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COVER NOTE

From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

No. Cion doc.: C(2026) 2429 final

Subject: COMMISSION DELEGATED REGULATION (EU) .../... supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying what constitutes an equivalent legal mechanism that ensures that a residential property under construction is completed within a reasonable time frame

Delegations will find attached document C(2026) 2429 final.

Encl.: C(2026) 2429 final



Brussels, 16.4.2026
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COMMISSION DELEGATED REGULATION (EU) .../...

of 16.4.2026

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying what constitutes an equivalent legal mechanism that ensures that a residential property under construction is completed within a reasonable time frame

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Article 124(14) of Regulation (EU) No 575/2013 empowers the Commission to adopt, following the submission of draft technical standards by the European Banking Authority (EBA), and in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, delegated acts specifying what constitutes an equivalent legal mechanism ensuring that the property under construction is completed within a reasonable timeframe.

In accordance with Article 10(1) of Regulation (EU) No 1093/2010 establishing the EBA, the Commission shall decide within three months of receipt of the draft 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 (EU) No 1093/2010, the EBA has conducted a public consultation on the draft regulatory technical standards submitted to the Commission in accordance with Article 124(14) of Regulation (EU) No 575/2013. The consultation paper was published on the EBA website on 13 May 2024 and the consultation closed on 15 August 2024. In addition, the EBA invited the Banking Stakeholder Group, set up in accordance with Article 37 of Regulation (EU) No 1093/2010, to provide its advice on the draft standards.

Together with the final draft technical standards, the EBA has submitted an explanation on how the outcome of the public consultation and the feedback received from stakeholders have been taken into account in the development of the final draft. In line with the requirements of Article 10(1) of Regulation (EU) No 1093/2010, the EBA has also submitted its impact assessment, including an analysis of the costs and benefits related to the draft technical standards. This analysis is available on the EBA website as part of the Final Draft RTS package.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The final draft technical standards specify the prudential conditions under which a legal mechanism can be considered equivalent, for the purpose of Article 124(3)(a)(iii)(2) of Regulation (EU) No 575/2013, to ensure that the property under construction is completed within a reasonable timeframe.

To that end, the draft standards define the requirements applicable to the protection provider, notably in terms of its creditworthiness, and clarify that the provider must be a regulated institution or insurance undertaking. The draft standards also set out the operational and legal features of a qualifying completion guarantee, including the obligation to cover all remaining construction costs or, where completion is not possible, to repay the credit institution an amount equivalent to the outstanding exposure.

The standards further clarify that completion guarantees must be comprehensive, legally binding and enforceable, and must not contain clauses that allow the provider to unilaterally reduce or cancel its obligations. Where the protection provider and the credit institution belong to the same group, the treatment of the property as completed may not be recognised at the consolidated level.

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

of 16.4.2026

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying what constitutes an equivalent legal mechanism that ensures that a residential property under construction is completed within a reasonable time frame

(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 the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012¹, and in particular Article 124(14), thereof,

Whereas:

- (1) To ensure that the property under construction, as referred to in Article 124(3), point (a)(iii), of Regulation (EU) No 575/2013, is completed within a reasonable timeframe, the legal mechanism referred to in Article 124(3), point (a)(iii)(2) of that Regulation should provide for a protection provider that is able to act in a reasonable timeframe and has sufficient credit worthiness.
- (2) Credit institutions and insurance undertakings that are authorised in the Union are subject to robust prudential requirements. For that reason, they are best placed to act as protection providers.
- (3) To ensure that the legal mechanism referred to in Article 124(3), point (a)(iii)(2) of Regulation (EU) No 575/2013 is equivalent to the arrangements referred to in that Article, it should form part of the national law applicable to the construction of the residential property
- (4) Where the protection is provided by the entity benefiting from that same protection, there would be no reduction of risk, as that entity would simultaneously benefit from the guarantee and be liable for it. Therefore, where both the lending institution and the protection provider belong to the same group, the treatment should not apply at a consolidated level. Instead, the recognition of risk mitigation benefits arising from the completion guarantee, specifically, the treatment of the property as completed, should be limited to the calculation of own funds requirements at the individual institution level.
- (5) As the coexistence of several protection providers may hinder coordination for the completion of the whole property, it is necessary to require either the completion guarantees for all the housing units in the residential property under construction are provided by the same entity, or that multiple protection providers jointly and severally provide a single guarantee.

¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>).

