



Council of the  
European Union

Brussels, 29 November 2017  
(OR. en)

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**Interinstitutional File:  
2016/0361 (COD)**

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14895/1/17  
REV 1

EF 306  
ECOFIN 1033  
CODEC 1912

**NOTE**

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From: Presidency  
To: Delegations

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Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND  
OF THE COUNCIL amending Regulation (EU) No 806/2014 as regards  
loss-absorbing and Recapitalisation Capacity for credit institutions and  
investment firms  
*- Presidency compromise*

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Delegations will find below a revised Presidency compromise text on the abovementioned proposal.

2016/0361 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 806/2014 as regards loss-absorbing and Recapitalisation Capacity  
for credit institutions and investment firms

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular  
Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

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<sup>1</sup> OJ C [...], [...], p. [...].

<sup>2</sup> OJ C [...], [...], p. [...].

- (1) The Financial Stability Board (FSB) published the Total Loss-Absorbing Capacity (TLAC) Term Sheet ('the TLAC standard') on 9 November 2015, which was endorsed by the G-20 in November 2015. The objective of the TLAC standard is to ensure that global systemically important banks ('G-SIBs'), referred to as global systemically important institutions ('G-SIIs') in the Union framework, have loss-absorbing and recapitalisation capacity to help ensure that in and immediately following resolution critical functions can be continued without taxpayers' funds (public funds) or financial stability being put at risk. In its Communication of 24 November 2015<sup>3</sup>, the Commission committed itself to bring forward a legislative proposal by the end of 2016 that would enable the TLAC standard to be implemented by the internationally agreed deadline of 2019.

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<sup>3</sup> Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, "Towards the completion of the Banking Union", 24.11.2015, COM(2015) 587 final

(2) The implementation of the TLAC standard in the Union needs to take into account the existing institution-specific minimum requirement for own funds and eligible liabilities ('MREL') applicable to all Union institutions as laid down in Directive 2014/59/EU of the European Parliament and of the Council<sup>4</sup>. As TLAC and MREL pursue the same objective of ensuring that Union institutions have sufficient loss-absorbing and recapitalisation capacity, the two requirements should be complementary elements of a common framework. Operationally, the Commission proposed that the harmonised minimum level of the TLAC standard for G-SIIs ('TLAC minimum requirement') should be introduced in Union legislation through amendments to Regulation (EU) No 575/2013<sup>5</sup>, while the institution-specific add-on for G-SIIs and the institution-specific requirement for non-G-SIIs, referred to as minimum requirement for own funds and eligible liabilities, should be addressed through targeted amendments to Directive 2014/59/EU and Regulation (EU) No 806/2014<sup>6</sup>. The relevant provisions of this Regulation as regards loss absorbing and recapitalisation capacity of institutions should be applied together with those in the aforementioned pieces of legislation and in Directive 2013/36/EU<sup>7</sup> in a consistent way.

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<sup>4</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, OJ L 173, 12.6.2014, p. 190

<sup>5</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p.1

<sup>6</sup> Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, OJ L 225, 30.7.2014, p. 1

<sup>7</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, OJ L 176, 27.6.2013, p. 338

- (3) The absence of harmonised rules in the Member States participating in the Single Resolution Mechanism (SRM) in respect of the implementation of the TLAC standard would create additional costs and legal uncertainty for institutions and make the application of the bail-in tool for cross-border institutions more difficult. The absence of harmonised Union rules also results in competitive distortions on the internal market given that the costs for institutions to comply with the existing requirements and the TLAC standard may differ considerably across the participating Member States. It is therefore necessary to remove those obstacles to the functioning of the internal market and to avoid distortions of competition resulting from the absence of harmonised rules in respect of the implementation of the TLAC standard. Consequently, the appropriate legal basis for this Regulation is Article 114 of the Treaty on the Functioning of the European Union (TFEU), as interpreted in accordance with the case law of the Court of Justice of the European Union.
- (4) In line with the TLAC standard, Regulation (EU) No 806/2014 should continue to recognise the Single Point of Entry (SPE), as well as the Multiple Point of Entry (MPE) resolution strategy. Under the SPE strategy, only one group entity, usually the parent undertaking, is resolved whereas other group entities, usually operating subsidiaries, are not put in resolution, but upstream their losses and recapitalisation needs to the entity to be resolved. Under the MPE strategy, more than one group entity may be resolved. A clear identification of entities to be resolved ('resolution entities') together with subsidiaries that belong to them ('resolution groups') is important to apply the desired resolution strategy effectively. That identification is also relevant for determining the level of application of the rules on loss absorbing and recapitalisation capacity that financial firms should apply. It is therefore necessary to introduce the concepts of 'resolution entity' and 'resolution group' and to amend Regulation (EU) No 806/2014 concerning group resolution planning in order to explicitly require the Single Resolution Board ('the Board') to identify the resolution entities and resolution groups within a group and to consider the implications of any planned action within the group appropriately to ensure an effective group resolution.

- (5) The Board should ensure that institutions have sufficient loss absorbing and recapitalisation capacity to ensure smooth and fast absorption of losses and recapitalisation with a minimum impact on financial stability and taxpayers. That should be achieved through compliance by institutions with an institution-specific minimum requirement for own funds and eligible liabilities as provided in Regulation (EU) No 806/2014.
- (6) In order to align denominators that measure the loss absorbing and recapitalisation capacity of institutions with those provided in the TLAC standard, the MREL should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution.
- (7) Eligibility criteria for liabilities for the MREL should be closely aligned with those laid down in Regulation (EU) No 575/2013 for the TLAC minimum requirement, in line with the complementary adjustments and requirements introduced in this Regulation. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, should be eligible to meet the MREL to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to a derivative and depends on the performance of a reference asset. In view of such principal amount, those instruments should be highly loss-absorbing and easily bail-inable in resolution.

- (8) The scope of liabilities used to meet the MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria provided in this Regulation. To enhance the resolvability of institutions through an effective use of the bail-in tool, the Board should be able to require that the firm-specific requirement is met with subordinated liabilities, in particular when there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed their potential losses in insolvency. The Board should assess the need for requiring institutions to meet MREL with subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL eligible liabilities. The requirement to meet MREL with subordinated liabilities should be requested for a level necessary to prevent that losses of creditors in resolution are above losses that they would otherwise incur under insolvency. Any subordination of debt instruments requested by the Board for the MREL should be without prejudice to the possibility to partly meet the TLAC minimum requirement with non-subordinated debt instruments in accordance with Regulation (EU) No 575/2013 as permitted by the TLAC standard.

