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General Secretariat

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WORKING DOCUMENT

From:	Presidency
To:	Working Party on Financial Services and the Banking Union (Basel III finalisation) Financial Services Attachés
Subject:	Basel 3 finalisation: CRD - CZ Presidency revised compromise text, Table 1 of 3

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
2021/0341 (COD) Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU (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 53(1) 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 ¹ ,	
Having regard to the opinion of the European Economic and Social Committee ² ,	

¹ OJ C , , p. .

² OJ C , , p. .

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Acting in accordance with the ordinary legislative procedure,	
Whereas:	
(1) Competent authorities, their staff and members of their governance bodies should be independent of political and economic influence. Risks of conflicts of interest undermine the integrity of the Union financial system and harm the goal of an integrated banking and capital markets union. Directive 2013/36/EU should provide more detailed provisions for Member States to ensure that the competent authorities, including their staff and management, act independently and objectively. In this context, minimum requirements should be laid down to prevent conflicts of interests <u>such as cooling-off periods and the prohibition from of trading instruments issued by a supervised entity, applicable to supervisory staff directly involved in the supervision of an institution and competent authorities' members of competent authorities' governance bodies. Furthermore where Member States consider it necessary, they should be able to adopt or retain a stricter requirements for the prevention of conflicts of interests.</u> The European Banking Authority (EBA) should issue guidelines addressed to competent authorities on the prevention of conflicts of interests, based on international best practices.	(1) Competent authorities, their staff and members of their governance bodies should be independent of political and economic influence. Risks of conflicts of interest undermine the integrity of the Union financial system and harm the goal of an integrated banking and capital markets union. Directive 2013/36/EU should provide more detailed provisions for Member States to ensure that the competent authorities, including their staff and management members of the competent authority's governance bodies, act independently and objectively. In this context, minimum requirements should be laid down to prevent conflicts of interests <u>such as cooling-off periods and the prohibition from of trading instruments issued by a supervised entity, applicable to supervisory staff directly involved in the supervision of an institution and competent authorities' members of competent authorities' governance bodies. Furthermore, where Member States consider it necessary, they should be able to adopt or retain a stricter requirements for the prevention of conflicts of interests.</u> The European Banking Authority (EBA) should issue guidelines addressed to competent authorities on the prevention of conflicts of interests, based

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
	on international best practices.
<u>(1a) Where necessary for the respect of fundamental or workers' rights, Member States should be able to provide appropriate compensation mechanisms for the benefit of members of staff and of governance bodies subject to cooling-off periods. The purpose of such mechanisms should be to compensate for the burden imposed on those individuals as a result of the colling-off period, in particular the inability for them to take up employment with entities subject to the scope of these restrictions over a certain period of time. The compensation should be proportionate to the length of the relevant cooling-off period.</u>	<u>(1a) Where necessary for the respect of fundamental or workers' rights, Member States should be able to provide appropriate compensation mechanims mechanisms for the benefit of members of staff and of governance bodies subject to cooling-off periods. The purpose of such mechanisms should be to compensate for the burden imposed on those individuals as a result of the colling-off period, in particular the inability for them to take up employment with entities subject to the scope of these restrictions over a certain period of time. The compensation should be proportionate to the length of the relevant cooling-off period.</u>
<u>(1b) Supervisors should conduct themselves with the upmost integrity in the exercise of their supervisory function. In order to increase transparency and provide high ethical standards, it is appropriate that staff involved in the supervision of institutions and applicants to direct supervisory posts disclose their interests on an annual basis. The declaration of conflict of interests would reduce the risk arising from conflicts of interest and would allow competent authorities to manage appropriately those risks. Therefore Member States should also introduce a mechanism of declaration of conflicts of interests by</u>	<u>(1b) Supervisors should conduct themselves with the upmost integrity in the exereise of their supervisory function. In order to increase transparency and provide high ethical standards, it is appropriate that staff involved in the supervision of institutions and applicants to direct supervisory posts disclose their interests on an annual basis. The declaration of conflict of interests would reduce the risk arising from conflicts of interest and would allow competent authorities to manage appropriately those risks. Therefore Member States should also introduce a mechanism of declaration of conflicts of interests by</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>members of staff directly involved in the supervision of institutions, the members of staff who have access to market-sensitive information and the members of the competent authority's governance bodies. This declaration should include information on the member's holdings of financial instruments and any relevant previous occupational activities. The declaration of interests should be without prejudice to any requirement to submit a wealth declaration under applicable national rules.</u>	members of staff directly involved in the supervision of institutions, the members of staff who have access to market-sensitive information and the members of the competent authority's governance bodies. This declaration should include information on the member's holdings of financial instruments and any relevant previous occupational activities. The declaration of interests should be without prejudice to any requirement to submit a wealth declaration under applicable national rules. <u>(1b) Supervisors should act with the utmost integrity in the exercise of their supervisory function. In order to increase transparency and provide high ethical standards, it is appropriate that members of the competent authority's governance bodies be obliged to make a declaration of interests on an annual basis. This declaration should disclose information on the member's holdings of financial instruments to reduce the risk arising from conflicts of interest that may result from those holdings and allow competent authorities to manage appropriately those risks. The declaration of interests should be without prejudice to any requirement to submit a wealth declaration under applicable national rules.</u>
(2) Competent authorities should have the necessary power to withdraw	(2) Competent authorities should have the necessary power to withdraw

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
the authorisation granted to a credit institution where such a credit institution has been declared failing or likely to fail, <u>there is no reasonable prospect that any alternative private sector measures or supervisory action could prevent a failure of such institution within a reasonable timeframe and a resolution action is not necessary in the public interest</u> and, at the same time, has not met the other conditions for resolution set out by Directive 2014/59/EU of the European Parliament and of the Council³ or by Regulation (EU) No 806/2014 of the European Parliament and of the Council⁴. In such a situation, a credit institution should be wound up in accordance with the applicable national insolvency proceedings, or in other types of proceedings laid down for those institutions under national law, <u>which would ensure its</u>	the authorisation granted to a credit institution where such a credit institution has been declared failing or likely to fail, <u>there is no reasonable prospect that any alternative private sector measures or supervisory action could prevent a failure of such institution within a reasonable timeframe and a resolution action is not necessary in the public interest</u> and, at the same time, has not met the other conditions for resolution set out by Directive 2014/59/EU of the European Parliament and of the Council⁵ or by Regulation (EU) No 806/2014 of the European Parliament and of the Council⁶. In such a situation, a credit institution should be wound up in accordance with the applicable national insolvency proceedings, or in other types of proceedings laid down for those institutions under national law, <u>which would ensure its</u>

³ 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 and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

⁴ 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).

⁵ 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 and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

⁶ 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).

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>orderly exit from the market</u>, and should therefore discontinue the activities for which the authorisation had been granted. <u>However, there should be no automaticity between the failing or likely to fail determination and the withdrawal of the authorisation, as for other cases where the competent authority may withdraw the authorisation. Competent authorities should remain entitled to exercise their powers in a manner that is proportionate and that takes into consideration the features of the applicable national insolvency proceedings, including existing judicial procedures.</u>	<u>orderly exit from the market</u>, and should therefore discontinue the activities for which the authorisation had been granted. <u>However, there should be no automaticity between the failing or likely to fail determination and the withdrawal of the authorisation, as for other cases where the competent authority may withdraw the authorisation. Competent authorities should remain entitled to exercise their powers in a manner that is proportionate and that takes into consideration the features of the applicable national insolvency proceedings, including existing judicial procedures, while the power to withdraw the authorisation should not be used in order to prevent the opening or force the termination of insolvency proceedings such as the application of a judicial moratorium or other measures which are conditional upon an active license.</u>
(3) The provision of banking services in the Union is conditional upon the credit institution's having previous authorisation and a physical presence through a legal person or a branch in its territory. Only in that way credit institutions may be subject to effective prudential regulation and supervision that are necessary to minimise the risk of failure and, when it occurs, to manage that failure in order to prevent it from spreading in a disorderly manner and leading to the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
collapse of the financial system (contagion risk by e.g. a bank run or a bank failure triggered by imprudent lending). The provision of banking services in the Union without such physical presence would increase the presence and prevalence in the financial markets where credit institutions are closely involved of risk segments not subject to Union's prudential regulation and supervision, that may eventually threaten the financial stability of the Union or of its individual Member States. The financial crisis of 2008-2009 is the latest historical precedent, which underlines how small market segments may become the source of significant threats to the financial stability of the Union and its Member States if left outside the scope of prudential regulation and supervision. Hence, it is necessary to lay down an explicit requirement in Union law that undertakings established in a third country and seeking to provide banking services in the Union should at least establish a branch in a Member State and that such branch be authorised in accordance with Union legislation, unless the undertaking wishes to provide banking services in the Union through a subsidiary. However, that requirement to establish a branch should not apply to cases of reverse solicitation of services, as in this case it is the customer that approaches the undertaking in the third country to	

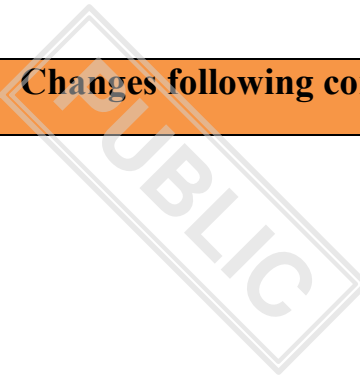
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
solicit the provision of the service.	
(4) Supervisors of credit institutions should have all the necessary powers that enable them to perform their duties and that cover the various operations conducted by the supervised entities. To that end and to increase the level playing field, supervisors must <u>should</u> have at their disposal all the supervisory powers enabling them to cover material operations that can be undertaken by the supervised entities. The European Central Bank and <u>relevant</u> national competent authorities should therefore be notified in case a material operation, including acquisitions by supervised entities of material holdings in financial <u>sector</u> or non-financial entities, material transfers of assets and liabilities from or to a supervised entities, and mergers and divisions involving a supervised entities, undertaken by a supervised entity raises concerns over its prudential profile, or over possible money laundering and terrorist financing activities. Furthermore, the ECB and <u>relevant</u> national competent authorities should have the power to intervene in such cases <u>of acquisition of qualifying material holdings and mergers and divisions.</u>	(4) Supervisors of credit institutions should have all the necessary powers that enable them to perform their duties and that cover the various operations conducted by the supervised entities. To that end and to increase the level playing field, supervisors must <u>should</u> have at their disposal all the supervisory powers enabling them to cover material operations that can be undertaken by the supervised entities. The <u>European Central Bank and relevant national</u> competent authorities should therefore be notified in case a material operation, including acquisitions by supervised entities of material holdings in financial <u>sector</u> or non-financial entities, material transfers of assets and liabilities from or to a supervised entities, and mergers and divisions involving a supervised entities, undertaken by a supervised entity raises concerns over its prudential profile, or over possible money laundering and terrorist financing activities. Furthermore, the <u>ECB and relevant national</u> competent authorities should have the power to intervene in such cases <u>of acquisition of qualifying material holdings and mergers and divisions.</u>
(5) Concerning mergers and divisions, the Directive (EU) 2017/1132 lays down harmonised rules and procedures, in particular for cross-border mergers and divisions of limited liability companies. Therefore, the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
assessment procedure by the competent authorities stipulated in this directive should be complementary to the Directive (EU) 2017/1132 and should not contradict any of its provisions. In case of those cross-border mergers and divisions which fall under the scope of Directive 2017/1132, the motivated opinion issued by the competent supervisory authority should be part of the assessment of the compliance with all relevant conditions and the proper completion of all procedures and formalities required for the pre-merger or pre-division certificate. The motivated opinion should therefore be transferred to the designated national authority responsible for issuing the pre-merger or pre-division certificate under Directive 2017/1132.	
(6) In order to ensure that competent authorities can intervene before one of these material operations is undertaken, they should be notified <i>ex ante</i>. That notification should be accompanied by information necessary for the competent authorities to assess the planned operation from a prudential and anti-money laundering and counter-terrorist financing perspective. That assessment by competent authorities should commence at the moment of the receipt of the notification including all the requested information and, in the case of the acquisition of a material holding <u>in a financial sector entity</u> or the material transfer of assets and liabilities,	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
should be limited in time.	
(7) In the case of the acquisition of a qualifying material holding <u>in a financial sector entity</u>, or the material transfer of assets or liabilities, the conclusion of the assessment could lead the competent authority to decide to oppose to the operation. In the absence of opposition from the competent authorityies within a given period, the operation should be deemed approved.	
(8) In order to ensure proportionality and avoid undue administrative burden, those additional powers of competent authorities should be applicable only to operations deemed material. Only operations consisting in mergers or divisions should be treated automatically as material operations, as the newly created entity can be expected to present a significantly different prudential profile from the entities initially involved in the merger or division. Also, mergers or division should not be concluded by entities undertaking them before a prior positive opinion is received from the competent authorities. Other operations (including aAcquisitions of holdings <u>in a financial sector entity</u> and transfers of assets and liabilities), when considered material, should be assessed by the competent authorityies-based on a tacit approval procedure.	
(9) In some situations (for instance when entities established in various	

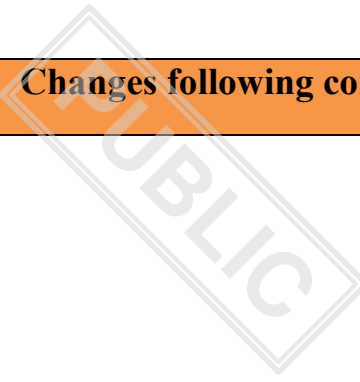
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Member States are involved), operations might require multiple notifications and assessments from different competent authorities, requiring an efficient cooperation among those authorities. It is therefore necessary to precise cooperation obligations, in particular early cross notifications, smooth exchange of information and coordination in the assessment.	
(10) It is necessary to align provisions related to the acquisition of a qualifying holding in a credit institution with provisions on the acquisition of a qualifying holding by an institution, in case both assessments have to be undertaken for the same operation. Indeed, without proper articulation these provisions could lead to inconsistencies in the assessment undertaken by competent authorities, and ultimately the decisions taken by them. It is therefore necessary to provide for similar additional time provided to competent authorities to acknowledge receipt of the notification when the operation is considered complex).	
(11) EBA should be mandated to develop regulatory technical standards, and implementing technical standards <u>and guidelines</u> to ensure an appropriate framing of the use of those additional supervisory powers. Those regulatory technical standards and implementing technical standards	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
should, in particular, specify the information to be received by the competent authorities, the elements to be assessed, and cooperation when more than one competent authorities are involved. Those various elements are crucial to ensure that a sufficiently harmonised supervisory methodology allows provisions on the additional powers to be implemented efficiently, with the minimum possible additional administrative burden.	
(12) It is crucial that credit institutions, financial holding companies and mixed financial holding companies comply with the prudential requirements to ensure their safety and soundness and preserve the stability of the financial system, both at the level of the Union as a whole and in each Member State. Therefore, the ECB and national competent authorities should have the power to take timely and decisive measures where those credit institutions, financial holding companies and mixed financial holding companies and their effective managers fail to comply with the prudential requirements or supervisory decisions.	
(13) To ensure a level playing field in the area of sanctioning powers, Member States should be required to provide for effective, proportionate and dissuasive administrative penalties, periodic penalty payments and other administrative measures <u>and enforcement measures such as</u>	(13) To ensure a level playing field in the area of sanctioning powers, Member States should be required to provide for effective, proportionate and dissuasive administrative penalties, periodic penalty payments and <u>periodic penalty payments and</u> other administrative measures <u>and</u>

