C/2025/4190

28.7.2025

RECOMMENDATION OF THE EUROPEAN CENTRAL BANK

of 15 July 2025

amending Recommendation ECB/2017/10 on common specifications for the exercise of some options and discretions available in Union law by national competent authorities in relation to less significant institutions

(ECB/2025/26)

(C/2025/4190)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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 ([1]), and in particular Article 4(3) and Article 6(1) and (5)(c) thereof,

Whereas:

(1) Recommendation ECB/2017/10 of the European Central Bank ([2]) (hereinafter the 'O&D Recommendation') establishes common specifications for the exercise of certain options and discretions available in Union law by national competent authorities (NCAs) in relation to less significant institutions.The O&D Recommendation was amended by Recommendation ECB/2022/13 of the European Central Bank ([3]) to take account of legislative changes introduced since its adoption.

(2) New options and discretions have since been introduced in Union law, and existing options and discretions have also since been amended or deleted, including options and discretions that are included in the O&D Recommendation. It is therefore appropriate to align the O&D Recommendation accordingly.

(3) With regard to the option for a competent authority to decide that an institution is not to be considered a small and non-complex institution on the basis of an analysis of its size, interconnectedness, complexity or risk profile, the ECB considers it necessary to encourage a harmonised approach by setting out circumstances in which NCAs should assess whether a credit institution should not be considered a small and non-complex institution.

(4) Therefore, Recommendation ECB/2017/10 should be amended accordingly,

([1]) OJ L 287, 29.10.2013, p. 63, ELI: http://data.europa.eu/eli/reg/2013/1024/oj.

([2]) Recommendation of the European Central Bank of 4 April 2017 on common specifications for the exercise of some options and discretions available in Union law by national competent authorities in relation to less significant institutions (ECB/2017/10) (OJ C 120, 13.4.2017, p. 2).

([3]) Recommendation of the European Central Bank of 25 March 2022 amending Recommendation ECB/2017/10 on common specifications for the exercise of some options and discretions available in Union law by national competent authorities in relation to less significant institutions (ECB/2022/13) (OJ C 142, 30.3.2022, p. 1).

HAS ADOPTED THIS RECOMMENDATION:

PART ONE

Amendments

Recommendation ECB/2017/10 is amended as follows:

(1) in PART TWO, the following Section Ia is inserted:

'**Ia.**

Small and non-complex institutions

1. **Article 4(1)(145)(i) of Regulation (EU) No 575/2013: small and non-complex institutions**
When a less significant institution (LSI) has been identified as a High Risk LSI (*) for more than four quarters in a row, the NCA should carry out an assessment on whether or not that institution should be considered a small and non-complex institution on the basis of an analysis of its risk profile.

(*) LSIs are classified as high risk based on a risk assessment carried out by the relevant NCA and on their compliance with capital and leverage requirements.';

(2) the Annex is replaced by the Annex to this Recommendation.

PART TWO

Addressees

1. This Recommendation is addressed to the NCAs of participating Member States.

2. NCAs are recommended to apply this Recommendation as of the date of its adoption.

Done at Frankfurt am Main, 15 July 2025.

The President of the ECB
Christine LAGARDE

ANNEX

The Annex to Recommendation ECB/2017/10 is replaced by the following:

'*ANNEX*

Legal basis of the option and/or discretion	Approach recommended: consistency with the policy on options and discretions for significant institutions
Consolidated supervision and waivers of prudential requirements	
Article 4(1), point (20) of Regulation (EU) No 575/2013: discretion to exclude entities from the financial holding company definition	Section II, Chapter 1 paragraph 3 of the ECB Guide
Article 7(1) to (3) of Regulation (EU) No 575/2013: capital waivers	Section II, Chapter 1 paragraph 4 of the ECB Guide
Article 8(1) and (2) of Regulation (EU) No 575/2013: liquidity waivers	Section II, Chapter 1 paragraph 5 of the ECB Guide
Article 9 of Regulation (EU) No 575/2013: individual consolidation method	Section II, Chapter 1 paragraph 6 of the ECB Guide
Article 10(1) and (2) of Regulation (EU) No 575/2013: waivers for credit institutions permanently affiliated to a central body	Section II, Chapter 1 paragraph 7 of the ECB Guide
Article 18(3) of Regulation (EU) No 575/2013 in conjunction with Article 2 of Delegated Regulation (EU) 2022/676 (*): methods for consolidation in the case of undertakings related within the meaning of Article 22(7) of Directive 2013/34/EU	Section II, Chapter 1 paragraph 9 of the ECB Guide
Article 18(5) of Regulation (EU) No 575/2013 in conjunction with Article 4 of Delegated Regulation (EU) 2022/676: methods for consolidation in the case of participations or capital ties other than those referred to in Article 18(1) and (4)	Section II, Chapter 1 paragraph 10 of the ECB Guide
Article 18(6) of Regulation (EU) No 575/2013, in conjunction with Articles 5 and 6 of Delegated Regulation (EU) 2022/676: consolidation in the cases of significant influence and common management	Section II, Chapter 1 paragraph 11 of the ECB Guide
Article 18(7) of Regulation (EU) No 575/2013: consolidation	Section II, Chapter 1 paragraph 12 of the ECB Guide
Article 18(8) of Regulation (EU) No 575/2013, in conjunction with Article 7 of Delegated Regulation (EU) 2022/676: consolidation	Section II, Chapter 1 paragraph 13 of the ECB Guide
Article 19(2) of Regulation (EU) No 575/2013: exclusion of consolidation	Section II, Chapter 1 paragraph 14 of the ECB Guide
Article 24(2) of Regulation (EU) No 575/2013: valuation of assets and off-balance sheet items – use of International Financial Reporting Standards for prudential purposes	Section II, Chapter 1 paragraph 15 of the ECB Guide
Article 21a(4a) of Directive 2013/36/EU: Discretion to exclude an exempted financial holding company and mixed financial holding company from prudential consolidation	Section II, Chapter 1 paragraph 16 of the ECB Guide