- (9) The MREL should allow institutions to absorb losses expected in resolution or at the point of non-viability as appropriate and recapitalise the institution after the implementation of actions foreseen in the resolution plan. The Board should, on the basis of the resolution strategy chosen by them, duly justify the imposed level of the MREL and should review without undue delay that level to reflect any changes in the level of the requirement referred to in Article 104a of Directive 2013/36/EU. As such, that level should be composed of the sum of the amount of losses expected in resolution that correspond to the institution's own funds requirements and the recapitalisation amount that allows the institution post-resolution or after the exercise of write down or conversion powers to meet its own funds requirements necessary for being authorised to pursue its activities under the chosen resolution strategy. The MREL should be expressed as a percentage of the total risk exposure and leverage ratio measures, and institutions should meet the levels resulting from the two measurements simultaneously. The Board should adjust downwards or upwards the recapitalisation amounts for any changes resulting from the actions foreseen in the resolution plan.
- (10) To enhance their resolvability, the Board should be able to impose an institution-specific MREL on G-SIIs in addition to the TLAC minimum requirement provided in Regulation (EU) No 575/2013. That institution-specific MREL should be imposed where the TLAC minimum requirement is not sufficient to absorb losses and recapitalise a G-SII under the chosen resolution strategy.

- (11) When setting the level of MREL, the Board should consider the degree of systemic relevance of an institution and the potential adverse impact of its failure on the financial stability. The Board should take into account the need for a level playing field between G-SIIs and other comparable institutions with systemic relevance within the participating Member States. Thus MREL of institutions that are not identified as G-SIIs but the systemic relevance within participating Member States of which is comparable to the systemic relevance of G-SIIs should not diverge disproportionately from the level and composition of MREL generally set for G-SIIs.
- (12) Similarly to powers conferred to competent authorities by Directive 2013/36/EU, the Board should be allowed to impose higher levels of MREL while addressing in a more flexible manner any breaches of those levels, in particular by alleviating the automatic effects of those breaches in the form of limitations to the Maximum Distributable Amounts ('MDAs'). The Board should be able to give guidance to institutions to meet additional amounts to cover losses in resolution that are above the level of the own funds requirements laid down in Regulation (EU) No 575/2013 and Directive 2013/36/EU, and/or to ensure sufficient market confidence in the institution post-resolution. To ensure consistency Directive 2013/36/EU, guidance to cover additional losses may only be given where the 'capital guidance' has been requested by the competent supervisory authorities in accordance with Directive 2013/36/EU and should not exceed the level requested in that guidance. For the recapitalisation amount, the level requested in the guidance to ensure market confidence should enable the institution to continue to meet the conditions for authorisation for an appropriate period of time including by allowing the institution to cover the costs related to the restructuring of its activities following resolution. Instruments used to meet 'capital guidance' requested in accordance with Directive 2013/36/EU could be used to meet the MREL requirement and guidance to the extent they comply with the eligibility criteria for MREL.

The market confidence buffer should be set by reference to part of the combined capital buffer requirement under Directive 2013/36/EU. The Board should adjust downwards the level of the market confidence buffer if a lower level is sufficient to ensure sufficient market confidence or should adjust upwards that level where a higher level is necessary to ensure that, following the actions provided in the resolution plan, the entity continues to meet the conditions for its authorisation for an appropriate period. When setting the level of MREL guidance, the Board should after consulting with the ECB and other relevant competent authorities consider the ability of entities to meet the requirements set out in Article 44 of Directive 2014/59/EU where this is consistent with the resolution plan. In doing so, the Board should consider the combined levels of MREL requirement and guidance and the availability of other easily bail-inable liabilities, such as liabilities that would normally meet the eligibility criteria for MREL, except for the maturity condition. Where an entity consistently fails to have additional own funds and eligible liabilities as expected under the guidance, the Board should require that the amount of the MREL be increased to cover the amount of the guidance.

- (13) In line with Regulation No 575/2013, institutions that qualify as resolution entities should only be subject to the MREL at the consolidated resolution group level. That means that resolution entities should be obliged to issue eligible instruments and items to meet the MREL to external third party creditors that would be bailed-in should the resolution entity enter resolution.

- (14) Institutions that are not resolution entities should comply with the firm-specific requirement at individual level. Loss absorption and recapitalisation needs of those institutions should be generally provided by their respective resolution entities through direct or indirect acquisition by resolution entities of own funds instruments and eligible liabilities issued by those institutions and their write-down or conversion into instruments of ownership when those institutions are no longer viable. As such, the MREL applicable to institutions that are not resolution entities should be applied together and consistently with the requirements applicable to resolution entities. That should allow the Board to resolve a resolution group without placing certain of its subsidiary entities in resolution, thus avoiding potentially disruptive effects on the market. If both the resolution entity or the parent and its subsidiaries are established in the same Member State, the Board should be able to fully waive the application of the MREL applicable to institutions that are not resolution entities or permit them to meet the MREL with collateralised guarantees between the parent and its subsidiaries, that can be triggered when the timing conditions equivalent to those allowing the write down or conversion of eligible liabilities are met. The collateral backing the guarantee should be highly liquid and have minimal market and credit risk.
- (15) The application of the MREL to institutions that are not resolution entities should comply with the chosen resolution strategy. In particular, it should not change the ownership relationship between the institutions and its resolution group after those institutions have been recapitalised.
- (15a) Regulation No 575/2013 provides that competent authorities may waive the application of certain solvency and liquidity requirements for credit institutions permanently affiliated to a central body where certain specific conditions are met. To take account of specificities of such cooperative networks, in particular of the mutual guarantee of all liabilities within a network, the Board should also be able to waive the application of MREL for such credit institutions under similar conditions to those of Regulation No 575/2013 where credit institutions and the central body are established in the same Member State and treat them as whole when assessing the conditions for resolution.

- (16) Any breaches of the TLAC minimum requirement and of the MREL should be appropriately addressed and remedied by competent authorities, resolution authorities and the Board. Given that a breach of those requirements could constitute an impediment to institution or group resolvability, the existing procedures to remove impediments to resolvability should be shortened to address any breaches of those requirements expediently. The Board should also be able to require institutions to modify the maturity profiles of eligible instruments and items and to prepare and implement plans to restore the level of those requirements.
- (17) This Regulation complies with the fundamental rights and observes the principles recognised in particular by the Charter, notably the rights to property and the freedom to conduct a business, and has to be applied in accordance with those rights and principles.
- (18) Since the objectives of this Regulation, namely to lay down uniform rules for the purposes of Union recovery and resolution framework, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale of the action, be better achieved at Union level, the Union may adopt this Regulation, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (19) To allow for an appropriate time for the application of this Regulation, this Regulation should be applied [24 months from its entry into force].