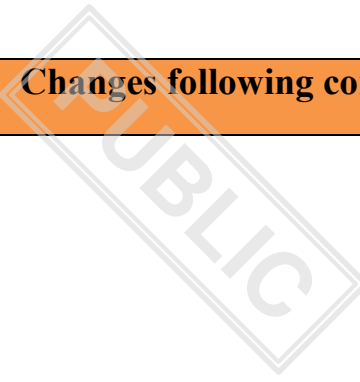
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>periodic penalty payments</u> in relation to breaches of national provisions transposing this Directive and2013/36/EU, breaches of Regulation (EU) No 575/2013 of the European Parliament and of the Council⁵ <u>or decisions issued by a competent authority based on those legal acts</u>. In particular, Member States can <u>should be able to</u> impose administrative penalties where the relevant breach is also subject to national criminal law. Those administrative penalties, periodic—penalty—payments and other administrative measures <u>and periodic penalty payments</u> should meet certain minimum requirements, including the minimum powers that should be vested on competent authorities to be able to impose them, the criteria that competent authorities should take into account in their application, publication requirements or the levels of administrative penalties and periodic penalty payments. Member States should lay down specific rules and effective mechanisms regarding the application of periodic penalty payments.	enforcement measures such as periodic penalty payments in relation to breaches of national provisions transposing this Directive and2013/36/EU, breaches of Regulation (EU) No 575/2013 of the European Parliament and of the Council⁵ <u>or decisions issued by a competent authority based on those legal acts</u>. In particular, Member States can <u>should be able to</u> impose administrative penalties where the relevant breach is also subject to national criminal law. Those administrative penalties, periodic—penalty—payments and <u>periodic penalty payments</u> and other administrative measures and periodic penalty payments should meet certain minimum requirements, including the minimum powers that should be vested on competent authorities to be able to impose them, the criteria that competent authorities should take into account in their application, publication requirements or the levels of administrative penalties and periodic penalty payments. Member States should lay down specific rules and effective mechanisms regarding the application of periodic penalty payments.
(14) Administrative pecuniary penalties should have a deterrent effect in order to prevent the natural or legal person in breach of national provisions transposing Directive 2013/36/EU or in breach of Regulation (EU) No 575/2013 from engaging in the same or similar conduct in the future. Member States should be required to provide for administrative penalties,	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
which are effective, proportionate and dissuasive. Furthermore, competent authorities should have regard to any previous criminal penalties that may have been imposed on the same natural or legal person responsible for the same breach when determining the type of administrative penalties or other administrative measures and the level of administrative pecuniary penalties. This is to ensure that the severity of all the penalties and other administrative measures imposed for punitive purposes in case of accumulation of administrative and criminal proceedings is limited to what is necessary in the view of the seriousness of the breach concerned. To that end, it is essential to enhance the cooperation between competent authorities and judicial authorities in the case of accumulation of administrative and criminal proceedings against the same persons responsible for the same breach. Member States should lay down specific rules and mechanisms to facilitate such cooperation.	
(15) — Competent authorities should be able to impose administrative penalties on the same natural or legal person responsible for the same acts or omissions. However, such accumulation of proceedings and penalties on the same breach should pursue different objectives of general interest. Member States should lay down rules to provide for an appropriate coordination between administrative and criminal	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
proceedings. Such rules should limit the imposition of accumulative penalties in relation to the same breach on the natural or legal person concerned to the strictly necessary in order to meet those different objectives. Furthermore, Member States should lay down rules to ensure that the severity of all the administrative and criminal penalties and other measures imposed in cases of accumulation of proceedings are limited to what is necessary in view of the seriousness of the breach concerned. Member States should also ensure that such duplication of proceedings and subsequent penalties comply with the <i>ne bis in idem</i> principle and that the rights of the natural or legal person concerned are duly protected.	
(16) Administrative pecuniary penalties on legal persons should be applied consistently, in particular as regards the determination of the maximum amount of administrative penalties, which should take into account the <u>financial capacity indicator</u> total annual net turnover <u>total annual net turnover</u> of the relevant undertaking. However, the current definition of the total annual net turnover in Directive 2013/36/EU is neither exhaustive enough nor sufficiently clear and complete to ensure a level playing field in the application of administrative pecuniary penalties. Therefore, it is necessary to clarify several	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
elements of the current definition of total annual net turnover in order to avoid an inconsistent interpretation. <u>To ensure a consistent calculation throughout the Union, the total annual net turnover should be determined by reference to specific categories from the FINREP Templates in Annex III, IV and V of the Commission Implementing Regulation (EU) 2021/451.</u>	
(17) In addition to administrative penalties, competent authorities should be empowered to impose periodic penalty payments on credit institutions, financial holding companies, mixed financial holding companies and their effective managers <u>those members of the management body in their its management functions function who under national law are identified as responsible of for the breach of obligation for failure</u> to comply with their obligations under <u>national provisions transposing</u> Directive 2013/36/EU, <u>their obligations under</u> Regulation (EU) No 575/2013 or a decision issued by a competent authority <u>based on those acts</u>. Those enforcement measures should be imposed where a breach of a requirement or supervisory decision of the competent authority is continuing. <u>Without prejudice to the procedural-due-process rights of the affected personsinvolved under applicable law, including their right to be heard,</u> Competent authorities should be able to impose those enforcement	(17) In addition to administrative penalties, competent authorities should be empowered to impose periodic penalty payments on credit institutions, financial holding companies, mixed financial holding companies and their effective managers <u>those members of the management body in their its management functions function who under national law are identified as responsible in accordance with national law of for the breach of obligation for failure</u> to comply with their obligations under <u>national provisions transposing</u> Directive 2013/36/EU, <u>their obligations under</u> Regulation (EU) No 575/2013 or a decision issued by a competent authority <u>based on those acts</u>. Those enforcement measures should be imposed where a breach of a requirement or supervisory decision of the competent authority is continuing. <u>Without prejudice to the procedural due-process rights of the affected personsinvolved under applicable law, including their right to be heard,</u> Competent authorities should be

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
measures without having to address a prior request, order or warning to the party in breach <u>requiring a return to compliance</u>. Since the purpose of the periodic penalty payments is to compel natural or legal persons to terminate an ongoing breach, the application of periodic penalty payments should not prevent competent authorities from imposing subsequent administrative penalties for the same breach. <u>Periodic penalty payments may be imposed at one point in time on a given date and start applying at a later date in the future.</u>	able to impose those enforcement measures without having to address a prior request, order or warning to the party in breach <u>requiring a return to compliance</u>. Since the purpose of the periodic penalty payments is to compel natural or legal persons to terminate an ongoing breach, the application of periodic penalty payments should not prevent competent authorities from imposing subsequent administrative penalties for the same breach. <u>Periodic penalty payments may be imposed at one point in time on a given date and start applying at a later date in the future.</u>
(18) It is necessary to lay down administrative penalties, periodic penalty payments and other administrative measures <u>and periodic penalty payments</u> in order to ensure the greatest possible scope for action following a breach and to help prevent further breaches, irrespective of their qualification as an administrative penalty or other administrative measure under national law. Member States should therefore be able to provide for additional penalties and higher level of administrative pecuniary penalties <u>and periodic penalty payments</u>. <u>Unless otherwise provided for by Member States, periodic penalty payments should be calculated on a daily basis. Periodic penalty payments should be calculated per days as a rule, but their periodicity of application can be left at the discretion of Member states. The maximum amount of</u>	(18) It is necessary to lay down administrative penalties, periodic penalty payments and <u>periodic penalty payments and</u> other administrative measures <u>and periodic penalty payments</u> in order to ensure the greatest possible scope for action following a breach and to help prevent further breaches, irrespective of their qualification as an administrative penalty or other administrative measure under national law. Member States should therefore be able to provide for additional penalties and higher level of administrative pecuniary penalties <u>and periodic penalty payments</u>. <u>Unless otherwise provided for by Member States, periodic penalty payments should be calculated on a daily basis. Periodic penalty payments should be calculated per days as a rule, but their periodicity of application can be left at the discretion of Member</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
periodic penalty payment to be applied in a given period of time should not exceed the sum of the maximum amount of periodic penalty payments per days constituting this given period.	states. The maximum amount of periodic penalty payment to be applied in a given period of time should not exceed the sum of the maximum amount of periodic penalty payments per days constituting this given period.
(19) Competent authorities should impose periodic penalty payments that are proportionate and effective. Accordingly, the competent authority should take into account the potential impact of the periodic penalty payment on the financial situation of the legal or natural person in breach, and seek to avoid that the penalty would cause the legal or natural person in breach to become insolvent, lead it to serious financial distress or represent a disproportionate percentage of its total annual net turnover.	
(20) Where the legal system of the Member State does not allow the administrative penalties provided for in this Directive, the rules on administrative penalties may be applied in such a manner that the penalty is initiated by the competent authority and imposed by judicial authorities. Therefore, it is necessary that those Member States ensure that the application of the rules and penalties has an effect equivalent to the administrative penalties imposed by the competent authorities. When imposing such penalties, judicial authorities should take into account the recommendation by the competent authority initiating the penalty. The	

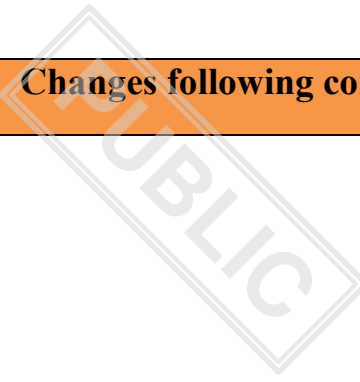
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
penalties imposed should be effective, proportionate and dissuasive.	
(21) In order to provide for appropriate sanctions for breaches of national provisions transposing Directive 2013/36/EU and Regulation (EU) No 575/2013, the list of breaches subject to administrative penalties, periodic penalty payments and other administrative measures <u>and periodic penalty payments</u> should be supplemented. Therefore, the list of breaches under Article 67 of Directive 2013/36/EU should be amended.	(21) In order to provide for appropriate sanctions for breaches of national provisions transposing Directive 2013/36/EU and Regulation (EU) No 575/2013, the list of breaches subject to administrative penalties, periodic penalty payments and <u>periodic penalty payments and</u> other administrative measures and periodic penalty payments should be supplemented. Therefore, the list of breaches under Article 67 of Directive 2013/36/EU should be amended.
(22) The regulation of branches established by undertakings in a third country to provide banking services in a Member State is subject to national law and only harmonised to a very limited extent by Directive 2013/36/EU. While third country branches have a significant presence in Union banking markets, they are currently subject only to very high level information requirements, but not to any Union-level prudential standards or supervisory cooperation arrangements. The complete absence of a common prudential framework leads to third country branches' being subject to disparate national requirements of varying level of prudence and reach. Furthermore, competent authorities lack comprehensive information and the necessary supervisory tools to properly monitor the specific risks created by third country groups operating in one or various Member States	

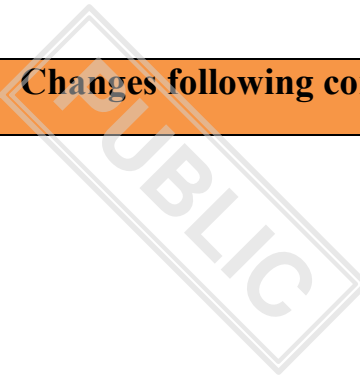
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
through both branches and subsidiaries. There are currently no integrated supervisory arrangements in relation to them and the competent authority responsible for the supervision of each branch of a third country group is not obliged to exchanging <u>exchange</u> information with the competent authorities supervising the other branches and subsidiaries of the same group. Such fragmented regulatory landscape creates risks to the financial stability and market integrity of the Union which should be properly addressed through a harmonised framework on third country branches. Such a framework should comprise minimum common requirements on authorisation, prudential standards, internal governance, supervision and reporting. This set of requirements should build on those that Member States already apply to third countries branches in their territories and should take into account similar or equivalent requirements that third countries apply to foreign branches, with the aim of ensuring consistency between Member States and aligning the Union third country branches framework with the prevailing international practices in this field.	
(23) For reasons of proportionality, the <u>minimum</u> requirements on third country branches should be catered relative to the risk that they pose to the financial stability and market integrity of the Union and the Member States. Third country branches should, therefore, be categorised as either	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
class 1, where they are deemed riskier, or, otherwise, as class 2, where they are small and non-complex and do not pose a significant financial stability risk (consistently with the definition of “small and non-complex institution” in Regulation (EU) No 575/2013). Accordingly, third country branches with booked assets in the Member State in an amount equal to or in excess of EUR 5 000 000 000 should be regarded as posing such a greater risk due to their larger size and complexity, because their failure could lead to a significant disruption of the Member State’s market for banking services or of its banking system. Third country branches authorised to accept retail deposits beyond a certain threshold should also be regarded similarly as riskier regardless of their size <u>where the amount of such retail deposits exceeds a certain threshold</u>, insofar as their failure would affect highly vulnerable depositors and could lead to a loss of confidence in the safety and soundness of the Member State’s banking system to protect citizens’ savings. Both of those types of third country branches should, therefore, be categorised as class 1.	
(24) Third country branches should also be classified as class 1 where the undertaking in the third country that is their head office (the “head undertaking”) is subject to regulation, oversight and implementation of such regulation that are not determined to be at least equivalent to	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Directive 2013/36/EU and Regulation (EU) No 575/2013 or where the relevant third country is listed as a high-risk third country that has strategic deficiencies in its regime on anti-money laundering and counter terrorist financing in accordance with Directive (EU) 2015/849 of the European Parliament and of the Council⁷. Those third country branches pose a significant risk to the financial stability of the Union and of the Member State of establishment because the banking regulatory or anti-money laundering frameworks that apply to their head undertaking fail to adequately capture or permit a proper monitoring of the specific risks that arise from the activities conducted by the branch in the Member State or of the risks to counterparties in the Member State that arise from the third country group. For the purposes of determining the equivalence of the third country's banking prudential and supervisory standards to the Union's standards, the Commission should be able to instruct EBA to conduct an assessment in accordance with Article 33 of Regulation (EU) No 575/2013 <u>1093/2010</u>. EBA should ensure that the assessment is conducted in a rigorous and transparent manner and in accordance with a sound	

⁷ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
methodology. Furthermore, EBA should also consult and cooperate closely with the third countries' supervisory authorities and government departments in charge of banking regulation and, where appropriate, private sector parties, endeavouring to treat those parties fairly and to give them the opportunity to submit documentation and make representations within reasonable timeframes. Furthermore, EBA should ensure that the report issued in accordance with Article 33 of Regulation (EU) No 575/2013 1093/2010 is adequately reasoned, sets out a detailed description of the assessed matters and is delivered within a reasonable timeframe.	
(25) Competent authorities should have an explicit power to require on a case-by-case basis, that third country branches <u>established in its Member State</u>, apply for authorisation <u>as a subsidiary institution</u> in accordance with Title III, Chapter 1 of Directive 2013/36/EU <u>where they assess that the third country branches have a systemic importance for their Member State,</u> at a minimum where those branches engage in activities with counterparts in other Member States in contravention of the internal market rules or where they pose a significant risk to the financial stability of the Union or of the Member State where they are established. Moreover, competent authorities should be required to periodically assess whether third country branches holding assets on	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
their books in an amount equal to or higher than EUR 30 000 000 000 have systemic importance. All the third country branches that belong to the same third country group established in one Member State or across the Union should be jointly subject to such periodic assessment. That assessment should examine, in accordance with specific criteria, whether those branches pose an analogous level of risk to the financial stability of the Union or its Member States as institutions defined as “systemically important” under Directive 2013/36/EU and Regulation EU No 575/2013. Where competent authorities conclude that the third country branches are systemically important, they should impose requirements on those branches that are appropriate to mitigate the risks to financial stability. For those purposes, competent authorities should be able to require the third country branches to apply for authorisation as subsidiary institutions under Directive 2013/36/EU in order to continue conducting banking activities in the Member State or across the Union. Moreover, competent authorities should be able to impose other requirements, in particular an obligation to restructure the third country branches’ assets or activities in the Union so that those branches stop being systemic, or a requirement to comply with additional capital, liquidity, reporting or disclosure requirements, where that would be	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
sufficient to address the risks to financial stability. Competent authorities should have the possibility not to impose any of those requirements on third country branches assessed as systemic only where the competent authorities can justify that the risks that those branches pose to the financial stability and market integrity of the Union and the Member States would not significantly increase in the absence of such requirements for a period not exceeding one year.	
<u>The EBA should be mandated to submit a report on the merit of performing assessments, at an aggregate level, of the systemic importance for the EU Union of third country groups that operate through third country branches, and as well as on the merit of introducing a mechanisms fostering the exchange of information among all concerned and of articulating the exercise of supervisory powers between the competent authorities while setting out how such mechanism would be articulated with their respective supervisory powers over responsible for the supervision of those groups and the branches established in their respective Member States.</u>	
(26) To ensure the consistency of supervisory decisions on a third country group with branches and subsidiaries across the Union, a lead competent authority should be designated to conduct the assessment of	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
systemic importance. That role should correspond to the consolidated supervisor of the third country group in the Union, where Article 111 of Directive 2013/36/EU applies, or to the competent authority that would become the consolidated supervisor in accordance with that Article, should the third country branches of that group be treated as its subsidiaries. Where the relevant consolidated supervisor has not been determined or where the lead competent authority has not started the assessment of systemic importance within three months. EBA should, instead, perform that assessment. The lead competent authority, or, where applicable, EBA, should consult and cooperate fully with the competent authorities responsible for supervising the relevant third country group's subsidiaries and branches across the Union. The lead competent authority and those competent authorities should take a joint decision on whether to impose requirements on the third country branches assessed as systemic. For reasons of due process, the lead competent authority or, where applicable, EBA should ensure that the third country branches' right to be heard and to make representations are respected during the assessment of systemic importance.	
(27) Competent authorities should conduct regular reviews of third	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
country branches' compliance with relevant requirements under Directive 2013/36/EU, and take supervisory measures on those branches to ensure or restore compliance with those requirements. <u>To enable the cooperation and information exchange with the supervisory authorities of third countries, competent authorities should endeavour to use the model administrative agreements developed by EBA in accordance with Article 33(5) of Regulation (EU) No 1093/2010. However, other forms of agreements, for example through exchange of letters, should be equally acceptable.</u> To facilitate the effective supervision of the requirements on third country branches and allow for a comprehensive overview of third country groups' activities within the Union, common supervisory and financial reporting should be made available to competent authorities in accordance with standardised templates. EBA should be mandated to develop draft implementing technical standards setting out those templates and the Commission should be empowered to adopt those draft implementing technical standards. Furthermore, it is necessary to implement appropriate cooperation arrangements between competent authorities to ensure that all the activities of third country groups operating in the Union through third country branches are subject to comprehensive supervision, to prevent the requirements applicable to those groups under	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Union law from being circumvented and to minimise the potential risks to the financial stability of the Union. In particular, class 1 third country branches should be included within the scope of the colleges of supervisors of third country groups in the Union. Where such a college does not exist already, competent authorities should set up an <i>ad hoc</i> college for all class 1 third country branches of the same group where it operates in more than one Member State.	
(28) The Union's third country branches framework should be applied without prejudice to the discretion that Member States may currently have to require on a general basis that third country undertakings from certain third countries conduct banking activities in their territory solely through subsidiary institutions authorised in accordance with Title III, Chapter 1 of Directive 2013/36/EU. That requirement may refer to third countries that apply banking prudential and supervisory standards that are not equivalent to the standards under the Member State's national law or to third countries that have strategic deficiencies in its regime on anti-money laundering and counter terrorist financing.	
<u>(28a) In order to assess adequately the conditions for third country groups to apply for authorisation in accordance with Title VI , the EBA should be mandated to submit a report to the European</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>Parliament, to the Council and to the Commission.</u>	
<u>(28b) Tax avoidance scandals in the past have shown the need for improved information exchange between competent authorities and tax authorities. The current secrecy rules applicable to competent authorities should be adjusted to improve the exchange of information between the competent authorities and tax authorities, including in cross-border cases.</u>	(28b) Tax avoidance scandals in the past have shown the need for improved information exchange between competent authorities and tax authorities. The current secrecy rules applicable to competent authorities should be adjusted to improve the exchange of information between the competent authorities and tax authorities, including in cross-border cases. <u>(28b) Notwithstanding current secrecy rules applicable, information exchange between competent authorities and tax authorities should be improved. Such exchanges should be in line with national law, and, where the information originates in another Member State, it should only be disclosed with the express agreement of the relevant competent authority which has disclosed it.</u>
(29) Following the introduction of IFRS 9 on 1 January 2018, the outcome of the expected credit losses calculations, which is based on a modelling approaches, directly affects the amount of own funds and the regulatory ratios of institutions. The same modelling approaches are also the basis for the expected credit losses calculation where institutions apply national accounting frameworks. As a result, it is important that competent authorities and EBA have a clear view of the impact that those calculations	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
have on the range of values for risk-weighted assets and own funds requirements that arise for similar exposures. To that end, the benchmarking exercise should cover also those modelling approaches. Given that institutions calculating capital requirements in accordance with the standardised approach for credit risk may also use models for the calculation of expected credit losses within the IFRS 9 framework, those institutions should also be included in the benchmarking exercise, taking into account the principle of proportionality.	
(30) Regulation (EU) 2019/876⁸ amended Regulation (EU) No 575/2013 by introducing a revised market risk framework developed by the Basel Committee for Banking Supervision. The alternative standardised approach that is part of that new framework allows institutions to model certain parameters used in the calculation of risk-weighted assets and own funds requirements for market risk. It is therefore important that competent authorities and EBA have a clear view of the range of values for risk-weighted assets and own funds requirements that arise for similar exposures not only under the alternative internal model approach, but also	

