

Amendments to the Capital Requirements Regulation in the area of resolution (“daisy chain” proposal)

2021/0343(COD) - 04/02/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Jonás FERNÁNDEZ (S&D, ES) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institution groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities.

As a reminder, the so-called ‘Daisy Chain’ proposal introduces targeted adjustments that will play an essential role in improving an institution’s resolvability. It amends the Union bank resolution framework by:

- incorporating a dedicated treatment for the indirect subscription of instruments eligible for internal minimum requirement for own funds and eligible liabilities (MREL);
- further aligning the treatment of global systemically important institution (G-SII) groups with a Multiple Point of Entry (MPE) resolution strategy with the treatment outlined in the FSB’s international Total Loss-absorbing Capacity Term Sheet (the ‘TLAC standard’);
- clarifying the eligibility of instruments in the context of the internal TLAC.

The committee recommended that the European Parliament’s position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows:

Consolidated calculation for G-SIIs with multiple resolution entities

To ensure consistency, the calculation should also take into account **all third-country entities** belonging to a G-SII that would be resolution entities if they were established in the Union.

Templates

The templates for the public disclosure of harmonised information on the minimum requirement for own funds and eligible liabilities and on the requirement for own funds and eligible liabilities for material subsidiaries of non-EU G-SIIs should be amended to reflect the new deduction regime for internal MREL eligible instruments. The disclosure templates should also be amended to include the total risk exposure amount and the total exposure measure that intermediate entities would have if they did not exclude the exposures deducted under that new deduction regime.

Entry into force

By 31 December 2022, the Commission should review the implementation of the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities by the different types of banking group structures, among others the case where institutions have an operating company between the holding company and its subsidiaries, and review the treatment of entities, the

resolution plan of which provides that they are to be wound up under normal insolvency proceedings under the rules governing the minimum requirement for own funds and eligible liabilities. The Commission should submit a report thereon to the European Parliament and to the Council accompanied, where appropriate, by a legislative proposal.

Implementation

To ensure that institutions have sufficient time to implement the **dedicated treatment** for the indirect subscription of internal MREL eligible resources, including the new deduction regime and that markets can digest additional issuances of internal MREL eligible resources, where needed, the amended text sets out provisions stipulating that treatment should become applicable on **1 January 2024**, in line with the deadline for compliance with the final MREL requirements.