

<b>Question ID</b>	2013_630
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Own funds
<b>Article</b>	89
<b>Paragraph</b>	1
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Article 89(4)
<b>Date of submission</b>	10/12/2013
<b>Published as Final Q&amp;A</b>	22/08/2014
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Accounting firm
<b>Subject matter</b>	Holding in an undertaking that is neither a financial sector entity nor outside the financial sector
<b>Question</b>	<p>According to Article 89 (1) of the CRR, a holding in an undertaking that is not a financial sector entity, carrying on certain ancillary activities (for which guidelines are pending to be issued by the EBA), shall not be treated as a qualifying holding outside the financial sector. In addition, the aforementioned holding does not seem to be captured neither by the deductions from eligible capital items (Articles 36, 56, 66) since relevant deductions relate only to holdings in financial sector entities. Therefore, shall a holding in an undertaking that is not a financial sector entity, carrying on certain ancillary activities, be treated as a holding in a financial sector entity or as an exposure which should be risk weighted?</p>
<b>Background on the question</b>	<p>A holding in an undertaking which is not one of the following shall be subject to the provisions laid down in Article 89 (3): (a) a financial sector entity; (b) an undertaking, that is not a financial sector entity, carrying on activities which the competent authority considers to be any of the following: (i) a direct extension of banking; (ii) ancillary to banking; (iii) leasing, factoring, the management of unit trusts, the management of data processing services or any other similar activity. It appears unclear on how to treat holdings in</p>

	an undertaking which is neither a financial sector entity nor outside the financial sector.
<b>Final answer</b>	An institution's holdings in undertakings which meet the criteria of Article 89(1)(b) of Regulation (EU) No. 575/2013 (CRR), and which are outside the scope of consolidation of the institution, should be subject to risk weights applied in accordance with Chapter 2 or 3 of Title II of Part Three of the CRR, as applicable. Alternatively, pursuant to Article 18(5) of the CRR, such holdings may be included within the scope of consolidation at the discretion of the competent authority.
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_630">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_630</a>

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