Legal basis of the option and/or discretion	Approach recommended: consistency with the policy on options and discretions for significant institutions
Own funds	
Article 26(3) of Regulation (EU) No 575/2013: classification as CET1 instruments of subsequent issuances	Section II, Chapter 2 paragraph 3 of the ECB Guide
Article 49(1) of Regulation (EU) No 575/2013: deduction of insurance holdings	Section II, Chapter 2 paragraph 5 of the ECB Guide
Article 49(2) of Regulation (EU) No 575/2013: deduction of holdings of financial sector entities	Section II, Chapter 2 paragraph 6 of the ECB Guide
Article 54(1), point (e) of Regulation (EU) No 575/2013: calculation of the trigger for additional Tier 1 instruments issued by subsidiary undertakings established in third countries	Section II, Chapter 2 paragraph 7 of the ECB Guide
Article 78(1)(b) of Regulation (EU) No 575/2013: reduction of own funds – excess capital margin requirement	Section II, Chapter 2 paragraph 8 of the ECB Guide
Article 78(3) of Regulation (EU) No 575/2013: reduction of own funds – mutuals, savings and cooperatives	Section II, Chapter 2 paragraph 10 of the ECB Guide
Article 78(4) of Regulation (EU) No 575/2013: reduction of additional Tier 1 or Tier 2 instruments and/or related share premium accounts	Section II, Chapter 2 paragraph 11 of the ECB Guide
Article 79(1) of Regulation (EU) No 575/2013: reduction of additional Tier 1 or Tier 2 instruments	Section II, Chapter 2 paragraph 12 of the ECB Guide
Article 83(1) of Regulation (EU) No 575/2013: waiver for additional Tier 1 and Tier 2 instruments issued by a special purpose entity	Section II, Chapter 2 paragraph 13 of the ECB Guide
Article 84(5) of Regulation (EU) No 575/2013: minority interests included in consolidated Common Equity Tier 1 capital	Section II, Chapter 2 paragraph 14 of the ECB Guide
Articles 84(1), point (a), 85(1), point (a), and 87(1), point (a) of Regulation (EU) No 575/2013: derogation from the "lower of the two requirements" criterion applicable to calculate minority interests and qualifying tier 1 and tier 2	Section II, Chapter 2 paragraph 15 of the ECB Guide
Article 142(1) of Directive 2013/36/EU: failure to meet combined buffer requirement or leverage ratio buffer requirement	Section II, Chapter 10 paragraph 11 of the ECB Guide
Capital requirements	
Article 104(4) of Regulation (EU) No 575/2013: trading book classification exemption	Section II, Chapter 3 paragraph 3 of the ECB Guide
Article 104(5) of Regulation (EU) No 575/2013: non-trading book classification exemption	Section II, Chapter 3 paragraph 4 of the ECB Guide
Article 113(6) of Regulation (EU) No 575/2013: calculation of risk weighted exposure amounts – intra-group exposures	Section II, Chapter 3 paragraph 5 of the ECB Guide
Article 244(2) and (3) and Article 245(2) and (3) of Regulation (EU) No 575/2013: significant risk transfer	Section II, Chapter 3 paragraph 7 of the ECB Guide