⁸ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, p. 1).

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
under the alternative standardised approach. As a result, the market risk benchmarking exercise should cover the revised standardised and internal model approaches, <u>taking into account the principle of proportionality.</u>	
(31) The global transition towards a sustainable economy as enshrined in the Paris Agreement ⁹ , as concluded by the Union, and the United Nations 2030 Agenda for Sustainable Development will require a profound socio-economic transformation and will depend on the mobilisation of significant financial resources from the public and private sectors. The European Green Deal ¹⁰ commits the Union to becoming climate-neutral by 2050. The financial system has a relevant role to play in supporting that transition, which relates not only to capturing and supporting the opportunities that will arise but also to properly managing the risks that it may entail. <u>As those risks can have implications for the stability of both individual institutions and the financial system as a whole, an enhanced risk-based regulatory prudential framework that better integrates the related risks is necessary.</u>	
(32) The unprecedented scale of transition towards a sustainable,	(32) The unprecedented scale of transition towards a sustainable,

⁹ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 4).

¹⁰ COM(2019) 640 final.

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
climate-neutral and circular economy will have considerable impacts on the financial system. In 2018, the Network of Central Banks and Supervisors for Greening the Financial System¹¹ acknowledged that climate-related risks are a source of financial risk. The Commission's Renewed Sustainable Finance Strategy¹² emphasises that environmental, social and governance (ESG) risks, and risks steaming from the physical impact of climate change, biodiversity loss and the broader environmental degradation of ecosystems in particular, pose an unprecedented challenge to our economies and to the stability of the financial system. Those risks present specificities such as their forward-looking nature and their distinctive impacts over short, medium and long-term time horizons. <u>The specificity of climate-related environmental risks, as regards both transition and physical risks, and risks stemming from environmental degradation and biodiversity loss requires in particular to manage</u>	climate-neutral and circular economy will have considerable impacts on the financial system. In 2018, the Network of Central Banks and Supervisors for Greening the Financial System¹³ acknowledged that climate-related risks are a source of financial risk. The Commission's Renewed Sustainable Finance Strategy¹⁴ emphasises that environmental, social and governance (ESG) risks, and risks steaming from the physical impact of climate change, biodiversity loss and the broader environmental degradation of ecosystems in particular, pose an unprecedented challenge to our economies and to the stability of the financial system. Those risks present specificities such as their forward-looking nature and their distinctive impacts over short, medium and long-term time horizons. <u>The specificity of climate-related and other environmental environmental risks, for example risks stemming from environmental degradation and biodiversity loss, as regards both transition and physical risks,</u>

¹¹ Launched at the Paris One Planet Summit on 12 December 2017, is a group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy.

¹² COM(2021) 390 final, 06.07.2021.

¹³ Launched at the Paris One Planet Summit on 12 December 2017, is a group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy.

¹⁴ COM(2021) 390 final, 06.07.2021.

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>those risks over with a long-term horizon of at least 10 years.</u>	<u>and risks stemming from environmental degradation and biodiversity loss requires in particular to manage those risks over with a long-term horizon of at least 10 years.</u>
(33) The long-term nature and the profoundness of the transition towards a sustainable, climate-neutral and circular economy will entail significant changes in the business models of institutions. The adequate adjustment of the financial sector, and of credit institutions in particular, is necessary to achieve the objective of net-zero greenhouse gas emissions in the Union's economy by 2050, while maintaining the inherent risks under control. Competent authorities should, therefore, be enabled to assess this process and intervene in cases where institutions' manage climate risks, as well as risks stemming from environmental degradation and biodiversity loss, in a way that endangers the stability of the individual institutions, or the financial stability overall. Competent authorities should also monitor and be empowered to act, when there <u>are financial risks arising from transition trends towards</u> is a misalignment of institutions' business models and strategies with the relevant <u>Member States and</u> Union <u>legal and regulatory policy</u> objectives and broader transition trends towards a sustainable economy in relation to environmental, social and governance factors, for example in particular as set out in Regulation	(33) The long-term nature and the profoundness of the transition towards a sustainable, climate-neutral and circular economy will entail significant changes in the business models of institutions. The adequate adjustment of the financial sector, and of credit institutions in particular, is necessary to achieve the objective of net-zero greenhouse gas emissions in the Union's economy by 2050, while maintaining the inherent risks under control. Competent authorities should, therefore, be enabled to assess this process and intervene in cases where institutions' manage climate risks, as well as risks stemming from environmental degradation and biodiversity loss, in a way that endangers the stability of the individual institutions, or the financial stability overall. Competent authorities should also monitor and be empowered to act, when there <u>are financial risks arising from transition trends towards</u> is a misalignment of institutions' business models and strategies with the relevant <u>Member States and</u> Union <u>legal and regulatory policy</u> objectives and broader transition trends towards a sustainable economy in relation to environmental, social and governance factors, for example in particular as set out in Regulation

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>(EU) 2021/1119 (“European Climate Law”), the Fit for 55 package and the post-2020 Global Biodiversity Framework, as well as, where relevant for internationally active institutions, third country legal and regulatory objectives</u>, resulting in risks to their business models and strategies, or to the financial stability. <u>When third country objectives in relation to environmental, social and governance factors would result in transition trends that are less ambitious than those under Union law, competent authorities should be empowered to act based on the Union objectives.</u> Climate and, more broadly, environmental risks, should be considered together with social risks and governance risks under one category of risks to enable a comprehensive and coordinated integration of these factors, as they are often intertwined. ESG risks are closely linked with the concept of sustainability, as ESG factors represent the main three pillars of sustainability.	<u>(EU) 2021/1119 (“European Climate Law”), the Fit for 55 package and the post-2020 Global Biodiversity Framework, as well as, where relevant for internationally active institutions, third country legal and regulatory objectives</u>, resulting in risks to their business models and strategies, or to the financial stability. <u>When third country objectives in relation to environmental, social and governance factors would result in transition trends that are less ambitious than those under Union law, competent authorities should be empowered encouraged to act based on the Union objectives.</u> Climate and, more broadly, environmental risks, should be considered together with social risks and governance risks under one category of risks to enable a comprehensive and coordinated integration of these factors, as they are often intertwined. ESG risks are closely linked with the concept of sustainability, as ESG factors represent the main three pillars of sustainability.
(34) To maintain adequate resilience to the negative impacts of ESG factors, institutions established in the Union need to be able to systematically identify, measure and manage ESG risks, and their supervisors need to assess the risks at the level of the individual institution as well as at the systemic level, giving priority to environmental factors and progressing to the other sustainability factors as the methodologies and	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
tools for the assessment evolve. Institutions should assess the alignment of their portfolios with the ambition of the Union to become climate-neutral by 2050 as well as avert environmental degradation and biodiversity loss. Institutions should set out specific plans to address the <u>financial</u> risks arising, in the short, medium and long term, <u>from environmental, social and governance factors, including from transition trends towards from the misalignment of their business model and strategy with the relevant policy legal and regulatory objectives of the Union and Member States, for example as set out, included in the Paris Agreement, Regulation (EU) 2021/1119, the Fit for 55 package¹⁵ {and the post-2020 Global Biodiversity Framework}, as well as, where relevant for internationally active institutions, third country legal and regulatory objectives. When third country objectives in relation to environmental, social and governance factors would result in transition trends that are less ambitious than those under Union law, institutions should assess the financial risks based on the same level of ambition as under Union law.</u> Institutions should be required to have robust governance arrangements and internal	

¹⁵ Communication of the Commission COM(2021)568 final, 14.07.2021, comprising the following Commission proposals: COM(2021)562 final, COM(2021)561 final, COM(2021)564 final, COM(2021)563 final, COM(2021)556 final, COM(2021)559 final, COM(2021)558 final, COM(2021)557 final, COM(2021)554 final, COM(2021)555 final, COM(2021)552 final.

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
processes for the management of ESG risks and to have in place strategies approved by their management bodies that take into consideration not only the current but also the forward-looking impact of ESG factors. The collective knowledge and awareness of ESG factors by the management body and institutions' internal capital allocation to address ESG risks will also be key to drive the change within each and single institution <u>strengthen resilience to the negative impacts of these risks</u>. The specificities of ESG risks as well as their relative novelty means that understandings, measurements and management practices can differ significantly across institutions. To ensure convergence across the Union and a uniform understanding of ESG risks, appropriate definitions and minimum standards for the assessment of those risks should be provided in prudential regulation. To achieve this objective, definitions are laid down in Regulation (EU) No 575/2013 and the EBA is empowered to specify a minimum set of reference methodologies for the assessment of the impact of ESG risks on the financial stability of institutions, giving priority to the impact of environmental factors. Since the forward-looking nature of ESG risks means that scenario analysis and stress testing, together with plans for addressing those risks, are particularly informative assessment tools, EBA should be also empowered to develop uniform criteria for the content of	

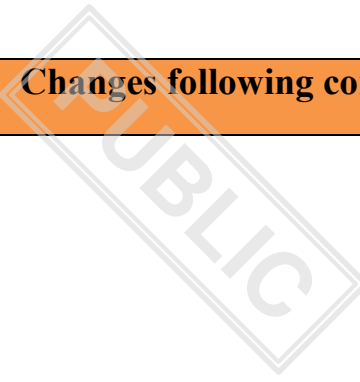
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
the plans to address those risks and for the setting of scenarios and applying the stress testing methods. Environment-related risks, including <u>climate related risks and</u> risks stemming from environmental degradation and biodiversity loss, and climate-related risks in particular should take priority in light of their urgency and the particular relevance of scenario analysis and stress testing for their assessment.	
(35) ESG risks can have far-reaching implications for the stability of both individual institutions and the financial system as whole. Hence, competent authorities should consistently factor those risks into their relevant supervisory activities, including the supervisory evaluation and review process and the stress testing of those risks. The European Commission, via its Technical Support Instrument, has been providing support to national competent authorities in developing and implementing stress testing methodologies and stands ready to continue to provide technical support in this respect. However, the stress testing methodologies for ESG risks have so far mainly been applied in an exploratory manner. To firmly and consistently embed stress testing of ESG in supervision, the EBA, European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) should jointly develop guidelines to ensure consistent considerations and common	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
methodologies for stress testing ESG risks. Stress testing of those risks should start with climate and environment-related factors, and as more ESG risk data and methodologies become available to support the development of additional tools to assess their quantitative impact on financial risks, competent authorities should increasingly assess the impact of those risks in their adequacy assessments of credit institutions. In order to ensure convergence of supervisory practices, EBA should issue guidelines regarding the uniform inclusion of ESG risks in the supervisory review and evaluation process (SREP).	
(36) The provisions in Article 133 of Directive 2013/36/EU on the systemic risk buffer framework may already be used to address various kinds of systemic risks, including risks related to climate change. To the extent that the relevant competent or designated authorities, as applicable, consider that risks related to climate change have the potential to have serious negative consequences for the financial system and the real economy in Member States, they should introduce a systemic risk buffer rate for those risks where they consider the introduction of such rate effective and proportionate to mitigate those risks.	
(37) Members of the management body may undergo the suitability	

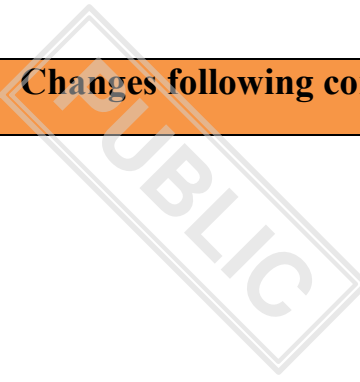
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
assessment only after a significant time after their appointment or, in the case of key function holders, not at all. Thus, members of the management body who do not meet the suitability criteria may have exercised their duties for a long time, which is problematic especially for large institutions. Moreover, cross-border institutions must navigate through a wide diversity of national rules and processes, which does not make the current system efficient. The existence of different requirements as regards the suitability assessment across the Union is a particularly acute issue in the context of the Banking Union. As a result, it is important to provide a set of rules at Union level to put in place a consistent and predictable “fit and proper” framework. This will foster supervisory convergence, enabling further trust between competent authorities and give more legal certainty to institutions. Having a robust “fit-and-proper” framework for assessing the suitability of members of the management body and key function holders is a crucial factor to ensure that institutions are adequately run and their risks appropriately managed.	
(38) The purpose of assessing the suitability of members of management bodies is to ensure that those members are qualified for their role and are of good repute. Having the primary responsibility	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
for assessing the suitability of each member of the management body, institutions should carry out the suitability assessment, followed by a verification by the competent authorities that may perform it before or after the member of the management body takes up the position. However, due to the risks posed by large institutions resulting in particular from potential contagion effects, unsuitable members of management body should be prevented from influencing the running of such large institutions with potential serious detrimental effects. It is therefore appropriate that, save in exceptional circumstances, the competent authorities assess the suitability of members of the management body of large institutions before those members exercise their duties.	
(39) Not only members of the management body, but also key function holders have a significant influence in ensuring the sound and prudent management of an institution on a day-to-day basis. Because Directive 2013/36/EU does not currently define key function holders, Member States have diverging practices across the Union, which impedes an effective and efficient supervision and prevents a level playing field. It is therefore necessary to define key function holders. In addition, the responsibility for assessing the suitability of key function holders should primarily belong to	(39) Not only members of the management body, but also key function holders have a significant influence in ensuring the sound and prudent management of an institution on a day-to-day basis. Because Directive 2013/36/EU does not currently define key function holders, Member States have diverging practices across the Union, which impedes an effective and efficient supervision and prevents a level playing field. It is therefore necessary to define key function holders. In addition, the responsibility for assessing the suitability of key function holders should primarily belong to