HAVE ADOPTED THIS REGULATION:

*Article 1*

*Amendments to Regulation (EU) No 806/2014*

1. Article 3(1) is amended as follows:

(a) the following points are inserted:

"(24a)'resolution entity' means an entity established in the Union identified by the Board in accordance with Article 8 as an entity in respect of which the resolution plan provides for resolution action;

(24b) 'resolution group' means:

(a) a resolution entity and its subsidiaries that are not:

(i) resolution entities themselves; or

(ii) subsidiaries of other resolution entities; or

(iii) entities established in a third country that are not included in the resolution group in accordance with the resolution plan and their subsidiaries;

(b) credit institutions affiliated to a central body, the central body and any institution under the control of the central body when at least one of those entities is a resolution entity.

(24c) 'global systemically important institution' (G-SII) means a G-SII as defined in point (132) of Article 4(1) of Regulation (EU) No 575/2013"

(b) in points (48), (49), point (d) of Article 12(5), Articles 27(1), (4), (5), (6), (7) and 21(13) 'eligible liabilities' are replaced with 'bail-inable liabilities'.

(c) the following point (49a) is inserted:

'(49a)'eligible liabilities' means bail-inable liabilities that fulfil the conditions of Article 12c or point (a) of Article 12h(3).''.

2. In Article 7, point (d) of paragraph (3) is replaced by the following:

'(d) setting the level of minimum requirement for own funds and eligible liabilities, in accordance with Articles 12 to 12k'.

3. Article 8 is amended as follows:

(a) paragraph (5) is replaced by the following:

'5. The resolution plan shall set out options for applying the resolution tools and exercising resolution powers referred to in this Regulation to the entities referred to in paragraph 1.'

(b) The first and second subparagraphs of paragraph (6) are replaced by the following:

'The resolution plan shall provide for the resolution actions which the Board may take where an entity referred to in paragraph 1 meets the conditions for resolution.

The information referred to in point (a) of paragraph 9 shall be disclosed to the entity concerned.'

(c) Points (o) and (p) of paragraph (9) are replaced by the following:

'(o) the requirements referred to in Article 12g and 12h and a deadline to reach that level, where applicable;'

“(p) where a Board applies Article 12c(3), a deadline for compliance by the resolution entity.”

(c1) In Article 8(9), the following subparagraph is inserted:

“When setting deadlines referred to in points (o) and (p) of the first subparagraph, the resolution plan shall ensure that such deadlines are appropriate and take into account:

(a) the prevalence of deposits and the absence of debt instruments in the funding model;

(b) the limited access to the capital markets for eligible liabilities;

(c) the reliance on Common Equity Tier 1 to meet the requirement referred to in Article 45f of Directive 2014/59/EU.”

(d) paragraph (10) is replaced by the following:

'10 Group resolution plans shall include a plan for the resolution of the group referred to in paragraph 1, headed by the Union parent undertaking established in a participating Member State and shall identify measures to be taken in respect of:

(a) the Union parent undertaking;

(b) the subsidiaries that are part of the group and that are established in the Union;

(c) the entities referred to in Article 2(b); and

(d) subject to Article 33, the subsidiaries that are part of the group and that are established outside the Union.

In accordance with the measures referred to in the first subparagraph, the resolution plan shall identify the following for each group:

- (a) the resolution entities;
  - (b) the resolution groups.;
- (e) points (a) and (b) of paragraph (11) are replaced by the following:

"(a) set out the resolution actions foreseen to be taken in relation to a resolution entity in the scenarios provided for in paragraph 6 and the implications of such actions in respect of other group entities, the parent undertaking and subsidiary institutions referred to in paragraph 1;

(a1) where a group referred to in paragraph 1 comprises more than one resolution group, set out resolution actions foreseen in relation to the resolution entities of each resolution group and the implications of such actions on both of the following:

- (i) other group entities that belong to the same resolution group;
- (ii) other resolution groups;

(b) examine the extent to which the resolution tools and powers could be applied to resolution entities established in the Union and exercised in a coordinated manner, including measures to facilitate the purchase by a third party of the group as a whole, or separate business lines or activities that are delivered by a number of group entities, or particular group entities or resolution groups, and identify any potential impediments to a coordinated resolution;

(f) the following subparagraphs are inserted in paragraph (12):

The resolution plan shall be reviewed as appropriate after the implementation of resolution actions or the exercise of powers referred to in Article 21.

Where setting the deadlines referred to in points (o) and (p) of Article 8(9), the Board shall take into account the deadline to comply with the requirement referred to in Article 104b of Directive 2013/36/EU".

4. Article 10 is amended as follows:

(a) paragraph (4) is replaced by the following:

'4. A group shall be deemed to be resolvable if it is feasible and credible for the Board to either liquidate group entities under normal insolvency proceedings or to resolve them by applying resolution tools and exercising resolution powers in relation to resolution entities while avoiding, to the maximum extent possible, any significant adverse consequences for financial systems, including circumstances of broader financial instability or system wide events, of the Member States in which group entities are established, or other Member States or the Union and with a view to ensuring the continuity of critical functions carried out by those group entities, where they can be easily separated in a timely manner or by other means.

The Board shall notify EBA in a timely manner where a group is deemed not to be resolvable.

Where a group is composed of more than one resolution group, the Board shall assess the resolvability of each resolution group in accordance with this Article.

The assessment referred to in the first subparagraph shall be performed in addition to the assessment of the resolvability of the entire group'.

- (b) the following subparagraph is added to paragraph (7):

The Board shall notify its assessment of the impediment to resolvability of the entity or group to the Union parent undertaking, where that impediment is due to a situation where:

(a) the entity meets at the same time the combined buffer requirement defined in Article 128(6) in Directive 2013/36/EU and points (a), (b) and (c) of Article 141a(1) of Directive 2013/36/EU, but at the same time it does not meet the combined buffer requirement defined in Article 128(6) in Directive 2013/36/EU and the requirement referred to in point (d) of Article 141a(1) of Directive 2013/36/EU; or

(b) the institution does not meet the requirements referred to in Articles 92a and 494 of Regulation (EU) No 575/2013 or the requirements referred to in Articles 12d and 12e expressed as a percentage of the total exposure measure referred to in Articles 429 and 429a of Regulation (EU) No 575/2013.'

- (c) the following subparagraph is added to paragraph (9):

'Where an impediment to resolvability is due to a situation referred to in the second subparagraph of paragraph (7), the Union parent undertaking shall propose to the Board possible measures to address or remove the impediment identified in accordance with the first subparagraph within two weeks of the date of receipt of a notification made in accordance with paragraph 7.

The timeline for the implementation of measures proposed shall take into account the reasons that have led to the impediment in question. The Board, after consulting the ECB and the competent authorities, shall assess whether those measures effectively address or remove the substantive impediment in question". '

- (d) in points (i) and (j) of paragraph (11), 'Article 12' is replaced by 'Articles 12g and Article 12h'.
- (e) in paragraph (11) the following points are added:

'(k) require an entity to submit a plan to restore compliance with Articles 12g and 12h expressed as a total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 and the requirement referred to in Article 128(6) of Directive 2013/36/EU or with the requirements referred to in Articles 45f or 45g of Directive 2014/59/EU expressed as a percentage of the total exposure measure referred to in Articles 429 and 429a of Regulation (EU) No 575/2013; (l) require an entity to change the maturity profile of own funds instruments after having obtained the agreement of the competent authority and eligible liabilities referred to in Article 12c or items referred to in points (a) and (b) of Article 12h(3) to ensure continuous compliance with Article 12g and Article 12h.'

