings below the threshold at 250%, as indicated in Article 48(4). Article 49 states that, for institutions having received the appropriate permit from competent authorities, holdings of own funds instruments of a financial sector entity in which the parent institution, parent financial holding company or parent mixed financial holding company or institution has a

	<p>significant investment and where conditions in points (a) to (e) are met, may not be deducted as well, but risk weighted according to the Standardized or IRB approaches as indicated in Article 49(1) CRR. Article 471 derogates to Article 49 and states that non-deducted holdings in (re)insurance undertakings pursuant to Article 49 shall be risk-weighted at 370%. Given that there is no mention of Article 48 in Article 49 and vice-versa, and that the two articles are not mutually exclusive, it is our understanding that holdings of an insurance undertaking, re-insurance undertaking or insurance holding company entity where an institution has a significant investment, can be risk weighted at 250% (according to Article 48(4)) for the amount below or equal to the threshold of Article 48(1) and 48(2), and risk-weighted in accordance with Chapter 2 or 3 of Title II of Part Three (according to Article 49(4), provided they have received the permit from the competent authorities) or at 370% (according to Article 471(2)) for the amount above the threshold.</p>
<p>Final answer</p>	<p>Article 48 CRR provides for a derogation regime to the deduction from CET1 items of significant holdings in financial sector entities set out by Article 36 CRR; in case these holdings comply with a specific threshold defined in paragraph 1b) of Article 48 CRR. Institutions are entitled to apply the derogation regime set by article 48 CRR as long as they comply with the aforementioned threshold.</p> <p>Article 49(1) CRR defines a different regime that derogates from the one provided for by Article 48 CRR and that is specifically applicable to significant holdings in insurance undertakings reinsurance undertakings or insurance holding companies regardless of the amount of the holding. The application of the regime set by Article 49(1) CRR moreover requires a permission granted by the competent authority.</p> <p>Article 471(1) CRR provides for a derogation from Article 49(1) CRR and when certain conditions are met, institutions are permitted to risk weight at 370% equity holdings in insurance undertakings, reinsurance undertakings and insurance holding companies.</p> <p>Institutions may therefore apply either Article 48 or 49/471 CRR, as long as the holding in question satisfies all conditions set in the relevant articles. However, CRR does not provide for a combined application of those articles, meaning that institutions cannot benefit from both Article 48 CRR and Article 49(1) CRR. In the same vein, institutions cannot benefit from both Article 48 CRR and Article 471 CRR.</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5664</p>

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