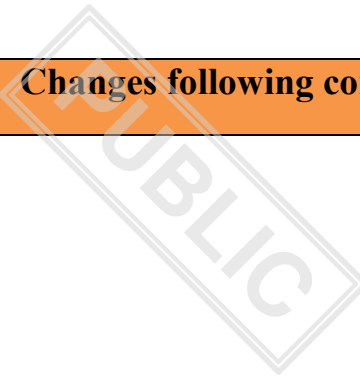
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
institutions. However, due to the risks posed by the activities of large institutions, the suitability of the heads of internal control functions and the chief financial officer in such large institutions should be assessed by competent authorities before those persons take up their positions.	institutions. However, due to the risks posed by the activities of large institutions, the suitability of the heads of internal control functions and the chief financial officer in such large institutions should be assessed by competent authorities before those persons take up their positions. on an ex-ante or ex-post basis.
(40) — In order to ensure legal certainty and predictability for the institutions, it is necessary to establish an efficient and timely process for verifying the suitability of members of the management body and key function holders by competent authorities. Such process should enable competent authorities to request any additional information where necessary, but also ensure that those competent authorities are able to handle the suitability assessments within the prescribed timeframe. Institutions, from their side, should provide the competent authorities with correct and complete information within the allocated time and respond quickly and in good faith to requests for additional information from the competent authorities.	
(41) — In light of the role of the suitability assessment for the prudent and sound management of institutions, it is necessary to provide competent authorities with new tools, such as statements of responsibilities and a mapping of duties, to assess the suitability of	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
members of the management body and key function holders. Those new tools will also support the work of competent authorities when reviewing the governance arrangements of institutions as part of the supervisory review and evaluation process. Notwithstanding the overall responsibility of the management body as a collegial body, institutions should be required to draw up individual statements and a mapping that clarify the duties held by members of the management body, senior management and key function holders. Their individual duties are not always clearly or consistently laid down and there may be situations where two or more roles overlap or where areas of duties are overlooked because they do not fall neatly under the remit of a single person. The scope of each individual's duties should be well defined and no areas of duties should be left without ownership. Those tools should ensure further accountability of the members of the management body, senior management and key function holders.	
<u>(41) In light of the role of the suitability assessment for the prudent and sound management of institutions, it is necessary to equip competent authorities with new tools to assess the suitability of members of management body in its management function and key function holders, such as statements of responsibilities and a mapping</u>	<u>(41) In light of the role of the suitability assessment for the prudent and sound management of institutions, it is necessary to equip competent authorities with new tools to assess the suitability of members of management body in its management function, senior management and key function holders, such as statements of</u>

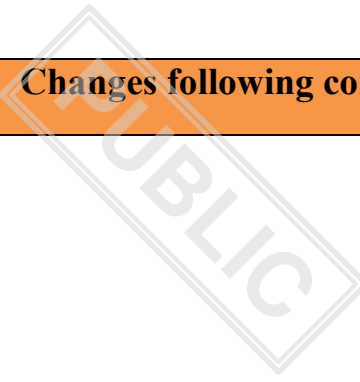
CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>of duties. Those new tools should support the work of competent authorities when reviewing the governance arrangements of institutions as part of the supervisory review and evaluation process. Notwithstanding the overall responsibility of the management body as a collegial body, institutions should be required to draw up individual statements and a mapping that clarify the duties and responsibilities held by members of the management body in its management function and by key function holders. Their individual duties and responsibilities are not always clearly or consistently laid down and there may be situations where two or more roles overlap or where areas of duties and responsibilities are overlooked because they do not fall neatly under the remit of a single person. The scope of each individual's duties and responsibilities should be well defined and no tasks should be left without ownership. Those tools should ensure further accountability of the members of the management body in its management function and key function holders.</u>	<u>responsibilities and a mapping of duties. Those new tools should support the work of competent authorities when reviewing the governance arrangements of institutions as part of the supervisory review and evaluation process. Notwithstanding the overall responsibility of the management body as a collegial body, institutions should be required to draw up individual statements and a mapping that clarify the duties and responsibilities held by members of the management body in its management function, senior management and by key function holders. Their individual duties and responsibilities are not always clearly or consistently laid down and there may be situations where two or more roles overlap or where areas of duties and responsibilities are overlooked because they do not fall neatly under the remit of a single person. The scope of each individual's duties and responsibilities should be well defined and no tasks should be left without ownership. Those tools should ensure further accountability of the members of the management body in its management function, senior management and key function holders. Furthermore where Member States consider it necessary, they should be able to adopt or retain stricter requirements for such tools.</u>
(42) — In order to safeguard financial stability, competent authorities	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
should be able to take and implement decisions swiftly. In the context of early intervention measures or resolution action, competent authorities and resolution authorities may consider it appropriate to remove or replace members of the management body or senior management. To take into account such situations, competent authorities should perform the suitability assessment of members of the management body or key function holders after those members of the management body or key function holders have taken up their position.	
<u>(42) In order to safeguard financial stability, competent authorities should be able to take and implement decisions swiftly. In the context of early intervention measures or resolution action, competent authorities and resolution authorities may consider appropriate to remove or replace key function holders. To cater for such situations, competent authorities should perform the suitability assessment of members of key function holders after those key function holders have taken up their position in case of early intervention measures and before or alongside the the decision to appoint them by the resolution authority in case of resolution.</u>	(42) In order to safeguard financial stability, competent authorities should be able to take and implement decisions swiftly. In the context of early intervention measures or resolution action, competent authorities and resolution authorities may consider appropriate to remove or replace key function holders. To cater for such situations, competent authorities should perform the suitability assessment of members of key function holders after those key function holders have taken up their position in case of early intervention measures and before or alongside the the decision to appoint them by the resolution authority in case of resolution.
(43) Upon becoming bound by the output floor laid down in Regulation	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
(EU) No 575/2013, the nominal amount of an institution's additional own funds requirement set by the institution's competent authority in accordance with Article 104(1), point (a), of Directive 2013/36/EU to address risks other than the risk of excessive leverage should not immediately increase as a result, all else being equal. Furthermore, in such case, the competent authority should review the institution's additional own funds requirement and assess, in particular, whether and to what extent such requirement captures model risk from the use of internal models by the institution. Where that is the case, the institution's additional own funds requirement should be regarded as overlapping with the risks captured by the output floor in the own funds requirement of the institution and, consequently, the competent authority should reduce that requirement to the extent necessary to remove any such overlap for as long as the institution remains bound by the output floor.	
(44) Similarly, upon becoming bound by the output floor, the nominal amount of an institution's CET1 capital required under the systemic risk buffer should not <u>could</u> increase where <u>although</u> there has <u>not</u> been no a <u>corresponding</u> increase in the macroprudential or systemic risks associated with the institution. In such cases, the institution's competent or designated authority, as applicable, should review the calibration of the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
systemic risk buffer rates and make sure that they remain appropriate and do not double-count the risks that are already covered by virtue of the fact that the institution is bound by the output floor. More in general, competent and designated authorities, as applicable, should not impose systemic risk buffer requirements for risks which are already fully covered by the output floor.	
(45) Furthermore, when an institution designated as an ‘other systemically important institution’ becomes bound by the output floor, its competent or designated authority, as applicable, should review the calibration of the institution’s O-SII buffer requirement and make sure that it remains appropriate.	
(46) To enable the timely and effective activation of the systemic risk buffer it is necessary to clarify the application of the relevant provisions and simplify and align the applicable procedures. Setting a systemic risk buffer should be possible for designated authorities in all Member States to enable the recognition of systemic risk buffer rates set by authorities in other Member States and to ensure that authorities are empowered to address systemic risks in a timely and effective manner. Recognition of a systemic risk buffer rate set by another Member State should require only a notification from the authority recognising the rate. To avoid unnecessary	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
authorisation procedures where the decision to set a buffer rate results in a decrease or no change from any of the previously set rates, the procedure laid down in Article 131(15) of Directive 2013/36/EU needs to be aligned with the procedure laid down in Article 133(9) of that Directive. The procedures laid down in Article 133(11) and (12) of that Directive should be clarified and made more consistent with the procedures applying for other systemic risk buffer rates, where relevant.	
<u>(47) To increase proportionality in the permission regime for the reduction of eligible liabilities instruments laid down in Regulation (EU) No 575/2013, which is also applicable to institutions and liabilities subject to the minimum requirement for own funds and eligible liabilities under Directive 2014/59/EU, institutions whose resolution plan provides for a winding up under normal insolvency proceedings should not be required to obtain the prior permission of the resolution authority to reduce eligible liabilities in those cases where the resolution authority has not set a minimum requirement for own funds and eligible liabilities that exceeds the institution's own funds requirement as set out in Regulation (EU) No 575/2013 and Directive 2013/36/EU.</u>	
HAVE ADOPTED THIS DIRECTIVE:	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
2021/0341 (COD) Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU	
Article 1	
Amendments to Directive 2013/36/EU	
Directive 2013/36/EU is amended as follows:	
	[(1) in Article 2, paragraph 5 is amended as follows:]
	[(a) point(5) is replaced by the following:]
	['(5) in Germany, the 'Kreditanstalt für Wiederaufbau', 'Landwirtschaftliche Rentenbank', 'Bremer Aufbau-Bank GmbH', 'Hamburgische Investitions- und Förderbank', 'Investitionsbank Berlin', 'Investitionsbank des Landes Brandenburg', 'Investitionsbank Sachsen-Anhalt', 'Investitionsbank Schleswig-Holstein', 'Investitions- und Förderbank Niedersachsen – NBank', 'Investitions- und Strukturbank Rheinland-Pfalz', 'Landeskreditbank Baden-Württemberg – Förderbank', 'LfA Förderbank Bayern',

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
	<u>‘NRW.BANK’, ‘Saarländische Investitionskreditbank AG’, ‘Sächsische Aufbaubank – Förderbank’, ‘Thüringer Aufbaubank’, undertakings which are recognised under the ‘Wohnungsgemeinnützigkeitsgesetz’ as bodies of State housing policy and are not mainly engaged in banking transactions, and undertakings recognised under that law as non-profit housing undertakings;’]</u>
	<u>[(b) the following point (25) is added:]</u>
	<u>[‘(25) in Romania, the ‘Investment and Development Bank’.]</u>
(1) in Article 3, paragraph 1 is amended as follows:	(1 a) in Article 3, paragraph 1 is amended as follows:
(a) the following point (8a) is inserted:	
‘(8a) ‘management body in its management function’ means the management body acting in its role of directing effectively the institution and includes the persons who <u>effectively</u> direct the business of the institution;’;	
(b) point (9) is replaced by the following:	
‘(9) ‘senior management’ means those natural persons who exercise executive functions within an institution and are directly accountable to the institution’s management body <u>in its management function</u> but are not members of that body, and who are responsible for the day-to-day management of the institution <u>under the direction of the management</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>body of the institution</u> ;’;	
(c) the following points (9a) to (9d) are inserted:	
‘(9a) ‘key function holders’ means persons who have significant influence over the direction of the institution but are not members of the management body, including the heads of internal control functions and the chief financial officer, where those heads or that officer are not members of the management body;	
(9b) ‘chief financial officer’ means the person <u>who has is overall responsible responsibility</u> for the <u>institution’s</u> financial resources management, financial planning and financial reporting of the institution ;	
(9c) —‘heads of internal control functions’ means the persons at the highest hierarchical level responsible for effectively managing the day-to-day operation of the independent risk management, compliance and internal audit functions of the institution;	(9c) —‘heads of internal control functions’ means the persons at the highest hierarchical level responsible for effectively managing the day-to-day operation of the independent risk management, compliance and internal audit functions of the institution;
(9c) ‘internal control functions’ means <u>independent</u> risk management, compliance and internal audit functions;’;	(9c) ‘internal control functions’ means <u>independent</u> risk management, compliance and internal audit functions;’;
(9d) ‘internal control functions’ means risk management, compliance and internal audit functions;’;	(9d) ‘internal control functions’ means risk management, compliance and internal audit functions;’;
(9d) ‘heads of internal control functions’ means the persons at the highest hierarchical level responsible for effectively managing the day-	(9d) ‘heads of internal control functions’ means the persons at the highest hierarchical level responsible for effectively managing the day-

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>to-day operation of the independent internal control —risk management, compliance and internal audit functions of the institution;</u>	<u>to-day operation of the independent —internal control —risk management, compliance and internal audit functions of the institution;</u>
(d) point (11) is replaced by the following:	
‘(11) ‘model risk’ means model risk as defined in Article 4(1), point (52b), of Regulation (EU) No 575/2013;’;	
(e) the following point (29a) is inserted:	
‘(29a) ‘stand-alone institution in the EU’ means stand-alone institution in the EU as defined in Article 4(1), point (33a), of Regulation (EU) No 575/2013;’;	
(f) the following point (47a) is inserted:	
‘(47a) ‘eligible capital’ means the eligible capital as defined in Article 4(1), point (71), of Regulation (EU) No 575/2013;’;	
(g) the following points (66) to (69) are added:	
‘(66) ‘large institution’ means an institution as defined in Article 4(1), point (146), of Regulation (EU) No 575/2013;	
‘(67) ‘relevant subsidiary’ means a material subsidiary as defined in Article 4(1), point (135), of Regulation (EU) No 575/2013 or a large subsidiary as defined in Article 4(1), point (147), of that Regulation;	
(68) <u>(67)</u> ‘periodic penalty payments’ means <u>periodic</u> daily	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>pecuniary enforcement penalties measures</u>, aimed at ending ongoing breaches <u>of national provisions transposing this Directive, breaches of Regulation (EU) No 575/2013 of the European Parliament and of the Council or decisions issued by a competent authority based on those legal acts</u> and compelling legal or natural person to return to compliance with <u>such requirements</u> their obligations under this Directive 2013/36/EU and Regulation (EU) No 575/2013.;	
(69) (68) ‘environmental, social and governance risk’ means environmental, social and governance (ESG) risk as defined in Article 4(1), point (52d), or of Regulation (EU) No 575/2013;’;	
(2) in Article 4, paragraph 4 is replaced by the following:	
‘4. Member States shall ensure that competent authorities have the expertise, resources, operational capacity, powers and independence necessary to carry out the functions relating to prudential supervision, investigations and the powers to impose periodic penalty payments and penalties set out in this Directive and in Regulation (EU) No 575/2013.	
For the purposes of preserving the independence of competent authorities in the exercise of their powers, Member Statesu shall provide all the necessary arrangements to ensure that those competent authorities, including their staff and members of their governance bodies, can act	For the purposes of preserving the independence of competent authorities in the exercise of their powers, Member Statesu shall provide all the necessary arrangements to ensure that those competent authorities, including their staff and members of their governance bodies, can act

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>exercise their supervisory powers</u> independently and objectively, without seeking or taking instructions, or being subject to influence from supervised institutions, from any government of a Member State or body of the Union or from any other public or private body <u>without prejudice to arrangements under national law whereby the competent authorities are subject to accountability vis-à-vis the government or other public body without prejudice to arrangements under national law whereby the competent authorities are subject to public and democratic accountability.</u> These arrangements shall be without prejudice to the rights and obligations of the competent authorities as stemming from being part of the <u>international and</u> European systems of financial supervision as stemming from Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010^{*1} <u>as well as from Article IV from the Articles of Agreement of the International Monetary Fund,</u> the Single Supervisory Mechanism as stemming from Council Regulation (EU) No 1024/2013 of 15 October 2013^{*2} and Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014^{*3}, for the Single Resolution <u>Board Mechanism</u> as stemming from stemming from Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014^{*4}.	<u>exercise their supervisory powers</u> independently and objectively, without seeking or taking instructions, or being subject to influence from supervised institutions, from any government of a Member State or body of the Union or from any other public or private body <u>without prejudice to arrangements under national law whereby the competent authorities are subject to accountability vis-à-vis the government or other public body without prejudice to arrangements under national law whereby the competent authorities are subject to public and democratic accountability.</u> These arrangements shall be without prejudice to the rights and obligations of the competent authorities as stemming from being part of the <u>international and</u> European systems of financial supervision as stemming from Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010^{*1} <u>as well as from Article IV from the Articles of Agreement of the International Monetary Fund,</u> the Single Supervisory Mechanism as stemming from Council Regulation (EU) No 1024/2013 of 15 October 2013^{*2} and Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014^{*3}, for the Single Resolution <u>Board Mechanism</u> as stemming from stemming from Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014^{*4}.