5. Article 12 of Regulation (EU) No 806/2014 is replaced by the following Articles:

*"Article 12*

*Determination of the minimum requirement for own funds and eligible liabilities*

1. The Board shall, after consulting competent authorities, including the ECB, determine the requirements for own funds and eligible liabilities as referred to in Articles 12a to 12i, subject to write-down and conversion powers, which the entities and groups referred to in Article 7(2), and the entities and groups referred to in Article 7(4)(b) and (5) when the conditions for the application of these paragraphs are met, are required to meet at all times.
2. When drafting resolution plans in accordance with Article 9, national resolution authorities shall, after consulting competent authorities, determine the requirements for own funds and eligible liabilities, as referred to in Articles 12a to 12i, subject to write-down and conversion powers, which the entities referred to in Article 7(3) are required to meet at all times. In that regard the procedure established in Article 31 shall apply.
3. The Board shall take any determination referred to in paragraph 1, in parallel with the development and maintenance of the resolution plans pursuant to Article 8.

4. The Board shall address its determination to the national resolution authorities. The national resolution authorities shall implement the instructions of the Board in accordance with Article 29. The Board shall require that the national resolution authorities verify and ensure that institutions and parent undertakings maintain the requirements for own funds and eligible liabilities laid down in paragraph 1 of this Article.
5. The Board shall inform the ECB and EBA of the requirements for own funds and eligible liabilities that it has determined for each institution and parent undertaking under paragraph 1.
6. In order to ensure effective and consistent application of this Article, the Board shall issue guidelines and address instructions to national resolution authorities relating to specific entities or groups.

#### *Article 12a*

##### *Application and calculation of the minimum requirement for own funds and eligible liabilities*

1. The Board and national resolution authorities shall ensure that entities referred to in Article 12(1) and 12(2) meet, at all times, the requirements for own funds and eligible liabilities where required by and in accordance with Article 12a to 12i.
2. This requirement referred to in paragraph 1 shall be calculated in accordance with, Article 12d(3) or (4) as applicable, as the amount of own funds and eligible liabilities and expressed as a percentage of:
  - (a) the total risk exposure amount of the relevant entity referred to in paragraph 1 calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013; and
  - (b) the total exposure measure of the relevant entity referred to in paragraph 1 calculated in accordance with Article 429 and 429a of Regulation (EU) No 575/2013.

## *Article 12b*

### *Exemption from the minimum requirement for own funds and eligible liabilities*

1. Notwithstanding Article 12a, the Board shall exempt from the requirement referred to in article 12a(1) mortgage credit institutions financed by covered bonds which, according to national law are not allowed to receive deposits where all of the following conditions are met:
  - (a) those institutions will be wound-up through national insolvency procedures, or other types of procedure implemented in accordance with Article 38, 40 or 42 of Directive 2014/59/EU laid down, provided for those institutions; and
  - (b) such national insolvency procedures, or other types of procedure, will ensure that creditors of those institutions, including holders of covered bonds where relevant, will bear losses in a way that meets the resolution objectives.
2. Institutions exempted from the requirement laid down in Article 12(1) shall not be part of the consolidation referred to in Article 12g(1).

## *Article 12c*

### *Eligible liabilities for resolution entities*

1. Eligible liabilities shall be included in the amount of own funds and eligible liabilities of resolution entities only where they satisfy the conditions referred to in 72a, except for point (d) of Article 72b(2) of Regulation (EU) No 575/2013.

By way of derogation from the first subparagraph, where this Regulation refers to the requirements in Article 92a or Article 92b of Regulation (EU) No 575/2013, eligible liabilities for the purpose of those Articles shall consist of eligible liabilities as defined in Article 72k of Regulation (EU) No 575/2013 and determined in accordance with Chapter 5a of Part Two, Title I of that Regulation.

2. By way of derogation from point (l) of Article 72a(2) of Regulation (EU) No 575/2013, liabilities that arise from debt instruments with derivative features, such as structured notes, shall be included in the amount of own funds and eligible liabilities only where all of the following conditions are met:

(a) a given amount of the liability arising from the debt instrument is known in advance at the time of issuance, is fixed or increasing and not affected by a derivative feature;

(b) the debt instrument, including its derivative feature, is not subject to any netting agreement and its valuation is not subject to Article 49(3) of Directive 2014/59/EU;

(c) the liability referred to in the first subparagraph shall only be included in the amount of own funds and eligible liabilities for the part that corresponds with the amount referred to in point (a) of the first subparagraph.

3. The Board, on its own initiative after consulting the national resolution authority or upon proposal by a national resolution authority, may decide that the requirement referred to in Article 12g shall be met by resolution entities with instruments that meet all conditions referred to in Article 72a of Regulation (EU) No 575/2013 with a view to ensure that the resolution entity can be resolved in a manner suitable to meet the resolution objectives.

The Board's decision under this paragraph shall contain the reasons for that decision on the basis of the following elements:

(a) non-subordinated liabilities referred to in the paragraph (1) and (2) have the same priority ranking in the national insolvency hierarchy as certain liabilities excluded from the application of the write-down or conversion powers in accordance with Article 44(2) or Article 44(3) of Directive 2014/59/EU ;

(b) as a result of a planned application of write-down and conversion powers to non-subordinated liabilities that are not excluded from the application of the write-down or conversion powers in accordance with Article 44(2) or Article 44(3) of Directive 2014/59/EU, creditors of claims arising from those liabilities incur greater losses than they would incur in a winding up under normal insolvency proceedings;

(c) the amount of subordinated liabilities shall not exceed the amount necessary to ensure that creditors referred to in point (b) shall not incur losses above the level of losses that they would otherwise have incurred in a winding up under normal insolvency proceedings.

Where the Board determines that, within a class of liabilities which includes eligible liabilities, the amount of liabilities that are reasonably likely to be excluded from the application of the write-down or conversion powers in accordance with Articles 27(3) or 27(5), totals more than 10% of that class, it shall assess the risk referred to in point (b) of the second subparagraph.

4. The Board may decide, on a case by case basis, that the requirement referred to in Article 12a(1) is met with subordinated liabilities. Such decision shall be taken in accordance with the criteria in paragraph 3 and shall take into account the objectives of the resolution action.

