

Prudential requirements for credit institutions and investment firms. Capital Requirements Regulation (CRR)

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The Commission presented a report on the **legal obstacles to the free movement of funds between institutions within a single liquidity sub-group**.

Regulation (EU) No 575/2013 ("CRR") and Directive 2013/36/EU ("CRD") form the legal framework governing the access to the activity and the supervisory framework and prudential rules for credit institutions and investment firms, it provides

CRR contains the prudential requirements for institutions that relate to the functioning of banking and financial services markets. According to Article 8 CRR, the competent authorities may waive in full or in part the application of Part Six of CRR, i.e. the liquidity requirements, to an institution and to all or some of its subsidiaries in the Union and supervise them as a single liquidity sub-group, so long as they fulfil all stated conditions.

In the past few months, the European Commission has consulted directly with both industry and national public authorities to identify possible obstacles to the free movement of funds between institutions within a SLSG in the EU; to consider how these might be overcome; and whether there is a need for regulatory action at EU level. The Commission has also discussed this topic in the Commission Expert Group on Banking, Payments and Insurance in September 2013.

The report indicates that **there do not appear to be substantial legal obstacles** preventing institutions from entering into contracts that provide for the free movement of funds between them, at least not in the sense of unsubstantiated legal obstacles. As a result, the Commission **does not see a need currently to present a legislative proposal on this matter**.

The Commission is preparing a **delegated act**, to introduce a detailed and harmonised liquidity coverage requirement in the Union. This delegated act shall enter into force by 31 December 2014, but shall not apply before 1 January 2015.

The Commission will explore **whether the forthcoming liquidity coverage ratio delegated act can help to limit any undesirable practices that trap liquidity within national borders**. In this respect, it can seek to develop uniform, detailed and binding rules on liquidity, thereby promoting mutual supervisory confidence between competent authorities. More particularly, the delegated act could be an opportunity to establish additional objective criteria facilitating the allowance of a preferential treatment for cross-border intra-group inflows and outflows, thereby clarifying and improving the operation of cross-border intra-group flows.

Moreover, the report underlines that there is a steady process improving the alignment of objectives of public stakeholders through **greater European integration** with a Single Rulebook, the EBA and especially through the Banking Union.

The Commission is confident that a Single rulebook together with the Banking Union will ensure consistency and safeguard financial stability. It will continue to **closely monitor and review the situation** and should this deteriorate, the Commission will reassess the need to make such a legislative proposal.