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Member States shall, in particular, ensure that competent authorities have in place all the necessary arrangements to prevent conflicts of interests of their staff and members of their governance bodies. For those purposes, Member States shall lay down rules proportionate to the role and responsibilities of those staff and members of the governance bodies, at a minimum prohibiting them from: <u>At a minimum, Member States shall ensure that:</u>	
(a) The members of the competent authorities' staff and of their governance bodies members of staff directly involved in the supervision of institutions, the members of staff who have access to market-sensitive informations and the members of the competent authority's governance bodies <u>are prohibited from</u> trading in financial instruments issued by or referenced to the institutions supervised by the competent authorities, their direct or indirect parent undertakings, subsidiaries or affiliates, <u>with the exemption of:</u>	
<u>i) instruments managed by third parties</u> excluding any intervention of the principal provided that the owners of the instruments are precluded from intervening in the management of the portfolio; <u>management and</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>ii) the investments investments in collective investment undertakings provided that those do not focus on they do not predominantly invest in instruments issued by or referenced to the above-mentioned undertakings;</u>	
<u>(b) the members referred to in point (a) are subject to a declaration of conflicts of interests. The declaration should include information on the member's holdings in the form of stocks, equities, bonds, mutual funds, investment funds, mixed-type funds, hedge funds and exchange traded funds, as well as on their previous occupational activities, private activities, official mandates and financial interests and any gainful occupational activity of their spouse or partner, that may raise conflict of interest concerns. The declaration of interests shall be without prejudice to any requirement to submit a wealth declaration under applicable national rules;</u>	(b) the members referred to in point (a) of the competent authority's governance bodies are subject to a declaration of conflicts of interests. The declaration should shall include information on the member's holdings in the form of stocks, equities, bonds, mutual funds, investment funds, mixed-type funds, hedge funds and exchange traded funds, as well as on their previous occupational activities, private activities, official mandates and financial interests and any gainful occupational activity of their spouse or partner, that may raise conflict of interest concerns. The members shall submit the declaration of interest on an annual basis. The declaration of interests shall be without prejudice to any requirement to submit a wealth declaration under applicable national rules;
<u>(b) (c) for a period of time ("cooling off period"), members of staff directly involved in the supervision of institutions and the members of the governance bodies of the competent authority are prohibited from</u>	(b) (c) for a period of time ("cooling off period"), members of staff directly involved in the supervision of institutions and the members of the governance bodies of the competent authority are prohibited from

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
following the end of their employment at the competent authority, being hired by or accepting any kind of contractual agreement for the provision of professional services with any of the following:	following the end of their employment at the competent authority, being hired by or from accepting any kind of contractual agreement for the provision of professional services with any of the following:
(i) institutions they have directly supervised, including institutions in relation to which the member of staff or the member of the governance body has been directly involved with for the purposes of supervision or decision-making, respectively, as well as their direct or indirect parent undertakings, subsidiaries or affiliates or where competent authority considers it appropriate, their relevant competitors; over at least the two preceding years from the date when taking up any new role;	(i) institutions they have directly supervised, including institutions in relation to which the member of staff or the member of the governance body has been directly involved with for the purposes of supervision or decision-making, respectively, as well as their direct or indirect parent undertakings, subsidiaries or affiliates or where competent authority considers it appropriate, their relevant competitors; over at least the two
(ii) firms that provide services directly or indirectly to any of the undertakings referred to in point (i) that were directly supervised over at least the two preceding years from the date when taking up any new role, unless the relevant member of the competent authority's staff or governance body they are is strictly precluded from taking part in any provision of those services while the prohibition referred to herein remains in force.	(ii) firms that provide services directly or indirectly to any of the undertakings referred to in point (i) that were directly supervised over at least the two preceding years from the date when taking up any new role, unless the relevant member of the competent authority's staff or governance body they are is strictly precluded from taking part in any provision of those services while the prohibition referred to herein remains in force.
<u>Where a members referred to in point (a) owns financial instruments</u>	<u>Where a members member referred to in point (a) owns financial</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>that may give rise to conflicts of interest at the time of being hired or appointed or at any time thereafter, the competet authority shall have the power to require on a case by case basis that those instruments be sold or diposed of within a reasonable time. Competent authorities shall also have the power to allow on a case-by-case basis that those members referred to in point (a) sell or dispose of financial instruments that they owned at the time of being hired or appointed.</u>	<u>instruments that may give rise to conflicts of interest at the time of being hired or appointed or at any time thereafter, the competet competent authority shall have the power to require on a case-by-case case-by-case basis that those instruments be sold or diposed disposed of within a reasonable time. Competent authorities shall also have the power to allow on a case-by-case basis that those members referred to in point (a) sell or dispose of financial instruments that they owned at the time of being hired or appointed.</u>
<u>For the purposes of paragraph 4 point (b) (c), Member States may shall lay down rules proportionate to the role and responsibilities of the affected individual.</u>	
<u>The cooling off period shall start from the date on which the direct involvement in the supervision of the institution ceased and its length shall be no less than six months for members of staff directly involved in the supervision of institutions and no less than twelve months for the members of the competent authority's governance bodies.</u>	
<u>In case the staff member is involved in the supervision of the hiring institution's relevant competitors, the length of the cooling off period</u>	<u>In case the staff member is involved in the supervision of the hiring institution's relevant competitors, Member States may subject the</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>shall be no less than three months for members of staff directly involved in the supervision of those competing institutions and no less than six months for the members of the competent authority's governance bodies.</u>	<u>members referred to in point (a) to a cooling-off period in the event of hires by direct competitors of one of the undertakings referred to in point (c)(i). For these purposes, the length of the cooling off period shall be no less than three months for members of staff directly involved in the supervision of those the competing institutions and no less than six months for the members of the competent authority's governance bodies.</u>
	<u>(2a) in Article 4, the following paragraph 4a is inserted:</u>
<u>By way of derogation from the preceding second subparagraph, Member States may apply shorter cooling-off periods for all or part of the competent authority's staff members of staff directly involved in the supervision of institutions when the minimum length of six months is:</u>	<u>4a. By way of derogation from the preceding second third and fourth subparagraph subparagraphs of paragraph 4, Member States may apply shorter cooling-off periods for all or part of the competent authority's staff members of staff directly involved in the supervision of institutions when the minimum length of six months or three months in case of direct competitors is:</u>
<u>i) deemed to excessively restrict unduly restricts the ability of the competent authority to attract-hire new members of staff with the adequate or necessary skills for the performance of its supervisory</u>	<u>i)a) deemed to excessively restrict unduly restricts the ability of the competent authority to attract-hire new members of staff with the adequate or necessary skills for the performance of its supervisory</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
functions level of aptitude, in particular because of taking into account the small size of the domestic labour market; or	functions level of aptitude, in particular because of taking into account the small size of the domestic labour market; or
ii) constitutes a breach of any relevant fundamental rights recognised in the constitution of the Member State or of any relevant workers' rights as set out in the labour laws of the Member State.	ii)b) constitutes a breach of any relevant fundamental rights recognised in the constitution of the Member State, the European Charter of Human Rights, or of any relevant workers' rights as set out in the labour laws of the Member State.;
Member States may not invoke the exemption set out in point (ii) where the breach of those rights may be prevented through the provision of appropriate compensation mechanisms for cooling-off period restrictions.;	Member States may not invoke the exemption set out in point (ii) where the breach of those rights may be prevented through the provision of appropriate compensation mechanisms for cooling-off period restrictions.;
Members of staff and of governance bodies subject to the prohibitions provided for in the third subparagraph, point (b), shall be entitled to an appropriate compensation for the inability to take up a prohibited role.	
EBA shall issue guidelines addressed to the competent authorities, in accordance with Article 16 of Regulation (EU) No 1093/2010, on the prevention of conflicts of interests in and independence of competent authorities, taking into account international best practices, for a proportionate application of this Article.;	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
*1 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).	
*2 Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).	
*3 Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).	
*4 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).	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>(3) (2a) In Article 4, the following paragraph 9 is inserted:</u>	<u>(3) (2ab) In Article 4, the following paragraph 9 is inserted:</u>
<u>‘9. For the purposes of this Article, the following shall apply:</u>	
<u>(a) ‘members of staff directly involved in the supervision of institutions’ means staff of the competent authority whose primary first responsibility is to perform the regular assessment and monitoring of one or several specific institutions’ compliance with the prudential requirements that apply to them in accordance with this Directive and Regulation (EU) No 575/2013;</u>	
<u>(b) ‘members of the competent authority’s governance bodies’ means individuals sitting on collective decision-making bodies that are vested with the power to:</u>	<u>(b) ‘members of the competent authority’s governance bodies’ means individuals sitting that form part of on collective decision-making bodies that are, regarding the exercise of the competent authority’s supervisory powers, vested with the power to:</u>
<u>(i) exercise executive functions within the relevant competent authority and who are responsible for its management; or</u>	
<u>(ii) to make take decisions on any relevant matters concerning the supervision of institutions regarding the exercise of the competent authority’s supervisory powers.</u>	<u>(ii) to make take decisions on any relevant matters concerning the supervision of institutions regarding the exercise of the competent authority’s supervisory powers.</u>
<u>(c) references to members of the competent authority’s governance</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>bodies shall be understood to include, as the case may be, the individual function holders and officers of the authority that are vested with analogous powers as those referred to herein for collective decision-making bodies.;</u>	
<u>(d) ‘market-sensitive information’ means non-public information of a precise nature which, if made public, is likely to have a significant effect on the price of assets or prices in the financial markets.’;</u>	
(3) In Article 18 the following point (g) is added:	
‘(g) meets all of the following conditions:	
(i) it has been determined to be failing or likely to fail in accordance with Article 32(1), point (a) of Directive 2014/59/EU or in accordance with Article 18(1), point (a), of Regulation (EU) No 806/2014;	
(ii) the resolution authority considers that the condition in Article 32(1), point (b) of Directive 2014/59/EU or in Article 18(1), point (b), of Regulation (EU) No 806/2014 is met with respect to that credit institution;	
(iii) the resolution authority considers that the condition in Article 32(1), point (c) of Directive 2014/59/EU or in Article 18(1), point (c), of Regulation (EU) No 806/2014 is not met with respect to that credit institution.’;	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
(4) Article 21a is amended as follows:	
(a) paragraph 1 is replaced by the following:	
‘1. Parent financial holding companies in a Member State, parent mixed financial holding companies in a Member State, EU parent financial holding companies and EU parent mixed financial holding companies shall seek approval in accordance with this Article. Other financial holding companies or mixed financial holding companies shall seek approval in accordance with this Article where they are required to comply with this Directive or Regulation (EU) No 575/2013 on a sub-consolidated basis.	‘1. Parent financial holding companies in a Member State, parent mixed financial holding companies in a Member State, EU parent financial holding companies and EU parent mixed financial holding companies shall seek approval in accordance with this Article. Other financial holding companies or mixed financial holding companies shall seek approval in accordance with this Article where they are required to comply with this Directive or Regulation (EU) No 575/2013 on a sub-consolidated basis or where they are designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis in accordance with paragraph 4.
Competent authorities shall, <u>on a regular basis, and at least on an annually basis,</u> perform a review of the parent undertakings of an institution, or of the parent undertakings of an entity requesting an authorisation pursuant to Article 8, in order to <u>verify if the institution, or the entity requesting authorisation or the designated entity has correctly identified any</u> detect the presence or not of an undertaking complying with the criteria to be considered as a parent financial holding company in a Member State, a parent mixed financial holding company in	Competent authorities shall, <u>on a regular basis, and at least</u> on an <u>annually basis,</u> perform a review of the parent undertakings of an institution, or of the parent undertakings of an entity requesting an authorisation pursuant to Article 8, in order to <u>verify if the institution, or the entity requesting authorisation or the designated entity has correctly identified any</u> detect the presence or not of an undertaking complying with the criteria to be considered as a parent financial holding company in a Member State, a parent mixed financial holding company in