## *Article 12d*

### *Determination of the minimum requirement for own funds and eligible liabilities*

1. The requirement referred to in Article 12a(1) shall be determined by the Board, after having consulted the competent authorities, including the ECB, on the basis of the following criteria:
  - (a) the need to ensure that the resolution group can be resolved by the application of the resolution tools including, where appropriate, the bail-in tool, in a way that meets the resolution objectives;
  - (b) the need to ensure, in appropriate cases, that the resolution entity and their subsidiaries that institutions, but not resolution entities have sufficient eligible liabilities to ensure that, if the bail-in tool or write down and conversion powers were to be applied to them, respectively, losses could be absorbed and the capital requirements or, as applicable, the leverage ratio of the relevant entities can be restored to a level necessary to enable them to continue to comply with the conditions for authorisation and to carry on the activities for which they are authorised under Directive 2013/36/EU or Directive 2014/65/EU;
  - (c) the need to ensure that, if the resolution plan anticipates that certain classes of eligible liabilities might be excluded from bail-in pursuant to Articles [27(3) and] 27(5) or might be transferred to a recipient in full under a partial transfer, the resolution entity has sufficient other eligible liabilities to ensure that losses could be absorbed and the total capital ratio or, as applicable, the leverage ratio of the resolution entity can be restored to a level necessary to enable it to continue to comply with the conditions for authorisation and to carry on the activities for which it is authorised under Directive 2013/36/EU or Directive 2014/65/EU;

(d) the size, the business model, the funding model and the risk profile of the entity;

(e) the extent to which the failure of the relevant entity would have an adverse effect on financial stability, including, due to the interconnectedness of the entity with other institutions or entities or with the rest of the financial system through contagion to other institutions or entities.

2. Where the resolution plan provides that resolution action is to be taken or write-down and conversion powers are to be applied, the requirement referred to in Article 12a(1) shall equal an amount sufficient to ensure that:

(a) the losses that are expected to be incurred by the entity are fully absorbed ('loss absorption');

(b) the resolution entity and its subsidiaries that are institutions, but not resolution entities are recapitalised to a level necessary to enable them to continue to comply with the conditions for authorisation and carry out the activities for which they are authorised under Directive 2013/36/EU, Directive 2014/65/EU or equivalent legislation ('recapitalisation').

Where the resolution plan provides that the entity shall be wound up under normal insolvency proceedings, or other equivalent national procedures, the Board shall assess whether it is justified to limit the requirement referred to in Article 12a(1) for that entity so that it does not exceed an amount sufficient to absorb losses in accordance with point (a) of the first subparagraph.

The assessment by the Board shall, in particular, evaluate the limit referred to in the previous subparagraph as regards any possible impact on financial stability and on the risk of contagion to the financial system.

3. For resolution entities, the amount referred to in paragraph 2 shall be composed of the following:

(a) the sum of:

(i) the amount of losses that may need to be absorbed in resolution that corresponds to the requirements referred to in Article 92(1) of Regulation (EU) No 575/2013 and Article 104a of Directive 2013/36/EU of the resolution entity at consolidated resolution group level;

(ii) a recapitalisation amount that allows the resolution group resulting from resolution to restore compliance with its total capital ratio requirement referred in Article 92(1)(c) of Regulation (EU) No 575/2013 and its requirement referred to in Article 104a of Directive 2013/36/EU at consolidated resolution group level after the implementation of resolution action;

(b) the sum of:

(i) the amount of losses to be absorbed in resolution that corresponds to the resolution entity's leverage ratio requirement referred to in Article 92(1)(d) of Regulation (EU) No 575/2013 at consolidated resolution group level; and

(ii) a recapitalisation amount that allows the resolution group resulting from resolution to restore compliance with the leverage ratio requirement referred to in Article 92(1)(d) of Regulation (EU) No 575/2013 at consolidated resolution group level after the implementation of resolution action;

For the purposes of point (a) of Article 12a(2), the requirement referred to in Article 12a(1) shall be expressed as the amount calculated in accordance with point (a) divided by the total risk exposure amount ('TREA').

For the purposes of point (b) of Article 12a(2), the requirement referred to in Article 12a(1) shall be expressed as the amount calculated in accordance with point (b) divided by the leverage ratio exposure measure.

When setting the recapitalisation amounts referred to in the previous subparagraphs, the Board shall:

(a) use the most recent reported values for the relevant total risk exposure amount or leverage ratio exposure amount as adjusted for any changes resulting from resolution actions foreseen in the resolution plan; and

(b) after having consulted the ECB and the competent authorities, adjust downwards or upwards the current requirement referred to in Article 104a of Directive 2013/36/EU to determine the requirement applicable to the resolution entity after the implementation of the preferred resolution strategy.

4. For entities that are not themselves resolution entities, the amount referred to in paragraph 2 shall be composed of the following:

(a) the sum of:

(i) the amount of losses to be absorbed that corresponds to the requirements referred to in Article 92(1) (c) of Regulation (EU) No 575/2013 and Article 104a of Directive 2013/36/EU of the entity; and

(ii) a recapitalisation amount that allows the entity to restore compliance with its total capital ratio requirement referred in Article 92(1)(c) of Regulation (EU) No 575/2013 and its requirement referred to in Article 104a of Directive 2013/36/EU after the exercise of the power to write down or convert relevant capital instruments and eligible liabilities in accordance with Article 21 or after implementation of a resolution action not foreseen in the resolution plan; or

(b) the sum of:

(i) the amount of losses to be absorbed that corresponds to the entity's leverage ratio requirement referred to in Article 92(1)(d) of Regulation (EU) No 575/2013; and

(ii) a recapitalisation amount that allows the entity to restore compliance with its leverage ratio requirement referred to in Article 92(1)(d) of Regulation (EU) No 575/2013 after the exercise of the power to write down or convert relevant capital instruments and eligible liabilities in accordance with Article 21 or after implementation of a resolution action not foreseen in the resolution plan.

For the purposes of point (a) of Article 12a(2), the requirement referred to in Article 12a(1) shall be expressed in percentage terms as the amount calculated in accordance with point (a) divided by the total risk exposure amount ('TREA').

For the purposes of point (b) of Article 12a(2), the requirement referred to in Article 12a(1) shall be expressed in percentage terms as the amount calculated in accordance with point (b) divided by the leverage ratio exposure measure.

When setting the recapitalisation amounts referred to in the previous subparagraphs, the Board shall:

(a) use the most recent reported values for the relevant total risk exposure amount or leverage ratio exposure amount as adjusted for any changes resulting from actions foreseen in the resolution plan; and

(b) after having consulted the ECB and the competent authorities, adjust downwards or upwards the current requirement referred to in Article 104a of Directive 2013/36/EU to determine the requirement applicable to the relevant entity after the exercise of relevant resolution action.

5. Where the Board expects that certain classes of eligible liabilities are reasonably likely to be fully or partially excluded from bail-in pursuant to Articles [27(3) and] 27(5) or might be transferred to a recipient in full under a partial transfer, the requirement referred to in Article 12a(1) shall be met with other eligible liabilities sufficient to:

(a) cover the amount of excluded liabilities identified in accordance with Articles [27(3) and] 27(5);

(b) ensure that the conditions referred to paragraph 2 are fulfilled.

