

25 May 2022

Circular to Credit Institutions, Investment Firms and Third-Country Branches on Requirements and Reporting related to the Establishment of the Intermediate EU Parent Undertaking

On 18 May 2022 the European Banking Authority ('EBA') has published its [decision on supervisory reporting for Intermediate EU parent undertaking \('IPU'\) threshold monitoring](#) for those entities belonging to third-country groups ('TCGs'), including third-country branches ('TCBs').

The Authority is hereby informing all credit institutions, investment firms and TCBs on reporting requirements with respect to the recently introduced obligation of the establishment of the IPU.

Capital Requirements Directive, the Banking Act and the Investment Services Act ('ISA').

Article 21b of Directive 2013/36/EU, as introduced by [Directive \(EU\) 2019/878](#), (hereinafter referred to as the 'CRD') provides for a new requirement for institutions belonging to TCGs, as defined in Article 3(1)(64) of the CRD, to establish an IPU in any of the Member States of the Union. Specific criteria are in place for the IPU requirement to apply, including having as part of the same group two or more institutions authorised in any of the Member States in the Union and the total assets of institutions and TCBs in the Union belonging to the same TCG must be, in aggregate, equal to or greater than €40 billion. The CRD provisions are transposed into local legislation through Article 11C of the Banking Act and Article 10D of the ISA.

It shall be noted that in terms of Article 21b(5)(b) of the CRD, as transposed in Article 11C(5)(b) of the Banking Act and in Article (2) of the ISA, the term "institution" shall also include investment firms for the purposes of the IPU requirement and hence of this Circular.

EBA Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of the intermediate EU parent undertakings

The EBA has published its [Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings under Article 21b of the CRD](#) (EBA/GL/2021/08) (hereinafter referred to as the 'EBA Guidelines'). The EBA Guidelines are aimed at ensuring the consistent application of the IPU requirement

by providing guidance on a common methodology and supervisory expectations. The EBA Guidelines have been in force since 14 November 2021.

The EBA Guidelines outline several details with respect to obligations of EU parent institutions, stand-alone institutions, third-country branches and/or IPU, as applicable, including but not limited to:

- performing quarterly assessments;
- performing annual forward-looking monitoring;
- timely exchange of information across entities of the same TCG established within the Union; and
- submission of quarterly assessments and other relevant information to National Competent Authorities.

The EBA Guidelines also specify the method for calculating the total assets of the TCG in the Union for the purpose of assessing whether the above-mentioned €40 billion threshold for the application of the IPU requirement (hereinafter referred to as the 'IPU threshold') has been reached, exceeded or not exceeded.

In addition to the above, EU parent institutions and stand-alone institutions should alert the NCA immediately where it is expected that the threshold will be reached within the forthcoming three (3) years based on the forward-looking monitoring.

EU parent institutions, stand-alone institutions and TCBs belonging to TCGs shall adhere to the provisions of the EBA Guidelines, as applicable. For the purpose of this Circular, EU parent institutions shall be understood as in Article 3(3) of the CRD, as transposed in Article 2(1A) of the Banking Act.

This Circular shall be read in conjunction with all the applicable provisions as set out in the CRD, the Banking Act, the ISA and the EBA Guidelines.

Information required to be submitted to the MFSA

In terms of paragraph 19 of the EBA Guidelines, EU parent institutions, stand-alone institutions and TCBs belonging to TCGs are required to submit to the National Competent Authorities relevant information relating to the IPU threshold monitoring.

In this respect, EU parent institutions, stand-alone institutions and TCBs belonging to TCGs are requested to submit to the MFSA the dedicated template being published with this Circular, following the template instructions outlined therein.

The information shall be compiled using 31 December 2021 as reference date and shall be submitted to the Authority **by Friday 17 June 2022**.

In-scope credit institutions and third-country branches of credit institutions shall submit the template to Bankingdata@mfsa.mt.

In-scope investment firms and third-country branches of investment firms shall submit the template to Investmentfirms@mfsa.mt.

In addition to the above, EU parent institutions and stand-alone institutions belonging to TCGs are also requested to immediately notify the Authority in case of a material change identified through the quarterly assessments. A material change shall be understood as a change that would alter the final outcome as submitted to the Authority through the dedicated template, such as, a change that would bring the total value of assets of the TCG entities in the Union to exceed the €40 billion threshold in that quarter.

To note that as outlined in paragraph 19 of the EBA Guidelines, if and when an IPU is established, the IPU shall be responsible for submitting the relevant information to the consolidating or the group supervisor, as applicable. Other similar provisions on the responsibilities of the IPU, if and when established, are also outlined throughout the EBA Guidelines.