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
a Member State, an EU parent financial holding company or an EU parent mixed financial holding company.	a Member State, an EU parent financial holding company or an EU parent mixed financial holding company.
For the purposes of the second sub-paragraph, where the parent undertakings companies are located in other Member States than the Member State in which the institution, or the entity requesting an authorisation pursuant to Article 8, is established, competent authorities of those two Member States shall cooperate closely to perform the review.	
Competent authorities shall publish on their websites and update on an annual basis, a list of financial holding companies and mixed financial holding companies approved, designated or exempted in the Member State in accordance with the first sub-paragraph. the outcome of the review referred to in the second sub-paragraph. ’;	Competent authorities shall publish on their websites and update on an annual basis, a list of financial holding companies and mixed financial holding companies approved, designated or exempted from approval in the Member State in accordance with the first sub-paragraph this Article. Where an exemption has been granted the list shall also name the credit institution or financial holding company that has been designated in accordance with paragraph 4 as responsible to ensure the group’s compliance with prudential requirements on a consolidated basis the outcome of the review referred to in the second sub-paragraph. ’;
(b) paragraph 2 is amended as follows:	
(i) in the first subparagraph, point (b) is replaced by the following:	
<u>‘2. For the purposes of paragraph 1, financial holding companies and</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>mixed financial holding companies referred to therein shall provide the consolidating supervisor determined in accordance with Article 111 and, where different, the competent authority in the Member State where they are established with the following information:</u>	
<u>(a) the structural organisation of the group of which the financial holding company or the mixed financial holding company is part, with a clear indication of its subsidiaries and, where applicable, parent undertakings, and the location and types of activities undertaken by each of the entities within the group;</u>	
(b) information regarding <u>i)</u> the nomination of at least two persons effectively directing the financial holding company or mixed financial holding company, <u>and ii) regarding</u> compliance with the requirements set out in Article 91(1); ²	(b) information regarding <u>ii)</u> the nomination of at least two persons effectively directing the financial holding company or mixed financial holding company, <u>and ii) regarding the</u> compliance with the requirements set out in Article 91(1); ²
<u>(c) information regarding compliance with the criteria set out in Article 14 concerning shareholders and members, where the financial holding company or mixed financial holding company has a credit institution as its subsidiary;</u>	
<u>(d) the internal organisation and distribution of tasks within the group;</u>	
<u>(e) any other information that may be necessary to carry out the</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>assessments referred to in paragraphs 3 and 4 of this Article.’;</u>	
(ii) the second subparagraph is replaced by the following:	
‘Where the approval <u>or the exemption from approval</u> of a financial holding company or mixed financial holding company referred to in paragraphs 3 and 4 takes place concurrently with the assessment referred to in Article 8 , Article 22 and <u>or</u> Article 27a, the competent authority for the purposes of that <u>those</u> Articles shall coordinate, as appropriate, with the consolidating supervisor and, where different, the competent authority in the Member State where the financial holding company or mixed financial holding company is established. In that case, the The assessment period referred to in <u>Article 22(2)</u> Article 22(3) , second subparagraph, and <u>or in Article 27a(3)</u> Article 27a(6) shall be suspended for a period exceeding 20 working day until the procedure set out in this Article is complete.’;	
<u>(c) in paragraph 3 the point (c) is replaced by the following:</u>	
<u>‘(c) the criteria regarding shareholders and members of credit institutions set out in Article 14 and the requirements laid down in Article 121 are complied with.’;</u>	
<u>(d) paragraph 4 is amended as follows:</u>	<u>(d) in paragraph 4 the first subparagraph is replaced by the following is amended as follows:</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>(ba) point e (i) the first subparagraph is replaced by the following:</u>	<u>(ba) point e (i) the first subparagraph is replaced by the following:</u>
<u>'4. The financial holding company or mixed financial holding company may seek exemption from approval under this Article which shall be granted where all of the following conditions are met:</u>	
<u>(a) the financial holding company's principal activity is to acquire holdings in subsidiaries or, in the case of a mixed financial holding company, its principal activity with respect to institutions or financial institutions is to acquire holdings in subsidiaries;</u>	
<u>(b) the financial holding company or mixed financial holding company has not been designated as a resolution entity in any of the group's resolution groups in accordance with the resolution strategy determined by the relevant resolution authority pursuant to Directive 2014/59/EU;</u>	
<u>(c) a subsidiary credit institution or a subsidiary financial holding company or mixed financial holding company approved in accordance with this Article is designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis and is given all the necessary means and legal authority to discharge those obligations in an effective manner;</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>(d) the financial holding company or mixed financial holding company does not engage in taking management, operational or financial decisions affecting the group or its subsidiaries that are institutions or financial institutions;</u>	
<u>(e) there is no impediment to the effective supervision of the group on a consolidated basis.';</u>	
<u>(bb) in paragraph 4 (ii) the following subparagraph is added:</u>	<u>e) (bb) in paragraph 4 (ii) the following subparagraph 4a is added:</u>
<u>By way of derogation, the consolidating supervisor may allow on a case-by-case basis financial holding companies or mixed financial holding company which are exempted from approval to be excluded from the perimeter of consolidation provided that the following conditions are met:</u>	<u>By way of derogation Without prejudice to paragraph 4, the consolidating supervisor may allow on a case-by-case basis financial holding companies or mixed financial holding companies which are exempted from approval to be excluded from the perimeter of consolidation provided that the following conditions are met:</u>
<u>(i) the exclusion does not affect the effectiveness of the supervision on the subsidiary credit institution, or the group;</u>	
<u>(ii) the financial holding company or mixed financial holding company has no equity exposures other than the equity exposure in the subsidiary credit institution or in the intermediate parent financial holding company or mixed financial holding company controlling the subsidiary credit institution;</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>(iii) the financial holding company or mixed financial holding company does not make substantial recourse to leverage and does not have exposures which are not related to its ownership in the subsidiary credit institution or in the intermediate parent financial holding company or mixed financial holding company controlling the subsidiary credit institution or essential for its activity;</u>	<u>(iii) the financial holding company or mixed financial holding company does not make substantial recourse to leverage and does not have exposures which are not related to its ownership in the subsidiary credit institution or in the intermediate parent financial holding company or mixed financial holding company controlling the subsidiary credit institution or essential for its activity;</u>
(be) (e) Paragraph 7 is replaced by the following	(be) (e) f) Paragraph 7 is replaced by the following
<u>7. Where the consolidating supervisor has established that the conditions set out in paragraph 4, first subparagraph, are no longer met, the financial holding company or mixed financial holding company shall seek approval in accordance with this Article. Where the consolidating supervisor has established that the conditions set out in paragraph 4, third subparagraph, are no longer met, the consolidating supervisor shall require full consolidation of the financial holding company or mixed financial holding company, which shall seek approval in accordance with this Article.</u>	
<u>(f) paragraph 8 is amended as follows:</u>	<u>(f) g) paragraph 8 is amended as follows:</u>
<u>(i) the first subparagraph is replaced by the following:</u>	
<u>‘For the purpose of taking decisions on the approval, exemption from approval and exclusion from the perimeter of consolidation referred to</u>	<u>‘Where the consolidating supervisor is different from the competent authority in the Member State where the financial holding company or</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>in paragraphs 3 and 4, notably, and the supervisory measures referred to in paragraphs 6 and 7, where the consolidating supervisor is different from the competent authority in the Member State where the financial holding company or the mixed financial holding company is established, the two authorities shall work together in full consultation. The consolidating supervisor shall prepare an assessment on the matters referred to in paragraphs 3, 4, 6 and 7, as applicable, and shall forward that assessment to the competent authority in the Member State where the financial holding company or the mixed financial holding company is established. The two authorities shall do everything within their powers to reach a joint decision within two months of receipt of that assessment.’;</u>	<u>the mixed financial holding company is established, the two authorities shall work together in full consultation</u> Ffor the purpose of taking decisions on the approval, exemption from approval and exclusion from the perimeter of consolidation referred to in paragraphs 3 and 4, notably, and the supervisory measures referred to in paragraphs 6 and 7, where the consolidating supervisor is different from the competent authority in the Member State where the financial holding company or the mixed financial holding company is established, the two authorities shall work together in full consultation. The consolidating supervisor shall prepare an assessment on the matters referred to in paragraphs 3, 4, 6 and 7, as applicable, and shall forward that assessment to the competent authority in the Member State where the financial holding company or the mixed financial holding company is established. The two authorities shall do everything within their powers to reach a joint decision within two months of receipt of that assessment.’;
<u>(ii) the following second subparagraph is added:</u>	
<u>‘Where the consolidating supervisor is different from the competent authority in the Member State where the financial holding company or the mixed financial holding company is established, the joint decision shall also apply under the national law of to the legislation of tthe</u>	<u>‘Where the consolidating supervisor is different from the competent authority in the Member State where the financial holding company or the mixed financial holding company is established, the joint decision shall also apply under the national law of to the legislation of tthe</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>Member State where the financial holding company or mixed financial holding company is established.’;</u>	<u>Member State where the financial holding company or mixed financial holding company is established.’;</u>
<u>(g) the paragraph 10 is replaced by the following:</u>	<u>(gh) in the paragraph 10 the first subparagraph is replaced by the following:</u>
<u>‘(10) Where approval or exemption from approval of a financial holding company or mixed financial holding company pursuant to this Article is refused, the consolidating supervisor shall notify the applicant of the decision and the reasons therefore within four months of receipt of the application, or where the application is incomplete, within four months of receipt of the complete information required for the decision.’;</u>	<u>‘(10) Where approval or exemption from approval of a financial holding company or mixed financial holding company pursuant to this Article is refused, the consolidating supervisor shall notify the applicant of the decision and the reasons therefore within four months of receipt of the application, or where the application is incomplete, within four months of receipt of the complete information required for the decision.’;</u>
(5) in Article 21b(6), the following second and third subparagraphs are added:	
‘EBA shall develop draft implementing technical standards to specify the uniform formats, definitions and the IT solutions to be applied in the Union for the reporting of the information referred to in the first subparagraph.	
EBA shall submit those draft implementing technical standards to the Commission by [OP please insert the date = 12 months from date of entry into force of this amending Directive].	
Power is conferred on the Commission to adopt he implementing technical	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
standards referred to in the second subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.’;	
(6) the following new Article 21c is inserted:	
Article 21c Requirement to establish a branch for the provision of banking services by third country undertakings and exception for the reverse solicitation of services	
1. Member States shall require undertakings established in a third country as referred to in Article 47(1) and (2) to establish a branch in their territory and apply for authorisation in accordance with Title VI to commence or continue conducting the activities referred to in paragraph (1) of that Article in the relevant Member State.	
2. Where a retail client, an eligible counterparty or a professional client within the meaning of Sections I and II of Annex II to Directive 2014/65/EU established or situated in the Union approaches an undertaking established in a third country at its own exclusive initiative for the provision of any service or activity referred to in Article 47(1), the requirement laid down in paragraph 1 of this Article shall not apply to the provision to that person of the relevant service or activity, including a relationship specifically related to the provision of	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
that service or activity. Without prejudice to intragroup relationships, where a third country undertaking, including through an entity acting on its behalf or having close links with such third country undertaking or any other person acting on behalf of such undertaking, solicits clients or potential clients in the Union, it shall not be deemed to be a service provided at the own exclusive initiative of the client.	
3. An initiative by a client or counterparty as referred to in paragraph 2 shall not entitle the third country undertaking to market other categories of products, activities or services than those that the client or counterparty had solicited, other than through a third country branch established in a Member State.’;	
<u>(6) in Article 22 paragraph 2 the first subparagraph is replaced by the following:</u>	
<u>‘2. The competent authorities shall acknowledge receipt of notification under paragraph 1 or of further information under paragraph 3 promptly and in any event within ten working days following receipt in writing to the proposed acquirer.’</u>	
<u>(6a) Article 23 is amended as follows:</u>	
<u>(a) in paragraph 1 the point (e) is replaced by the following:</u>	
<u>‘(e) whether there are reasonable grounds to suspect that, in</u>	<u>‘(e) whether there are reasonable grounds to suspect that, in</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>connection with the proposed acquisition, money laundering or terrorist financing within the meaning of Article 1 of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing ⁽⁵⁾ is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof.</u>	<u>connection with the proposed acquisition, money laundering or terrorist financing within the meaning of Article 1 of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 Directive (EU) 2015/849, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing ⁽⁵⁾ is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof.</u>
<u>For the purposes of assessing the criterion laid down in paragraph 1, point (e), competent authorities shall consult, in the context of their verifications, the authorities competent for the supervision of the undertakings in line with Directive (EU) 2015/849.’</u>	
<u>(b) in paragraph 2 the following subparagraph is added:</u>	
<u>‘For the purpose of this paragraph and with regard to the criterion laid down in paragraph 1, point (e), an objection in writing by the authorities competent for the supervision of the undertakings in line with Directive (EU) 2015/849 shall constitute a reasonable ground for opposition.’</u>	
<u>(c) the following paragraph 6 is added:</u>	
<u>‘6. EBA shall develop draft regulatory technical standards specifying</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>the minimum list of information to be provided to the competent authorities at the time of the notification referred to in paragraph 1.</u>	
<u>For the purpose of the first subparagraph, EBA shall take into consideration Directive (EU) 2017/1132 of the European Parliament and of the Council.</u>	
<u>EBA shall submit those draft regulatory technical standards to the Commission by [OP please insert the date = 18 months from the date of entry into force of this amending Directive].</u>	
<u>Power is conferred on the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Article 10 of Regulation (EU) No 1093/2010.’;</u>	
(7) In Title III, the following Chapters 3, 4 and 5 are added:	
‘CHAPTER 3	
Acquisition or divestiture of a qualifying material holding	
Article 27a	
Notification and assessment of the acquisition	
1. Member States shall require any institutions, parent financial holding companies in a Member State, parent mixed financial holding companies in a Member State, EU parent financial holding companies and EU parent	1. Member States shall require any institutions, parent financial holding companies in a Member State, parent mixed financial holding companies in a Member State, EU parent financial holding companies and EU parent

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
mixed financial holding companies, or other financial holding companies or mixed financial holding companies– required to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis (the “acquirer”) to notify their competent authority where they intend to acquire, <u>carrying out,</u> directly or indirectly, <u>an acquisition of</u> a qualifying <u>material</u> holding <u>in a financial sector entity</u> which exceeds 15% of the eligible capital of the acquirer (the “proposed acquisition”) <u>to notify the competent authority in advance.</u> The notification shall indicating <u>indicate</u> the size of the <u>proposed</u> intended holding and the relevant information, as specified in Article 27b(5).	mixed financial holding companies, or other financial holding companies or mixed financial holding companies– required <u>that are obliged</u> to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis (the “acquirer”) to notify their competent authority where they intend to acquire, <u>carrying out,</u> directly or indirectly, <u>an acquisition of</u> a qualifying <u>material</u> holding <u>in a financial sector entity</u> which exceeds 15% of the eligible capital of the acquirer (the “proposed acquisition”) <u>to notify the competent authority in advance.</u> The notification shall indicating <u>indicate</u> the size of the <u>proposed</u> intended holding and the relevant information, as specified in Article 27b(5).
<u>For the purposes of the first subparagraph, the holding shall be deemed material where it is at least equal to 15% of the eligible capital of the acquirer.</u>	
<u>For the purpose of the first subparagraph, where the acquirer is included in the consolidated situation of a group, the threshold shall apply on the basis of the consolidated situation of the parent institution in the EU, EU parent financial holding company and EU parent mixed financial holding company; and the consolidated supervisor, in accordance with Article 111, shall be the competent authority to be notified and in charge of the assessment.</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>For the purpose of the first subparagraph, where the acquirer is an institution, the threshold shall apply at both an individual level and on the basis of the consolidated situation of the parent institution in the EU. In case the threshold referred to in the second subparagraph is only exceeded at an individual level, the competent authority in the Member State where the acquirer is established shall be notified and assess the proposed acquisition. In case the threshold is also exceeded on the basis of the consolidated situation of the parent institution in the EU, the consolidating supervisor, in accordance with Article 111, shall also be notified and assess the proposed acquisition.</u>	
<u>For the purpose of the first subparagraph, where the acquirer is a parent financial holding company in a Member State, a parent mixed financial holding company in a Member State, an EU parent financial holding company and an EU parent mixed financial holding company, or another financial holding company or mixed financial holding company required to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis, the threshold referred to in the second subparagraph shall apply on the basis of the consolidated situation, and the consolidated supervisor, in accordance with Article</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>111, shall be the competent authority to be notified and in charge of the assessment.</u>	
<i>[paragraph 2 was deleted by accident in June presidency compromise text]</i> 2. The competent authorityyies shall acknowledge, <u>in writing, the</u> receipt of the notification under paragraph 1 or of any additional information under paragraph 5 promptly and in any event within two <u>ten</u> working days following receipt of that <u>the</u> notification <u>or of the additional information</u>.	
By way of derogation from the paragraph 2 of this Article, and of Article 22(2), when the proposed acquisition referred to in paragraph 1 of this Article or in Article 22(1) is deemed complex by the competent authorities, acknowledgment of the receipt of the notification of any additional information shall be done promptly and in any event within ten working days following the receipt of that notification.	
3. The competent <u>authority</u> authorities shall have 60 working days from the date of the written acknowledgement of receipt of the notification and from the receipt of all documents, including those required by the Member State to be attached to the notification in accordance with Article 27b(4) (the “assessment period”), to carry out the assessment provided for in	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Article 27b(1) (the “assessment”).	
If the proposed acquisition consists in <u>the acquisition of</u> a qualifying holding in a credit institution as referred in Article 22(1), the acquirer shall also still be subject to the notification requirement and the assessment under that Article.	
<u>3a. Where the acquisition of a material holding is conducted between entities of the same group that are subject to Article 113 (6) of Regulation 575/2013 or between entities within the same institutional protection scheme and are subject to Article 113(7) of Regulation 575/2013, the competent authority shall not be required to carry out the assessment provided for in Article 27a(3).</u>	
<u>3b. Where the acquisition of a material holding is conducted between small and non-complex institutions subject to Article 4 paragraph 1 number 145 of Regulation 575/2013, the competent authority shall not be required to carry out the assessment provided for in Article 27a(3).</u>	
4. The competent <u>authority</u> authorities shall inform the proposed acquirer of the date of the expiry of the assessment period at the time of acknowledging receipt referred to in paragraph 2 3 .	
5. The competent <u>authority</u> authorities may, during the assessment period where necessary, and no later than on the 50 th working day of the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
assessment period, request additional information that is necessary to complete the assessment. Such a request shall be made in writing and shall specify the additional information needed.	
6. The assessment period shall be suspended between the date of request for additional information by the competent authorities <u>authority</u> and the date of receipt of a response thereto by the acquirer, providing all the requested information. The suspension shall not exceed 20 working days. Any further requests by the competent <u>authority</u> authorities for completion or clarification of the information shall be at their discretion but shall not result in a suspension of the assessment period.	
7. The competent <u>authority</u> authorities may extend the suspension referred to in the second sentence subparagraph of paragraph 6 up to 30 working days in the following situations:	
(a) the entity acquired is situated or regulated in a third country;	
(b) exchange of information with authorities responsible for supervising the obliged entities listed in Article 2(1) points (1) and (2) of Directive (EU) 2015/849 of the European Parliament and of the Council ⁵ is necessary to perform the assessment referred to in <u>Article 27a(3)</u> Article 27b(1) of this Directive.	
8. Where the approval of a financial holding company or mixed financial	8. Where the approval of a financial holding company or mixed financial

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
holding company pursuant to Article 21a takes place concurrently with the assessment referred in this Article, the competent authority for the purposes of that Article shall coordinate, as appropriate, with the consolidating supervisor and, where different, the competent authority in the Member State where the financial holding company or mixed financial holding company is established. In that case, the assessment period shall be suspended for a period not exceeding 20 working days until the procedure set out in Article 21a is complete.	holding company pursuant to Article 21a takes place concurrently with the assessment referred in this Article, the competent authority for the purposes of that Article shall coordinate, as appropriate, with the consolidating supervisor and, where different, the competent authority in the Member State where the financial holding company or mixed financial holding company is established. In that case, the assessment period shall be suspended for a period not exceeding 20 working days until the procedure set out in Article 21a is complete.
9. Where the competent authority authorities decidess to oppose the proposed acquisition, it they shall, within two working days of completion of the assessment, and not exceeding the assessment period, inform the acquirer in writing, providing the reasons for their objection. Subject to national law, aAn appropriate statement of the reasons for the decision opposing the proposed acquisition may be made accessible to the public at the request of the acquirer. The absence of provisions in the national law regarding an appropriate statement of the reasons for the decision opposing the proposed acquisition shall not prevent Member States from allowing the competent authority to publish such information in the absence of a request by the acquirer.	
10. Where the competent authority authorities doeses not oppose the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
proposed acquisition within the assessment period in writing, it shall be deemed approved. Members States may require the competent authority to notify the acquirer of such approval or publish the decision.	
11. Competent <u>authority</u> authorities may set a maximum period for completing the proposed acquisition and extend it where appropriate.	
12. Member States may not impose requirements for notification to, or approval by, competent authorities of direct or indirect acquisitions or capital that are more stringent than those set out in Article 89 of Regulation (EU) No 575/2013.	