6. The Board's decision to impose a minimum requirement of own funds and eligible liabilities under this Article shall contain the reasons for that decision, including a full assessment of the elements referred to in paragraphs 2 to 5 and shall be reviewed without undue delay to reflect any changes in the level of the requirement referred to in Article 104a of Directive 2013/36/EU.

7. For the purposes of paragraphs 3 and 4, capital requirements shall be interpreted in accordance with the competent authority's application of transitional provisions laid down in Chapters 1, 2 and 4 of Title I of Part Ten of Regulation (EU) No 575/2013 and in the provisions of national legislation exercising the options granted to the competent authorities by that Regulation.

## *Article 12e*

### *Determination of the minimum requirement for own funds and eligible liabilities for entities of G-SIIs*

1. The minimum requirement for own funds and eligible liabilities of a resolution entity that is a G-SII or part of a G-SII shall consist of:
  - (a) the requirements referred to in Articles 92a and 494 of Regulation (EU) No 575/2013; and
  - (b) any additional requirement for own funds and eligible liabilities determined by the resolution authority specific to the entity in accordance with paragraph 2, which shall be met with liabilities that meet the conditions of Article 12c.
2. Without prejudice to Article 12f, the Board shall impose an additional requirement for own funds and eligible liabilities referred to in point (b) of paragraph 1 only:
  - (a) where the requirement referred to in point (a) of paragraph 1 is not sufficient to fulfil the conditions set out in Article 12d; and
  - (b) to an extent that ensures that the conditions of Article 12d are fulfilled.
3. The decision of the Board to impose an additional requirement of own funds and eligible liabilities under point (b) of paragraph 1 shall contain the reasons for that decision, including a full assessment of the elements referred to in paragraph 2, and shall be reviewed without undue delay to reflect any changes in the level of the requirement referred to in Article 104a of Directive 2013/36/EU applicable to the resolution group.

## *Article 12f*

### *Guidance for the minimum requirement for own funds and eligible liabilities*

1. The Board shall be able to give guidance to an entity subject to the requirement referred to in Article 12a(1) to have own funds and eligible liabilities that fulfil the conditions of Article 12c and Article 12h(3) in excess of the levels set out in Article 12d and Article 12e that provides for additional amounts for the following purposes:
  - (a) to cover potential additional losses of the entity to those covered in Article 12d; and/or
  - (b) to ensure that following resolution or the exercise of the power to write down or convert relevant capital instruments and eligible liabilities in accordance with Article 59 of Directive 2014/59/EU, a sufficient market confidence in the entity is sustained through capital instruments in addition to the requirement in point (b) of Article 12d(2) to enable the entity to continue to meet the conditions for authorisation for an appropriate period of time no longer than one year ('market confidence buffer').

The guidance shall be only provided and calculated with respect to the requirement referred to in Article 12a(1) calculated in accordance with point (a) of Article 12a(2).

Common Equity Tier 1 that is used to meet the combined buffer requirement referred to in point (6) of Article 128 of Directive 2013/36/EU shall not be used to meet the guidance set in accordance with this Article.

2. The amount of the guidance given in accordance with point (a) of paragraph 1 shall be set by the Board where:
  - (a) the ECB or the relevant competent authority, has already set its own guidance in accordance with Article 104b of Directive 2013/36/EU; and

(b) the SRB considers that, in addition to the requirement referred to in Article 12d, the amount of guidance given in accordance with Article 104b of Directive 2013/36/EU is necessary to ensure the absorption of losses before or during resolution or the exercise of the powers referred to in Article 21.

The amount of guidance given in accordance with point (a) of paragraph 1 shall not exceed an amount equivalent to the level of guidance set in accordance with Article 104b of Directive 2013/36/EU.

The amount of the guidance given in accordance with point (b) of the first subparagraph of paragraph 1 shall be set by the Board where the requirement referred to in Article 12d(2) is not sufficient to sustain market confidence after the resolution measures are applied to the resolution group.

The Board shall give guidance referred to in the first subparagraph to resolution entities that are:

(a) G-SIIs or part of G-SIIs; or

(b) O-SIIs or part of O-SIIs.

The Board may give guidance referred to in the first subparagraph to other entities than those referred to in the previous subparagraph.

The amount of guidance referred to in the first subparagraph shall be set equal to the combined buffer requirement referred to in point (6) of Article 128 of Directive 2013/36/EU, except for the requirement referred to in point (a) of that provision, which would apply after the application of the resolution tools or after the exercise of the power referred to in Article 21.

Such amount shall be adjusted downwards if, after consulting the ECB and the relevant competent authorities, the Board determines that it would be feasible and credible that a lower amount is sufficient to ensure market confidence after implementation of the resolution strategy or after the exercise of the power referred to in Article 21. Such amount shall be adjusted upwards after consulting the ECB and the relevant competent authorities, the Board determines that a higher level is necessary to ensure that, following resolution or the exercise of the power to write down or convert relevant capital instruments and eligible liabilities in accordance with Article 21, the entity continues to meet the conditions for its authorisation for an appropriate period of time that is not longer than one year.

When setting the amount of guidance referred to in the first subparagraph, the Board may consider the ability of entities to meet the requirements set out in Article 27 where this is consistent with the resolution plan. In doing so, the Board shall consider the following:

- (a) the combined levels of requirements referred to in Article 12d and this Article; and
- (b) the availability of other bail-inable liabilities, such as liabilities that would normally qualify as eligible liabilities, except for the conditions referred to in Article 72c of Regulation (EU) No 575/2013.

4. The Board shall provide to the entity the reasons and a full assessment for the need and the level of the guidance given in accordance with this Article and shall review it without undue delay to reflect any changes in the levels of guidance for additional own funds referred to in Article 104b of Directive 2013/36/EU and the combined buffer requirement referred to in point (6) of Article 128 of Directive 2013/36/EU.

3. By way of derogation from Article 45d of Directive 2014/59/EU, where an entity consistently fails to have additional own funds and eligible liabilities as expected under the guidance referred to in the first paragraph, the Board shall require that the amount of the requirement referred to in Article 12d(2) be increased to cover the guidance given pursuant to this Article.

Such increase shall be adequate and proportionate and the Board shall assess the possible impact of such increase on the level which could be considered as a failure to meet the combined buffer requirement as set out in Article 141a of Directive 2013/36/EU.

4. An entity that fails to have additional own funds and eligible liabilities as expected under the guidance referred to in the first paragraph shall not be subject to the restrictions referred to in Article 141 of Directive 2013/36/EU.

