

Single Rulebook Q&A

Question ID	2019_4957
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Other issues
Article	11
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	Yes
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Country of incorporation / residence	Bulgaria
Type of submitter	Competent authority
Subject matter	Consolidated supervision
Question	At how many levels should consolidation according to Article 11 CRR be done by a single institution?
Background on the question	An institution is a parent institution in Member State A and it is owned by a parent financial holding company in Member State B, which in turn is owned by another parent financial holding company in Member State C, which in turn is owned by third parent financial holding company, this time in Member State D. This institution is the only institution that is controlled by the ultimate parent financial holding company in Member State D. According to a literally reading of CRR Article 11, the institution should prepare consolidated reports on its own level according to paragraph 1 and three different level of consolidated reports (at the level of each of its parent financial holding companies in Member States B, C and D). This does not bear much economic sense and does not seem efficient. Some of these

	<p>reports may also have only immaterial differences. This issue remains unresolved in Article 11 CRR. Again, a literal reading may lead to a conclusion that four consolidated reports are needed in the above case although it is not sure if in all cases they have to be provided by the same institution (as any of these holdings might be subject to an approval procedure according to Article 21a CRD).</p>
Final answer	<p>According to the first paragraph of Article 11 of Regulation 575/2013 (CRR) parent institutions in a Member State shall comply, to the extent and in the manner set out in Article 18, with the obligations laid down in Parts Two, Three, Four, Seven and Seven A on the basis of their consolidated situation, with the exception of point (d) of Article 430(1) of this Regulation.</p> <p>Moreover, the second paragraph of this article specifies that, for the purpose of the application of the CRR requirements on a consolidated basis, the terms ‘institution’, ‘parent institution in a Member State’, ‘EU parent institution’ and ‘parent undertaking’, as the case may be, shall also refer to (a) a financial holding company or mixed financial holding company approved in accordance with Article 21a of Directive 2013/36/EU (CRD); (b) a designated institution controlled by a parent financial holding company or parent mixed financial holding company where such a parent is not subject to approval in accordance with Article 21a(4) of CRD; and (c) a financial holding company, mixed financial holding company or institution designated in accordance with point (d) of Article 21a(6) of CRD. This paragraph also clarifies that the consolidated situation of undertakings mentioned in points (b) and (c) shall be the consolidated situation of its parent financial holding company or mixed financial holding company.</p> <p>Therefore, in a situation like the one described in the background of the question, the application of the provisions of Article 11(1) and (2) of the CRR would result in different levels of prudential consolidation, based respectively on the consolidated situations of the parent institutions located in Member State A and of each of the parent financial holding companies in Member States B, C and D.</p> <p>These consolidated situations may be significantly different for many reasons, depending, inter alia, on the specificities of the group structure and on the composition of the prudential balance sheet across the different legal entities of the group.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2019_4957</p>