^{*5} Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).	
Article 27b Assessment criteria	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
1. In dealing with the notification of the proposed acquisition provided for in Article 27a(1) and the information referred to in Article 27a(5), the competent <u>authority</u> authorities shall, <u>while acting within their discretion as laid out in paragraph 3a and 3b of Article 27a</u>, assess the sound and prudent management of the acquirer after the acquisition and in particular of the risks to which the acquirer is or might be exposed, in accordance with the following criteria:	1. In dealing with the notification of the proposed acquisition provided for in Article 27a(1) and the information referred to in Article 27a(5), the competent <u>authority</u> authorities shall, <u>while acting in accordance with within their discretion as laid out in paragraph 3a and 3b of Article 27a</u>, assess the sound and prudent management of the acquirer after the acquisition and in particular of the risks to which the acquirer is or might be exposed, in accordance with the following criteria:
(a) — the sufficiently good reputation and sufficient knowledge, skills and experience, as set out in Article 91(1), of any new member of the management body of the acquirer to be appointed as a result of the proposed acquisition.	
(ba) whether the acquirer will be able to comply and continue to comply with the prudential requirements set out in this Directive and Regulation (EU) No 575/2013, and where applicable, other acts of Union law.	
(eb) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing within the meaning of Article 1 of Directive (EU) 2015/849 is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof.	
2. For the purposes of assessing the criterion laid down in paragraph 1,	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
point (eb), and criterion laid down in Article 23(1), point (e) , competent authorities <u>authority</u> shall consult, in the context of its their verifications, the authorities competent for the supervision of the undertakings in line with Directive (EU) 2015/849.	
3. The competent <u>authority</u> authorities may oppose the proposed acquisition only if there are reasonable grounds for doing so on the basis of the criteria set out in paragraph 1 or if the information provided by the acquirer is incomplete, despite a request made in accordance with Article 27a <u>(5)</u> .	
For the purposes of this paragraph and Article 23(2), and with regard to the criterion laid down in paragraph 1, point (c), an objection in writing by the authorities competent for the supervision of the undertakings under Directive (EU) 2015/849 shall constitute a reasonable ground for opposition.	For the purposes of this paragraph and Article 23(2) , and with regard to the criterion laid down in paragraph 1, point (eb), an objection in writing by the authorities competent for the supervision of the undertakings under Directive (EU) 2015/849 shall constitute a reasonable ground for opposition.
4. Member States shall neither impose any prior conditions in respect of the level of holding that must be acquired nor allow the their competent authorities <u>authority</u> to examine the proposed acquisition in terms of the economic needs of the market.	
5. Member States shall publish a list specifying the information required to carry out the assessment. That information shall be provided to the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
competent authorities at the time of the notification referred to in Article 27a(1), <u>covering at least the information requirements included in the regulatory technical standards referred to in Article 27b(7)(a)</u> . The information shall be proportionate and appropriate to the nature of the entity to be acquired. Member States shall not require information that is not relevant for the prudential assessment under this Article.	
6. Notwithstanding Article 27a, paragraphs 2 to 7, where two or more proposals to acquire <u>material qualifying</u> holdings in the same entity have been notified, the competent authority shall treat the acquirers in a non-discriminatory manner.	
7. EBA shall develop draft regulatory technical standards specifying:	
(a) the minimum list of information to be provided to the competent authorities at the time of the notification referred to in Article <u>22(1) 23(1)</u> , Article 27a(1), <u>Article 27f(1)</u> and Article 27k(1);	(a) the minimum list of information to be provided to the competent authorities at the time of the notification referred to in <u>Article 22(1) 23(1)</u> , Article 27a(1), <u>Article 27f(1)</u> and Article 27k(1);
(b) a common assessment methodology of the criteria set out in this Article, <u>Article 23 Article 27g</u> and Article 27l;	
(c) the process applicable to notification and the prudential assessment required under Article 27a, <u>Article 27b(1)(b), Article 27g(1)(b) Article 27f</u> and Article 27k.	(c) the process applicable to notification and the prudential assessment required under Article 27a, <u>Article 27b(1)(b), Article 27g(1)(b) Article 27f</u> and Article 27k.
For the purpose of the first sub-paragraph, the EBA shall take into	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
consideration the Directive (EU) 2017/1132 of the European Parliament and of the Council ^{*6} .	
EBA shall submit those draft implementing <u>regulatory</u> technical standards to the Commission by [OP please insert the date = 18 months from the date of entry into force of this amending Directive].	
Power is conferred on the Commission to adopt the implementing <u>regulatory</u> technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.	

^{*6} Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (codification).	
Article 27c Cooperation between competent authorities	
1. The relevant competent authority ies shall consult <u>the relevant authorities entrusted with the supervision of other financial sector entities</u> each other when carrying out the assessment referred to in Article 27 <u>a(3)</u> b where the entity acquired is one of the following:	
(a) a credit institution, insurance undertaking, reinsurance undertaking, investment firm <u>or an asset management company</u> or a management	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
company within the meaning of Article 2(1) point (b) of Directive 2009/65/EC (“UCITS management company”) authorised in another Member State or in a sector other than that of the proposed acquirer;	
(b) a parent undertaking of a credit institution, insurance undertaking, reinsurance undertaking, investment firm or <u>an asset management company</u> a management company within the meaning of Article 2(1), point (b) of Directive 2009/65/EC (“UCITS management company”) authorised in another Member State or in a sector other than that of the proposed acquirer;	
(c) a legal person controlling a credit institution, insurance undertaking, reinsurance undertaking, investment firm or <u>an asset UCITS</u> management company authorised in another Member State or in a sector other than that in which the acquisition is proposed.	
<u>Where the acquirer is part of a group, the competent authority in charge of the assessment pursuant to Article 27a shall carry out its assessment in full consultation with the other relevant competent authorities involved in the supervision of the group. It shall forward its assessment to the relevant competent authorities involved in the supervision of the group.</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>In the case where the acquirer is an institution and the threshold as referred to in Article 27a(1) is only exceeded at an individual level, the competent authority assessing the proposed acquisition shall notify the consolidating supervisor of the proposed acquisition within ten working days following receipt of the notification by the acquirer, if the acquirer is part of a group and the competent authority in charge of the assessment is different from the consolidating supervisor. The competent authority shall also forward its assessment to the consolidating supervisor.</u>	
<u>In the case where the acquirer is a parent financial holding company in a Member State, a parent mixed financial holding company in a Member State, an EU parent financial holding company and an EU parent mixed financial holding company, or another financial holding company or mixed financial holding company required to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis, the consolidating supervisor shall notify the competent authority in the Member State where the acquirer is established of the proposed acquisition within ten working days following receipt of the notification by the acquirer, if this competent authority is different</u>	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
<u>from the consolidating supervisor assessing the proposed acquisition.</u> <u>The consolidating supervisor shall also forward its assessment to that competent authority.</u>	
<u>In the case where the acquirer is an institution and the threshold as referred to in Article 27a(1) is exceeded at both individual and on the basis of the consolidated situation of the parent institution in the EU, the competent authority and consolidating supervisor assessing the proposed acquisition shall seek to coordinate their assessments, in particular with regard to their consultation of the relevant authorities referred to in Article 27c(1).</u>	
	<u>Where the assessment of the proposed acquisition needs to be carried out by the consolidating supervisor referred to in paragraph 1 of Article 27a, and the consolidating supervisor is different from the competent authority in the Member State where the acquirer is established, the two authorities shall work together in full consultation. The consolidating supervisor shall prepare an assessment on the proposed acquisition and shall forward that assessment to the competent authority in the Member State where the acquirer is established. The two authorities shall do everything within their</u>

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
	<u>powers to reach a joint decision within two months of receipt of that assessment. The joint decision shall be duly documented and reasoned. The consolidating supervisor shall communicate the joint decision to the acquirer.</u>
	<u>In the event of a disagreement, the consolidating supervisor or the competent authority in the Member State where the acquirer is established shall refrain from taking a decision and shall refer the matter to EBA in accordance with Article 19 of Regulation (EU) No 1093/2010. EBA shall take its decision within one month of receipt of the referral to EBA. The competent authorities concerned shall adopt a joint decision in conformity with the decision of EBA. The matter shall not be referred to EBA after the end of the two-month period or after a joint decision has been reached.</u>
The competent authorities shall, without undue delay, provide each other with any information which is essential or relevant for the assessment. For those purposes, the competent authorities shall communicate to each other upon request or on their own initiative all relevant information for the assessment.	
2. The competent authorities shall seek to coordinate their assessments	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
and ensure the consistency of their decisions. To this end, the decision by the competent authority <u>in charge of the assessment of the acquirer</u> shall indicate any views or reservations made by the competent authority that has authorised the credit institution controlled by the parent undertaking in which the acquisition is proposed. <u>other relevant competent authorities.</u>	
3. EBA shall develop draft implementing technical standards to establish common procedures, forms and templates for the consultation process between the relevant competent authorities as referred to in this Article.	
EBA shall submit those draft implementing technical standards to the Commission by [OP please insert the date = 18 months from the date of entry into force of this amending Directive].	
Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.	
Article 27d Notification in the case of divestiture	
Member States shall require institutions, <u>parent financial holding companies in a Member State,</u> parent mixed financial holding companies in a Member State, EU parent financial holding companies and EU parent	Member States shall require institutions, <u>parent financial holding companies in a Member State,</u> parent mixed financial holding companies in a Member State, EU parent financial holding companies and EU parent

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
mixed financial holding companies, as well as other financial holding companies and mixed financial holding companies required to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis, to notify the competent authorities where they intend to dispose, directly or indirectly, of a qualifying holding carrying out a disposal, directly or indirectly, of a material holding in a financial sector entity that exceeds 15% of the eligible capital on a consolidated basis, in accordance with Article 27a(1), to notify the competent authority of the acquirer. That notification shall be made in writing and in advance of the divestiture, indicating the size of the holding concerned.	mixed financial holding companies, as well as other financial holding companies and mixed financial holding companies required that are obliged to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis, to notify the competent authorities where they intend to dispose, directly or indirectly, of a qualifying holding carrying out a disposal, directly or indirectly, of a material holding in a financial sector entity that exceeds 15% of the eligible capital on a consolidated basis, in accordance with Article 27a(1), to notify the competent authority of the acquirer. That notification shall be made in writing and in advance of the divestiture, indicating the size of the holding concerned.
Article 27e Information obligations and penalties	
Where the acquirer fails to notify the proposed acquisition in advance in accordance with Article 27a(1) or has acquired a material qualifying holding as referred to in that Article despite the competent authority's authorities' opposition, Member States shall require that this those competent authority authorities to take appropriate measures. Such measures may include injunctions, periodic penalty payments and penalties, in accordance with Articles 65 to 72, against members of the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
management body and senior management. Where a qualifying material holding is acquired despite opposition by the competent authority authorities , Member States shall, without prejudice to potential penalties, provide either for exercise of the corresponding voting rights to be suspended or for votes cast to be declared null and void.	
CHAPTER 4	
Material transfers of assets and liabilities	
Article 27f Notification and assessment of material transfers of assets and liabilities	
1. Member States shall require institutions, parent financial holding companies company companies in a Member State, parent mixed financial holding companies-company companies in a Member State, EU parent financial holding companies company companies , EU parent mixed financial holding companies, or other financial holding companies and mixed financial holding companies required to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis <u>carrying out any material transfer of assets or liabilities which they execute either through a sale or any other type of transaction (the “proposed operation”)</u> , to notify their competent authority in advance of the	1. Member States shall require institutions, parent financial holding companies company companies in a Member State, parent mixed financial holding companies-company companies in a Member State, EU parent financial holding companies company companies , EU parent mixed financial holding companies, or other financial holding companies and mixed financial holding companies required that are obliged to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis <u>carrying out any material transfer of assets or liabilities which they execute either through a sale or any other type of transaction (the “proposed operation”)</u> , to notify their competent authority in advance

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
completion of the proposed operation, their competent authority, of any material transfer of assets or liabilities which they intend to execute either through a sale or any other type of transaction (the “intended operation”). The notification shall indicate the size of the intended operation and provide the information specified in Article 27g(5).	of the completion of the proposed operation, their competent authority, of any material transfer of assets or liabilities which they intend to execute either through a sale or any other type of transaction (the “intended operation”). The notification shall indicate the size of the intended operation and provide the information specified in Article 27g(5).
When the intended proposed operation involves only institutions from the same group, these institutions shall also be subject to the first subparagraph of the same article.	When the intended proposed operation involves only institutions entities from the same group, these institutions shall also be subject to the first subparagraph of the same article.
For the purposes of the first and second sub-paragraphs, each of the institutions involved in the same intended proposed operation shall be subject individually to the obligation to notify set out in those subparagraphs.	For the purposes of the first and second sub-paragraphs, each of the institutions entities involved in the same intended proposed operation shall be subject individually to the obligation to notify set out in those subparagraphs.
2. For the purposes of paragraph 1:	
(a) the intended proposed operation shall be deemed material for an institution where it is at least equal to 10 % of its total assets or liabilities, unless—where the intended proposed operation is performed between entities of the same group, in which case the intended proposed operation is shall be deemed material for an institution where it is represents at least	(a) the intended proposed operation shall be deemed material for an institution entity where it is at least equal to 10 % of its total assets or liabilities, unless—where the intended proposed operation is performed between entities of the same group, in which case the intended proposed operation is shall be deemed material for an institution entity where it is