#### *Article 12g*

##### *Application of the minimum requirement for own funds and eligible liabilities to resolution entities*

1. Resolution entities shall comply with the requirements laid down in 12c to Article 12f on a consolidated basis at the level of the resolution group.
2. The requirement referred to in Article 12a(1) of a resolution entity established in a participating Member State at the consolidated resolution group level shall be determined by the Board, after consulting the group-level resolution authority and the consolidating supervisor, based on the requirements laid down in Articles 12c to 12f and of whether the third-country subsidiaries of the group are to be resolved separately according to the resolution plan.
3. For resolution groups as defined in point (b) of Article 3(1)(24b), the Board decides which resolution entities of the resolution group shall comply with the requirements referred to in Articles 12d(3) and 12f to ensure that the resolution group as a whole complies with the requirement referred to in paragraphs (1) and (2).

## *Article 12h*

### *Application of the requirement to entities that are not themselves resolution entities*

1. Institutions that are subsidiaries of a resolution entity and are not resolution entities themselves or entities that are not subject to Article 45f(3) of Directive 2014/59/EU shall comply with the requirements laid down in Articles 12d and 12f on an individual basis.

The Board may, after consulting competent authorities and the ECB, decide to apply the requirement laid down in this Article to an entity referred to in point (b), (c) or (d) of Article 1(1) of Directive 2014/59/EU that is a subsidiary of a resolution entity and is not itself a resolution entity.

2. The requirement referred to in Article 12a(1) of entities referred to in the first paragraph shall fulfil the eligibility criteria provided in paragraph 3.

3. The requirement referred to in Article 12a(1) shall be met with one or more of the following:

(a) liabilities that:

(i) are issued to and bought by the resolution entity either directly or indirectly through other entities in the same resolution group that bought the liabilities from the entity subject to this Article or by an existing shareholder that is not part of the same resolution group as long as the exercise of the power of write down or convert in accordance with Articles 59 to 62 of Directive 2014/59/EU does not affect the control of the subsidiary by the resolution entity;

(ii) fulfil the eligibility criteria referred to in Article 72a, except for points (b) and (c) of Article 72b(2) of Regulation (EU) No 575/2013;

(iii) in normal insolvency proceedings have the same ranking as own funds instruments or rank below liabilities that do not meet the condition referred to in point (i) and are not eligible for own funds requirements;

(iv) are subject to the power of write down or conversion in accordance with Articles 21 that is consistent with the resolution strategy of the resolution group, notably by not affecting the control of the subsidiary by the resolution entity;

(v) the purchase of the liabilities is not funded directly or indirectly by the entity subject to this Article;

(vi) the provisions governing the liabilities do not indicate explicitly or implicitly that the liabilities would be called, redeemed, repurchased or repaid early, as applicable by the entity subject to this Article other than in the case of the insolvency or liquidation of the entity and the entity does not otherwise provide such an indication;

(vii) the provisions governing the liabilities do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in case of the insolvency or liquidation of the entity subject to this Article;

(viii) the level of distributions payments, as applicable, due on the liabilities is not amended on the basis of the credit standing of the entity subject to this Article or its parent undertaking.

(b) own funds instruments that:

(i) are issued to and bought by entities that are included in the same resolution group;  
or

(ii) are issued to and bought by entities that are not included in the same resolution group as long as the exercise of the power of write down or convert in accordance with Article 21 does not affect the control of the subsidiary by the resolution entity.

4. The Board may permit the requirement to be met in full [or in part] with a guarantee provided by the resolution entity, which fulfils the following conditions:
- (a) both the subsidiary and the resolution entity are established in the same participating Member State;
  - (b) the guarantee is provided for at least the equivalent amount as the amount of the requirement for which it substitutes;
  - (c) the guarantee is triggered when the subsidiary is unable to pay its debts or other liabilities as they fall due or a determination has been made in accordance with Article 21(3) in respect of the subsidiary, whichever is the earliest;
  - (d) the guarantee is collateralised through a financial collateral arrangement as defined in point (a) of Article 2(1) of Directive 2002/47/EC [for at least 50% of its amount];
  - (e) the collateral backing the guarantee fulfils the requirements of Article 197 of Regulation (EU) No 575/2013, which, following appropriately conservative haircuts, is sufficient to fully cover the amount guaranteed;
  - (f) the collateral backing the guarantee is unencumbered and in particular is not used as collateral to back any other guarantee;
  - (g) the collateral has an effective maturity that fulfils the same maturity condition as that for referred to in Article 72c(1) of Regulation (EU) No 575/2013; and,
  - (h) there are no legal, regulatory or operational barriers to the transfer of the collateral from the resolution entity to the relevant subsidiary, including when resolution action is taken in respect of the resolution entity. Upon request of the Board, the resolution entity shall provide an independent written and reasoned legal opinion or otherwise satisfactorily demonstrate that there are no legal, regulatory or operational barriers to the transfer of collateral to the relevant subsidiary.

*Article 12i*

*Waiver of the minimum requirement for own funds and eligible liabilities applied to entities that are not themselves resolution entities*

1. The Board may fully waive the application of Article 12h for a subsidiary of a resolution entity established in a participating Member State where:
  - (a) both the subsidiary and the resolution entity are established in the same participating Member State;
  - (b) the resolution entity complies with the requirement referred to in Article 12g;
  - (c) there is no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities by the resolution entity to the subsidiary in respect of which a determination has been made in accordance with Article 21(3), in particular when resolution action is taken in respect of the resolution entity.
  
2. The Board may fully waive the application of Article 12h for a subsidiary of a resolution entity established in a participating Member State where:
  - (a) both the subsidiary and its parent undertaking that is not a resolution entity are established in the same participating Member State and are part of the same resolution group;
  - (b) the parent undertaking complies with the requirement referred to in Article 12a(1) on sub-consolidated basis;
  - (c) there is no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities by the parent undertaking to the subsidiary in respect of which a determination has been made in accordance with Article 21(3), in particular when resolution action is taken in respect of the parent undertaking.

*Article 12i1*

*Waiver for credit institutions permanently affiliated to a central body*

1. The Board may, in accordance with national law of a participating Member State, waive the application of Articles 12g or 12h to one or more credit institutions permanently affiliated to a central body, where all the following conditions are met:
  - (a) the credit institutions and the central body are subject to supervision by the same competent authority and are established in the same Member State;
  - (b) the commitments of the central body and affiliated institutions are joint and several liabilities or the commitments of its affiliated institutions are entirely guaranteed by the central body;
  - (c) the minimum requirement for own funds and eligible liabilities, solvency and liquidity of the central body and of all the affiliated institutions are monitored as a whole on the basis of consolidated accounts of these institutions;
  - (d) the management of the central body is empowered to issue instructions to the management of the affiliated institutions; and,
  - (e) the relevant resolution group complies with the requirement referred to in Article 12g(3).