- (6) To maintain the effectiveness of the completion guarantee and to ensure that the protection provider remains committed to the timely completion of the residential property, the protection provider should not be allowed either to increase the effective cost of the protection, or to unilaterally reduce the duration of that protection, or to cancel that protection, or to otherwise relieve itself from its obligations, except in cases related to unexpectable and unavoidable events covered by another insurance or guarantee.
- (7) A completion guarantee may be turned into a repayment guarantee, which can have as a consequence that the obligor receives financial compensation from the protection provider. To avoid that the obligor can freely dispose of such compensation, he or she should be obliged to transfer such compensation to the lending institution, to reimburse the loan secured by the unfinished property.
- (8) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (9) The European Banking Authority 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 advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council²,

HAS ADOPTED THIS REGULATION:

Article 1

Equivalent legal mechanism

1. A legal mechanism that ensures that the property under construction is completed within a reasonable timeframe, as referred to in Article 124(3), point (a)(iii)(2), of Regulation (EU) No 575/2013, shall comply with the conditions laid down in paragraphs 2 to 13.
2. The completion guarantee shall be required by the law of the Member State where the residential property is being built.
3. The legal mechanism requires and ensures the enforceability of a completion guarantee that applies until the construction of the residential property is completed and that is documented in writing.
4. The completion guarantee referred to in paragraph 2 is offered by a protection provider, which is either a credit institution as referred to in Article 4(1), point (3), of Regulation (EU) No 575/2013, or an insurance undertaking as referred to in Article 4(1), point (5) of that Regulation.
5. Where the protection provider and the lending institution belong to the same group, the completion guarantee shall not qualify as equivalent legal mechanism for the consolidated level of any group to which both the lending institution and the protection provider belong.
6. The risk weight applicable to a direct unsecured exposure to the protection provider does not exceed 30 % of such exposure under Articles 120 to 122 of Regulation (EU) No 575/2013.

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, 15.12.2010, p. 12, ELI: <http://data.europa.eu/eli/reg/2010/1093/oj>).

7. The extent of the completion guarantee referred to in paragraph 2 is clearly set out in the contractual documentation between the lending institution, the protection provider and the obligor.
8. The completion guarantee referred to in paragraph 2 is valid until the completion of the residential property under construction.
9. Where there are several housing units within a given residential property under construction, all housing units are covered by a single completion guarantee, either provided by one single protection provider, or by multiple protection providers that are jointly and severally liable for that single completion guarantee.
10. Under the completion guarantee, the obligation of the protection provider is activated in a timely manner, with no conditions limiting the activation of the completion guarantee. A default of the obligor shall not prevent the activation of the completion guarantee.
11. The completion guarantee does not contain any clause which enables the protection provider, for reasons other than those under the direct control of the obligor, including an increase in the risk that the real estate developer will not complete the property under construction, to do any of the following:
 - (a) increase the effective cost of the completion guarantee;
 - (b) cancel the completion guarantee;
 - (c) reduce unilaterally the amount or the duration of the completion guarantee;
 - (d) free the protection provider:
 - (i) from the obligation to complete in a timely manner the property under construction as specified in paragraph 12, point (a);
 - (ii) where a completion guarantee is turned into a repayment guarantee, from the payment obligation specified in paragraph 12, point (b).

Point (d) shall not apply in the case of unpredictable and unavoidable events that are beyond the control of the parties involved, provided that those events are covered by another insurance or guarantee to the benefit of the protection provider, of the lending institution or of the obligor.
12. As soon as it is no longer ensured that the construction of the residential property will be completed within a reasonable time frame, the protection provider is obliged:
 - (a) to finance, without undue delay and without limitation or cap, including for potential budget overruns, all remaining construction costs for the completion of the construction of the residential property until its completion;
 - (b) where a completion guarantee is turned into a repayment guarantee as specified under Article 2, to pay without undue delay to the lending institution directly or through the obligor an amount that is at least equal to the amount still owed by the obligor to the lending institution in relation to the unfinished residential property.
13. The obligor and the lending institution have in all relevant Member States a legally enforceable right against the protection provider for the obligations referred to in paragraph 12, points (a) or (b).

Article 2

Conversion of a completion guarantee into a repayment guarantee

No completion guarantee shall be converted into a repayment guarantee unless all of the following conditions are met:

- (a) the amount referred to in Article 1(12), point (b), becomes legally due immediately;
- (b) where the protection provider pays the amount referred to in Article 1(12), point (b), through the obligor, the obligor is legally required to repay the received amount to the lending institution immediately once he or she has received the amount concerned from the protection provider;
- (c) no additional amounts of the exposure secured by the unfinished property can be drawn after the activation of the repayment guarantee, unless a new equivalent legal mechanism meeting all the criteria laid down in Article 1 is set in place before such drawings are possible.

Article 3

Entry into force

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

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

Done at Brussels, 16.4.2026

For the Commission
The President
Ursula VON DER LEYEN