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
equal to 15 % of its total assets or liabilities.	<u>represents</u> at least equal to 15 % of its total assets or liabilities.
<u>For the purpose of point (a) of paragraph 2, for parent financial holding companies or mixed financial holding companies referred to in paragraph 1, the threshold shall apply on the basis of their consolidated situation;</u>	
(b) transfers of non-performing assets, or of assets for the purpose of being included in a cover pool, within the meaning of Article 3(3) of Directive (EU) 2019/2162 of the European Parliament and of the Council* ⁷ , or to be securitised, shall not be taken into account for calculating the percentage in point (a);	
(c) transfers of assets or liabilities in the context of the use of resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU shall not be taken into account for calculating the percentage referred to in point (a).	
3. Competent authorities shall acknowledge receipt of the notification under paragraph 1 or of additional information under paragraph 6 promptly and in any event within two working days following receipt of the notification.	
4. From the date of the written acknowledgement of receipt of the notification and of the documents, including those required by the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
Member State to be attached to the notification in accordance with Article 27g(5), competent authorities shall have a maximum of 60 working days to carry out the assessment provided for in Article 27g(1) (the “assessment period”).	
5. Competent authorities shall inform the institution of the date of the expiry of the assessment period at the time of acknowledging receipt.	
6. Competent authorities may request further necessary information to complete the assessment at any time during the assessment period and no later than the 50th working day of the assessment period. Such a request shall be made in writing and specify the additional information needed.	
7. For the period between the date of request for information by the competent authorities and the receipt of a response thereto by the institution providing all the requested information, the assessment period shall be suspended. The suspension shall not exceed 20 working days. Any further requests by the competent authorities for the completion or clarification of the information shall be at their discretion but shall not result in a suspension of the assessment period.	
8. Where competent authorities decide to oppose the intended operation, they shall inform the institution in writing and provide the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
reasons thereto within two working days of completion of the assessment and not later than the date of the expiry of the assessment period. Subject to national law, an appropriate statement of the reasons for the decision may be made accessible to the public at the request of the institution. The absence of provisions in the national law regarding an appropriate statement of the reasons for the decision opposing the proposed acquisition shall not prevent a Member State from allowing the competent authority to publish such information in the absence of a request by the institution.	
9. Where the competent authority authorities do not oppose the proposed intended operation in writing within the assessment period, it shall be deemed approved.	
10. The competent authorities may set a maximum period for completing the intended operation and extend it where appropriate.	
11. Member States may not impose requirements for notification on, or approval by, the competent authorities that are more stringent than those set out in Article 27f.	
^{*7} Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
and 2014/59/EU (OJ L 328, 18.12.2019, p. 29).	
Article 27g	
Assessment criteria	
1. In dealing with the notification provided for in Article 27f(1) and the information referred to in Article 27f(6), competent authorities shall assess the intended operation in accordance with the following criteria:	
(a) — whether the institution will be able to comply and continue to comply with the prudential requirements set out in this Directive and Regulation (EU) No 575/2013, and where applicable, other acts of Union law.	
(b) — whether there are reasonable grounds to suspect that, in connection with the intended operation, money laundering or terrorist financing within the meaning of Article 1 of Directive (EU) 2015/849 is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof.	
2. For the purposes of assessing the criterion laid down in paragraph 1, point (b), competent authorities shall consult, in the context of their verifications, the authorities competent for the supervision of the undertakings under Directive (EU) 2015/849.	
3. The competent authorities may oppose the intended operation only	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
where the criteria set out in paragraph 1 are not met or where the information provided by the institution is incomplete despite a request made in accordance with Article 27f.	
With regard to the criterion laid down in paragraph 1, point (b), an objection in writing by the competent authorities under Directive (EU) 2015/849 shall constitute a reasonable ground for opposition.	
4. Member States may neither subject the intended operation to meeting a specified level or amount, nor allow their competent authority to examine the intended operation in terms of the economic needs of the market.	
5. Member States shall publish a list of information items that are necessary to carry out the assessment referred to in paragraph 1. That information shall be provided to the competent authorities at the time of the notification referred to in Article 27f(1). Member States shall not require information that is not relevant for a prudential assessment of the intended operation.	
Article 27h Cooperation between competent authorities	
1. The relevant competent authorities shall consult each other when carrying out the assessment referred to in Article 27g where the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
parties involved in the intended operation are one of the following:	
(a) — a credit institution, insurance undertaking, reinsurance undertaking, investment firm or a management company within the meaning of Article 2(1), point (b) of Directive 2009/65/EC (“UCITS management company”) authorised in another Member State or in a sector other than that in which the acquisition is proposed;	
(b) — a parent undertaking of a credit institution, insurance undertaking, reinsurance undertaking, investment firm or a management company within the meaning of Article 2(1), point (b) of Directive 2009/65/EC (“UCITS management company”) authorised in another Member State or in a sector other than that in which the acquisition is proposed;	
(c) — a legal person controlling a credit institution, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorised in another Member State or in a sector other than that in which the acquisition is proposed.	
2. Competent authorities shall, without undue delay, provide each other with any information which is essential or relevant for the assessment. For these purposes, competent authorities shall communicate to each other upon request or on their own initiative all	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
relevant information for the assessment.	
3. The competent authorities shall seek to coordinate their assessments, ensure the consistency of their decisions, and shall indicate in their decisions any views or reservations made by the competent authority supervising other entities involved in the intended operation.	
4. EBA shall develop draft implementing technical standards to establish common procedures, forms and templates for the consultation process between the relevant competent authorities as referred to in this Article.	
EBA shall submit those draft implementing technical standards to the Commission by [OP please insert the date = 18 months from the date of entry into force of this amending Directive].	
Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.	
Article 27i Information obligations and penalties	
Member States shall require that, where the institutions fail to notify the intended operation in advance in accordance with Article 27f(1), or	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
has performed the intended operation as referred to that Article despite opposition by the competent authorities, the competent authorities take appropriate measures. Such measures may consist in injunctions, periodic penalty payments, penalties, subject to Articles 65 to 72, against members of the management body and managers.	
CHAPTER 5	
Mergers and divisions	
Article 27j	
Definitions	
For the purposes of this Chapter, the following definitions shall apply:	
(a) 'merger' means any of the following operations whereby:	
(i) one or more companies, on being dissolved without going into liquidation, transfer all or parts of their assets and liabilities to another existing company, in exchange for the issue to their members of securities or shares representing the capital of that other company and, where applicable, a cash payment not exceeding 10 % of the nominal value (unless stated otherwise by the applicable national law), or, in the absence of a nominal value, of the accounting par value of those securities or shares;	
(ii) one or more companies, on being dissolved without going into	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
liquidation, transfer all or parts their assets and liabilities to another existing company, the acquiring company, without the issue of any new shares by the acquiring company, provided that one person holds directly or indirectly all the shares in the merging companies or the members of the merging companies hold their securities and shares in the same proportion in all merging companies;	
(iii) two or more companies, on being dissolved without going into liquidation, transfer all or parts of their assets and liabilities to a company that they form in exchange for the issue to their members of securities or shares representing the capital of that new company and, where applicable, a cash payment not exceeding 10 % of the nominal value (unless stated otherwise by the applicable national law), or, in the absence of a nominal value, of the accounting par value of those securities or shares;	
(iv) a company, on being dissolved without going into liquidation, transfers all or parts of its assets and liabilities to the company holding all the securities or shares representing its capital.	
(b) 'division' means any of the following operations:	
(i) an operation whereby, after being wound up without going into liquidation, a company transfers to more than one company all its assets and liabilities in exchange for the allocation to the shareholders of the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
company being divided of shares in the companies receiving contributions as a result of the division and, where applicable, a cash payment not exceeding 10 % of the nominal value (unless stated otherwise by the applicable national law), or, in the absence of a nominal value, of the accounting par value of those securities or shares;	
(ii) an operation whereby, after being wound up without going into liquidation, a company transfers to more than one newly-formed company all its assets and liabilities in exchange for the allocation to the shareholders of the company being divided of shares in the recipient companies, and, where applicable, a cash payment not exceeding 10 % of the nominal value (unless stated otherwise by the applicable national law), or, in the absence of a nominal value, of the accounting par value of those securities or shares;	
(iii) an operation consisting in a combination of operations described under points (i) and (ii);	
(iv) an operation whereby a company being divided transfers part of its assets and liabilities to one or more recipient companies, in exchange for the issue to the shareholders of the company being divided of shares in the recipient companies, in the company being divided or in both the recipient companies and the company being divided, and, where applicable, a cash	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
payment not exceeding 10 % of the nominal value (unless stated otherwise by the applicable national law), or, in the absence of a nominal value, of the accounting par value of those securities or shares;	
(v) an operation whereby a company being divided transfers part of its assets and liabilities to one or more recipient companies, in exchange for the issue to the company being divided of securities or shares in the recipient companies.	
Article 27k Notification and assessment of the merger or division	
1 . Member States shall require institutions, parent financial holding companies in a Member State, parent mixed financial holding companies in a Member State, EU parent financial holding companies, EU parent mixed financial holding companies, or other financial holding companies and mixed financial holding companies required to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis (the ‘financial stakeholders’) carrying out a merger or division (the “proposed operation”), to notify <u>after the adoption of the draft terms of the proposed operation and</u> in advance of the completion of the proposed operation the competent authorities which will be responsible for the supervision of the entities resulting from such proposed operation,	1 . Member States shall require institutions, parent financial holding companies in a Member State, parent mixed financial holding companies in a Member State, EU parent financial holding companies, EU parent mixed financial holding companies, or other financial holding companies and mixed financial holding companies required that are obliged to seek for approval in accordance with Article 21a(1) on a sub-consolidated basis (the ‘financial stakeholders’) carrying out a merger or division (the “proposed operation”), to notify <u>after the adoption of the draft terms of the proposed operation and</u> in advance of the completion of the proposed operation the competent authorities which will be responsible for the supervision of the entities resulting from such proposed operation,

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
indicating the relevant information, as specified in accordance with Article 27l(45). <u>The competent authorities shall carry out the assessment provided for in Article 27l(1) (the “assessment”).</u>	indicating the relevant information, as specified in accordance with Article 27l(45). <u>The competent authorities shall carry out the assessment provided for in Article 27l(1) (the “assessment”).</u>
<u>By way of derogation of the first paragraph mergers and divisions that result from the application of Directive 2014/59/EU shall not be subject to the obligations of this chapter.</u>	
For the purpose of the first sub-paragraph, the ECB shall considered as the competent authority to be notified and in charge the assessment when the entities resulting from the proposed operation would meet on a consolidated bases any of the following conditions:	
(a) — the total value of its assets exceeds EUR 30 billion;	
(b) — the ratio of its total assets over the GDP of the participating Member State of establishment exceeds 20%, unless the total value of its assets is below EUR 5 billion.	
For the purpose of the first sub-paragraph in case the proposed operation consists in <u>of</u> a division, the competent authority in charge of the supervision of the entity carrying out the proposed operation shall be the competent authority to be notified and in charge of the assessment.	
2. The competent authorities shall acknowledge, <u>in writing, the</u> receipt of the notification referred to in paragraph 1 or of the additional information	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
submitted in accordance with paragraph 3 promptly and in any event within 10 working days following receipt of the notification or of the additional information.	
Where the proposed operation <u>consists of a division</u> involves only financial stakeholders from the same group , the competent authority ies shall have a maximum of 60 working days as from the date of the written acknowledgement of receipt of the notification and all documents required by the Member State to be attached to the notification in accordance with Article 27l(5) (“the assessment period”), to carry out the assessment provided for in Article 27l(1).	
The competent authority shall inform the financial stakeholder of the date of the expiry of the assessment period at the time of acknowledging receipt.	
3. Competent authorities may request further information that is necessary to complete the assessment. Such a request shall be made in writing and shall specify the additional information needed.	
Where the proposed operation <u>consists of a division</u> involves only financial stakeholders from the same group , <u>the</u> competent authority ies may request additional information by no later than the fiftieth working day of the assessment period.	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
For the period between the date of request of additional information by the competent authorities and the receipt of a response thereto by the financial stakeholders providing all the requested information, the assessment period shall be suspended. The suspension shall not exceed 20 working days. Any further requests by the competent authorities for completion or clarification of the provided information shall be at their discretion but shall not result in a suspension of the assessment period.	
4. By way of derogation from paragraph 3, third subparagraph, competent authorities may extend the suspension referred to therein to a maximum of 30 working days in the following cases:	
(a) the entity acquired is <u>one or multiple financial stakeholders are</u> situated or regulated in a third country;	
(b) an exchange of information with authorities responsible for supervising the obliged entities referred to in Article 2(1), points (1) and (2), of Directive (EU) 2015/849 is necessary to perform the assessment foreseen under Article 27 <u>1k</u> (1) of this Directive.	
5. The proposed operations shall not be completed before the issuance of a positive opinion by the competent authority.	
6. The competent authorities shall, within two working days from the completion of their assessment, issue in writing a motivated positive or	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
negative opinion to the financial stakeholders. Subject to national law, an appropriate statement of the reasons for the opinion may be made accessible to the public at the request of the financial stakeholders. This shall not prevent a Member State from allowing the competent authority to publish such information in the absence of a request by the financial stakeholder.	
The financial stakeholders shall transmit the motivated opinion issued by their competent authorities under the first subparagraph to the authorities in charge, under the national law, of the scrutiny of the proposed operation.	
7. When the proposed operation <u>consists of a division</u> involves only financial stakeholders from the same group , and the competent authority yes <u>does</u> not oppose the proposed operation within the assessment period in writing, the opinion shall be deemed to be positive.	
8. The positive opinion issued by the competent authority may be <u>time</u> limited in time .	
9. Member States shall not impose requirements related to notification and approval as described in this Chapter that are more stringent than those set out herein.	
109 . This Chapter is without prejudice to the application of the Council Regulation (EC) No 139/2004* ⁸ and Directive (EU) 2017/1132 of the	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
European Parliament and of the Council.	
1 10 . The assessment under Article 27k(1) shall not be performed where the proposed operation requires an authorisation in accordance with Article 8, or an approval in accordance with Article 21a.	
<u>121. By way of derogation from paragraph 1, when the proposed operation is a merger that only involves financial stakeholders from the same group, including a group of credit institutions that are permanently affiliated to a central body and which is supervised as a group, Article 27k shall not apply</u>	

* ⁸ Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation).	
Article 27l Assessment criteria	
1. In assessing the notification provided for in Article 27k(1) and the information referred to in Article 27k(3), competent authorities shall, in order to ensure the soundness of the prudential profile of the financial stakeholders after the completion of the proposed operation and in particular the risks to which the financial stakeholder is or might be	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
exposed in the course of the proposed operation and the risks to which the financial stakeholder resulting from the proposed operation might be exposed, assess the proposed operation in accordance with the following criteria:	
(a) the reputation of entities involved in the proposed operation;	
(b) — the sufficiently good reputations and sufficient knowledge, skills and experience, as set out in Article 91(1), of any member of the management body who will direct the business of the financial stakeholder resulting from the proposed operation;	
(eb) the financial soundness of entities involved in the proposed operation, in particular in relation to the type of business pursued and envisaged for the financial stakeholder resulting from the proposed operation;	
(ec) whether the entity resulting from the proposed operation will be able to comply and continue to comply with the prudential requirements laid down in this Directive and Regulation (EU) No 575/2013, and where applicable, other acts of Union law, in particular Directives 2002/87/EC and 2009/110/EC;	
(ed) whether the implementation plan of the proposed operation is realistic; and sound and efficient from a prudential perspective;	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
(fe) whether there are reasonable grounds to suspect that, in connection with the proposed operation, money laundering or terrorist financing within the meaning of Article 1 of Directive (EU) 2015/849 is being or has been committed or attempted, or that the proposed operation could increase the risk thereof.	
The implementation plan referred to in point <u>(e)</u> (d) shall be subject to appropriate monitoring by the competent authorityy<u>ies</u> until completion of the proposed operation.	The implementation plan referred to in point (e) (d) <u>(e)</u> shall be subject to appropriate monitoring by the competent authorityy<u>ies</u> until completion of the proposed operation.
2. For the purposes of assessing the criterion laid down in paragraph 1, point (f), competent authorities shall consult, in the context of their verifications, the authorities competent for the supervision of the undertakings under Directive (EU) 2015/849.	2. For the purposes of assessing the criterion laid down in paragraph 1, point (f) <u>(e)</u>, competent authorities shall consult, in the context of their verifications, the authorities competent for the supervision of the undertakings under Directive (EU) 2015/849.
3. The competent authorities may issue a negative opinion to the proposed operation only if the criteria set out in paragraph 1 are not met or where the information provided by the financial stakeholder is incomplete despite a request made in accordance with Article 27k(3).	
With regard to the criterion laid down in paragraph 1, point (f), an objection in writing by the authorities competent for the supervision of the undertakings in line with Directive (EU) 2015/849 shall constitute a reasonable ground for negative opinion.	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
4. Member States shall not allow their competent authorities to examine the proposed operation in terms of the economic needs of the market.	
5. Member States shall publish a list of information items that are necessary to carry out the assessment referred to in Article 27k(1) and that must be provided to the competent authorities at the time of notification referred to that Article. The information required shall be proportionate and appropriate to the proposed operation. Member States shall not require information that is not relevant for a prudential assessment.	
Article 27m Cooperation between competent authorities	
1. The relevant competent authority ies shall consult <u>the relevant authorities entrusted with the supervision of other financial sector entities</u> each other when carrying out the assessment referred to in Article 27 k(1) where the proposed operation involves, in addition to the financial stakeholder (s) , entities that are one of the following:	
(a) a credit institution, insurance undertaking, reinsurance undertaking, investment firm or an <u>asset</u> management company within the meaning of Article 2(1), point (b) of Directive 2009/65/EC (“UCITS management company”) authorised in another Member State or in a sector other than that in which the acquisition is proposed;	(a) a credit institution, insurance undertaking, reinsurance undertaking, investment firm or an <u>asset</u> management company within the meaning of Article 2(1), point (b) of Directive 2009/65/EC (“UCITS management company”) authorised in another Member State or in a sector other than that in which the <u>proposed operation is undertaken</u> acquisition is

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
	proposed;
(b) a parent undertaking of a credit institution, insurance undertaking, reinsurance undertaking, investment firm or <u>an asset UCITS</u> management company authorised in another Member State or in a sector other than that in which the <u>proposed operation is undertaken</u> acquisition is proposed ;	
(c) a legal person controlling a credit institution, insurance undertaking, reinsurance undertaking, investment firm or <u>an asset UCITS</u> management company authorised in another Member State or in a sector other than that in which the acquisition is proposed.	(c) a legal person controlling a credit institution, insurance undertaking, reinsurance undertaking, investment firm or <u>an asset UCITS</u> management company authorised in another Member State or in a sector other than that in which the <u>proposed operation is undertaken</u> acquisition is proposed .
2. The competent authorities shall, without undue delay, provide each other with any information which is relevant for the assessment. In that regard, the competent authorities shall communicate to each other upon request all relevant information and shall communicate on their own initiative all essential information. A decision by the competent authority of the financial stakeholder shall indicate any views or reservations expressed by the competent authority that supervise one or <u>more</u> several of the entities listed above and involved in the proposed operation.	
3. The competent authorities shall seek to coordinate their assessments, ensure the consistency of their opinions, and shall indicate in their opinions	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
any views or reservations made by the competent authority supervising other financial stakeholders.	
4. EBA shall develop draft implementing technical standards to establish common procedures, forms and templates for the consultation process between the relevant competent authorities as referred to in this Article.	
EBA shall submit those draft implementing technical standards to the Commission by [OP please insert the date = 18 months from the date of entry into force of this amending Directive].	
Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1093/2010.	
Article 27n Information obligations and penalties	
Member States shall require that, where the financial stakeholders fail to provide prior notification of the proposed operation in accordance with Article 27k(1) or have carried out the proposed operation as referred to that Article without prior positive opinion by the competent authorities, the competent authorities shall take appropriate measures. Such measures may consist in injunctions, periodic penalty payments, penalties, subject to Articles 65 to 72, against members of the management body	

CRD Presidency compromise text

Table 1 of 3

2 nd Presidency compromise	Changes following comments on the 2nd compromise
and managers of the financial stakeholders or of the entity resulting from the proposed operation.²;	
CRD – Continues in Tables 2 and 3	