*Article 12j*

*Breaches of the minimum requirement for own funds, eligible liabilities and breaches of guidance*

1. Any breach of the minimum requirement for own funds and eligible liabilities referred to in Articles 12d and 12e by an entity shall be addressed by the Board and other relevant authorities through at least one of the following:
  - (a) powers to address or remove impediments to resolvability in accordance with Article 10;
  - (b) measures referred to in Article 104 of Directive 2013/36/EC;
  - (c) early intervention measures in accordance with Article 13;
  - (d) administrative penalties and other administrative measures in accordance with Article 110 and Article 111 of Directive 2014/59/EU;
  - (e) an assessment of whether the institution is failing or is likely to fail, in line with Article 32 of Directive 2014/59/EU".
2. Any breach of the guidance referred to in Article 12f shall be addressed by the relevant authorities on the basis of at least one of the powers referred to in point (a), (b) and (d) of paragraph 1.
3. The Board, resolution authorities and competent authorities of participating Member States shall consult each other when they exercise their respective powers referred to in points (a) to (e) of paragraph 1.

## *Article 12k*

### *Transitional and post-resolution arrangements*

1. By way of derogation from Article 12a(1), the Board shall determine an appropriate transitional period for an entity to comply with the requirements in Articles 12g or 12h, as appropriate. The deadline to comply with the requirements in Articles 12g or 12h shall be no later than 1 January 2024.
2. By way of derogation from Article 12a(1), resolution authorities shall determine an appropriate transitional period to comply with the requirements of Articles 12g or 12h, as appropriate, for an entity to which resolution tools or the power to write down and or convert relevant capital instruments and eligible liabilities have been applied.
3. For the purposes of paragraphs 1 and 2, the Board shall communicate to the entity a planned MREL for each 12 months period during the transitional period. At the end of the transitional period, the MREL shall be equal to the amount determined under Articles 45f or 45g of Directive 2014/59/EU.
4. When setting the transitional periods, resolution authorities shall take into account:
  - (a) the prevalence of deposits and the absence of debt instruments in the funding model;
  - (b) the limited access to the capital markets for eligible liabilities;
  - (c) the reliance on Common Equity Tier 1 to meet the requirement referred to in Article 45f of Directive 2014/59/EU.
5. Subject to paragraph 1, the Board shall not be prevented from subsequently revising either the transitional period or any planned MREL set out under paragraph 3."

6. Article 16 is amended as follows:

(a) paragraph (2) is replaced by the following:

'2. The Board shall take a resolution action in relation to a parent undertaking referred to in point (b) of Article 2 where the conditions laid down in Article 18(1) are met.';

(b) paragraph (3) is replaced with the following:

'3. Notwithstanding the fact that a parent undertaking does not meet the conditions established in Article 18(1), the Board may decide on resolution action with regard to that parent undertaking when it is a resolution entity and when one or more of its subsidiaries which are institutions and not resolution entities meet the conditions established in Article 18(1) and their assets and liabilities are such that their failure threatens an institution or the group as a whole and resolution action with regard to that parent undertaking is necessary for the resolution of such subsidiaries which are institutions or for the resolution of the group as a whole.'.

7. 'Relevant capital instruments' in point (b) of Article 18(1) is replaced by 'relevant capital instruments and eligible liabilities referred to in point (a) of Article 12h(3) '.

7a. The following paragraph is inserted after Article 18(1):

1a. The Board may adopt a resolution scheme in accordance with Article 18(1) in relation to a central body and all affiliated credit institutions, when the central body and the affiliated credit institutions as a whole comply with the conditions provided in points (a) to (c) of the first subparagraph of Article 18(1).”

8. Point (c) of Article 20(5) is replaced by the following:

'(c) when the power to write down or convert relevant capital instruments and eligible liabilities in accordance with Article 21(7) is applied, to inform the decision on the extent of the cancellation or dilution of instruments of ownership, and the extent of the write-down or conversion of relevant capital instruments and eligible liabilities;'.

9. Article 21 is amended as follows:

(a) the title is replaced by the following:

'Write-down and conversion of capital instruments and eligible liabilities'

(b) 'capital instruments' in the first sentence of paragraph (1) is replaced by 'capital instruments and eligible liabilities';

(c) 'capital instruments' in point (b) of paragraph (1) is replaced by 'capital instruments and eligible liabilities';

(d) 'capital instruments' in point (b) of paragraph (3) is replaced by 'capital instruments and eligible liabilities';

(e) 'capital instruments' in the second subparagraph of paragraph (8) is replaced by 'capital instruments and eligible liabilities';

(f) paragraph (7) is replaced by the following:

'7. If one or more of the conditions referred to in paragraph 1 are met, the Board, acting under the procedure laid down in Article 18, shall determine whether the powers to write down or convert relevant capital instruments and eligible liabilities are to be exercised independently or, in accordance with the procedure under Article 18, in combination with a resolution action.'

The power to write down or convert eligible liabilities independently of resolution action may be exercised only in relation to eligible liabilities that meet the conditions referred to in point (a) of Article 12h(3), except the condition related to the remaining maturity of liabilities and, when exercised, shall comply with point (g) of Article 15(1).

Where relevant capital instruments and eligible liabilities have been purchased by the resolution entity indirectly through other entities in the same resolution group, the power to write down or convert shall be exercised together with the exercise of the same power at the level of the parent undertaking of the entity concerned or subsequent parents that are not resolution entities so that the losses are effectively passed on to and the entity concerned is recapitalised by the resolution entity.

The amount written down or converted at the level of an entity that is not a resolution entity shall count towards the thresholds laid down in point (a) of Article 27(7) applicable to the entity concerned.'

(g) the following point is added in paragraph (10):

'(d) the principal amount of eligible liabilities referred to in paragraph 7 is written down or converted into Common Equity Tier 1 instruments or both, to the extent required to achieve the resolution objectives set out in Article 14 or to the extent of the capacity of the relevant eligible liabilities, whichever is lower.'

10. In Article 27(3), point (e) is replaced by the following:

'(e) liabilities to institutions with an original maturity of less than seven days;'

11. In Article 27(3), point (f) is replaced by the following:

'(f) liabilities with a remaining maturity of less than seven days, owed to systems or operators of systems designated in accordance with Directive 98/26/EC or to their participants and arising from the participation in such a system, or to third country central CCPs recognised by ESMA;'

12. In Article 27(3)(h)

'(h) liabilities to entities that are part of the same resolution group without being themselves resolution entity, except where these liabilities rank below other ordinary unsecured liabilities under the relevant national law of the participating Member State setting the hierarchy of claims applicable on the [date of application of this Regulation].

Where the previous subparagraph applies, the Board shall assess whether the amount of instruments complying with Article 12h(3) is sufficient to support the implementation of the preferred resolution strategy.“

#### *Article 6*

#### *Entry into force*

1. This amending Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
2. This Regulation shall apply within 24 months from the date of its entry into force.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*