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European Union

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COVER NOTE

From:	Mr Jose Manuel CAMPA, EBA Chairperson, European Banking Authority
date of receipt:	2 February 2022
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

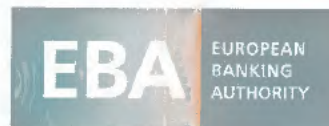
Subject:	Submission of the draft regulatory technical standards on emerging markets and advanced economies for capturing market risk under the standardized approach
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Delegations will find attached, for information, the letter mentioned above and its annex.

Encl.:

E-MAIL

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THE CHAIRPERSON

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EBA-2022-D-3811

2 February 2022

Submission of the draft RTS on emerging markets and advanced economies for capturing market risk under the standardised approach

Dear Sean,

In accordance with Article 325ap(3) of Regulation (EU) No 575/2013 (the Capital Requirement Regulation, 'CRR'), as amended by Regulation (EU) 2019/876, the EBA is required to develop regulatory technical standards ('RTS') specifying what constitutes an advanced economy and what constitutes an emerging market for capturing the market risk in the equity risk class.

It is my pleasure to submit to you today these draft regulatory technical standards as endorsed by the EBA's Board of Supervisors. These standards were developed following the procedure described in Article 10 of Regulation (EU) No. 1093/2010 (EBA Regulation).

As previously agreed, the draft regulatory technical standards are attached in Legiswrite format. In addition, the draft regulatory technical standards will be published on the EBA's public website.

I look forward to the completion of the process of adoption of the standards.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'JoseManuel.Campa', is written over a horizontal line.

José Manuel Campa



CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs European Parliament
Claudia Lindemann, Head of ECON Secretariat
Bruno Le Maire, French Minister of Finance, President of the Rotating Council of the EU
Tuomas Saareheimo, Chair of Economic and Finance Committee, Council of the European Union
Jeppe Tranholm-Mikkelsen, Secretary General of the General Secretariat, Council of the European Union
Martin Merlin, Director Dir D, Regulation and prudential supervision of financial Institutions, DG FISMA
Almoro Rubin De Cervin, Head of Unit D1, Bank Regulation and Supervision, DG FISMA
Dominique Thienpont, Legal Counsellor to Dir D, DG FISMA

Encl: EBA draft final technical standards on emerging markets and advanced economies under Article 325ap(3) of Regulation (EU) No 575/2013.

EBA Regular Use



Brussels, XXX
[...] (2022) XXX draft

COMMISSION DELEGATED REGULATION (EU) .../...

of XXX

on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on emerging markets and advanced economies under Article 325ap(3) of Regulation (EU) No 575/2013

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Articles 325ap(3) of Regulation (EU) No 575/2013 ('the Regulation') empower the Commission to adopt, following submission of draft regulatory technical standards by the European Banking Authority (EBA) in accordance with Articles 10 to 14 of Regulation No (EU) 1093/2010, delegated acts specifying what constitutes an advanced economy for the purpose of identifying the risk weights for equity risk under the alternative standardised approach referred to in Article 325(3)(a) of the Regulation.

In accordance with Article 10(1) of Regulation No (EU) 1093/2010 establishing the EBA, the Commission shall decide within three months of receipt of the draft technical standards whether to endorse the drafts submitted. The Commission may also endorse the draft standards in part only, or with amendments, where the Union's interests so require, having regard to the specific procedure laid down in those Articles.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In accordance with the third subparagraph of Article 10(1) of Regulation No (EU) 1093/2010, the EBA has carried out a public consultation on the draft technical standards submitted to the Commission. A consultation paper was published on the EBA internet site on 7 April 2021 and the public consultation closed on 2 July 2021. Moreover, the EBA invited the EBA's Banking Stakeholder Group set up in accordance with Article 37 of Regulation (EU) No 1093/2010 to provide advice on them. Together with the draft technical standards, the EBA has submitted an explanation on how the outcome of these consultations has been taken into account in the development of the final draft technical standards submitted to the Commission.

Together with the draft technical standards, and in accordance with the third subparagraph of Article 10(1) of Regulation No (EU) 1093/2010, the EBA has submitted its Impact Assessment, including its analysis of the costs and benefits, related to the draft technical standards submitted to the Commission. This analysis is available at <https://www.eba.europa.eu/regulation-and-policy/market-risk/regulatory-technical-standards-emerging-markets-and-advanced-economies> pages 11 - 13 of the Final Draft Regulatory Technical Standards.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

These technical standards identify the countries that are considered advanced economies for the purpose of identifying the appropriate risk weight to capture equity risk under the market risk framework. The final draft technical standards specify that all the Member States of the Union, including the overseas countries and territories which have special relations with Denmark, France or the Netherlands, and the States, other than the Member States, which are parties to the Agreement on the European Economic Area, constitute an advanced economy. Those states are complemented by an additional list, coinciding to that agreed in the international standards, specifying other countries considered advanced economies.

COMMISSION DELEGATED REGULATION (EU) .../...

of XXX

on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on emerging markets and advanced economies under Article 325ap(3) of Regulation (EU) No 575/2013

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012¹, and in particular the fourth subparagraph of Article 325ap(3) thereof,

Whereas:

- (1) The market risk own funds requirements under the alternative standardised approach set out in Part Three, Title IV, Chapter 1a of Regulation (EU) No 575/2013 require, for the calculation of the own funds requirement under the sensitivities-based method set out in Section 2 of that Chapter, the application of the risk weights for equity risk specified in Table 8 of Article 325ap pursuant to the delegated act referred to in Article 461a. Since advanced economies and emerging markets are mutually exclusive categories, it should be clarified in this Regulation that markets not constituting advanced economies should be regarded as emerging markets for the purpose of the application of Article 325ap of Regulation (EU) No 575/2013.
- (2) When determining which markets constitute advanced and emerging markets economies, this Regulation should, on the one hand, ensure a level playing field and, on the other hand, establish a risk-based approach. To that end, while applicable international standards should be taken into consideration, markets of the Member States that are less volatile than the markets recognised as advanced markets economies in accordance with these international standards, should nonetheless be set out in this Regulation as constituting advanced rather than emerging market economies. Furthermore, the determination of advanced and emerging market economies in this Regulation should take due regard of the establishment of a single internal market in the Union, the presence of the European Economic Area, and the specificities related to overseas territories of some Member States.
- (3) This Regulation is based on the draft regulatory technical standards submitted by the European Banking Authority to the Commission.

¹ OJ L 176, 27.6.2013, p. 1.

- (4) EBA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits, and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010²,

HAS ADOPTED THIS REGULATION:

Article 1

Advanced economies and emerging markets for the purpose of Article 325ap

1. For the purpose of applying risk weights for equity risk in accordance with Article 325ap of Regulation (EU) No 575/2013, the Member States of the European Union, including the overseas countries and territories which have special relations with Denmark, France or the Netherlands, and the States, other than the Member States, which are parties to the Agreement on the European Economic Area, shall constitute advanced economies.
2. For the purpose of applying risk weights for equity risk in accordance with Article 325ap of Regulation (EU) No 575/2013, the following third countries shall constitute advanced economies:
 - (a) Australia;
 - (b) Canada;
 - (c) Hong Kong SAR;
 - (d) Japan;
 - (e) Mexico;
 - (f) New Zealand;
 - (g) Singapore;
 - (h) Switzerland;
 - (i) The United Kingdom;
 - (j) The United States.
3. For the purpose of applying risk weights for equity risk under Article 325ap, third countries not included in paragraph 1 nor in paragraph 2 shall constitute emerging markets.

² Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2020, p. 12).

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels,

For the Commission
The President