Legal basis of the option and/or discretion	Approach recommended: consistency with the policy on options and discretions for significant institutions
Article 283(3) of Regulation (EU) No 575/2013: implementation of the internal model method	Section II, Chapter 3 paragraph 8 of the ECB Guide
Article 284(4) and (9) of Regulation (EU) No 575/2013: calculation of the exposure value for counterparty credit risk	Section II, Chapter 3 paragraph 9 of the ECB Guide
Article 314(3) of Regulation (EU) No 575/2013: derogation to calculate a separate interest, leases and dividends component for specific subsidiaries	Section II, Chapter 3 paragraph 10 of the ECB Guide
Article 314(5) of Regulation (EU) No 575/2013: calculation of the services component for institutional protection scheme	Section III, Chapter 2 paragraph 2 of the ECB Guide
Article 325c of Regulation (EU) No 575/2013: internal review of alternative standardised approach usage to the satisfaction of the competent authority and frequency of such review	Section II, Chapter 3 paragraph 11 of the ECB Guide
Article 325t(5) and (6) of Regulation (EU) No 575/2013: permission for using the alternative definition of sensitivities (delta and vega)	Section II, Chapter 3 paragraph 12 of the ECB Guide
Article 366(4) of Regulation (EU) No 575/2013: calculation of the value-at-risk number	Section II, Chapter 3 paragraph 13 of the ECB Guide
Article 383b(2) of Regulation (EU) No 575/2013: own funds requirements for delta and vega risks (alternative sensitivities)	Section II, Chapter 3 paragraph 14 of the ECB Guide
Articles 383p, 383s and 384(2) of Regulation (EU) No 575/2013: use of internal ratings to determine credit quality steps for standardised approach credit valuation adjustments and basic approach credit valuation adjustments	Section II, Chapter 3 paragraph 15 of the ECB Guide
Institutional protection schemes	
Article 8(4) of Regulation (EU) No 575/2013: liquidity waiver for members of institutional protection schemes	Section II, Chapter 4 paragraph 3 of the ECB Guide
Large exposures	
Article 396(1) of Regulation (EU) No 575/2013: compliance with large exposures requirements	Section II, Chapter 5 paragraph 3 of the ECB Guide
Article 400(2)(c) of Regulation (EU) No 575/2013: compliance with large exposures requirements	Section II, Chapter 5 paragraph 4 of the ECB Guide
Liquidity	
Article 414 of Regulation (EU) No 575/2013: compliance with liquidity requirements	Section II, Chapter 6 paragraph 3 of the ECB Guide
Article 422(8) of Regulation (EU) No 575/2013 and Article 29 of Delegated Regulation (EU) 2015/61: intragroup liquidity outflows	Section II, Chapter 6 paragraph 10 of the ECB Guide
Article 425(4) of Regulation (EU) No 575/2013 and Article 34 of Delegated Regulation (EU) 2015/61: intragroup liquidity inflows	Section II, Chapter 6, paragraph 14 of the ECB Guide

Legal basis of the option and/or discretion	Approach recommended: consistency with the policy on options and discretions for significant institutions
Article 8(1) of Delegated Regulation (EU) 2015/61: diversification of holdings of liquid assets	Section II, Chapter 6 paragraph 5 of the ECB Guide
Article 8(3)(c) of Delegated Regulation (EU) 2015/61: management of liquid assets	Section II, Chapter 6 paragraph 6 of the ECB Guide
Article 8(6) of Delegated Regulation (EU) 2015/61: currency mismatches	Section II, Chapter 6 paragraph 4 of the ECB Guide
Article 17(4) of Delegated Regulation (EU) 2015/61: waiver of the unwind mechanism	Section I, Chapter 5 paragraph 1 of the ECB Guide
Article 23(2) of Delegated Regulation (EU) 2015/61: outflows from other products and services	Section II, Chapter 6 paragraph 7 of the ECB Guide
Article 24(4) and (5) of Delegated Regulation (EU) 2015/61 outflows from stable retail deposits	Section III, Chapter 3 paragraph 1 of the ECB Guide
Article 24(6) of Delegated Regulation (EU) 2015/61: multiplier for retail deposits covered by a deposit guarantee scheme	Section III, Chapter 3 paragraph 3 of the ECB Guide
Article 25(3) of Delegated Regulation (EU) 2015/61: higher outflow rates	Section II, Chapter 6 paragraph 8 of the ECB Guide
Article 26 of Delegated Regulation (EU) 2015/61: outflows with inter-dependent inflows	Section II, Chapter 6 paragraph 9 of the ECB Guide
Article 29 of Delegated Regulation (EU) 2015/61: preferential treatment within a group or an institutional protection scheme (IPS)	Section II, Chapter 6 paragraph 10 of the ECB Guide
Article 30(2) of Delegated Regulation (EU) 2015/61: additional collateral outflows from downgrade triggers	Section II, Chapter 6 paragraph 11 of the ECB Guide
Article 33(2) of Delegated Regulation (EU) 2015/61: cap on inflows	Section II, Chapter 6 paragraph 12 of the ECB Guide
Article 33(3) to (5) of Delegated Regulation (EU) 2015/61: specialised credit institutions	Section II, Chapter 6 paragraph 13 of the ECB Guide
Article 34 of Delegated Regulation (EU) 2015/61: inflows within a group or an IPS	Section II, Chapter 6 paragraph 14 of the ECB Guide
Article 428b(5) of Regulation (EU) No 575/2013: net stable funding requirement (NSFR) – restriction of currency mismatches	Section II, Chapter 6 paragraph 15 of the ECB Guide
Article 428f(1) of Regulation (EU) No 575/2013: NSFR – interdependent assets and liabilities	Section II, Chapter 6 paragraph 16 of the ECB Guide
Article 428h of Regulation (EU) No 575/2013: NSFR – Preferential treatment within a group or an IPS	Section II, Chapter 6 paragraph 17 of the ECB Guide.
Article 428p(7) of Regulation (EU) No 575/2013: NSFR – treatment of non-standard central bank operations	Section I, Chapter 5 paragraph 1 of the ECB Guide
Article 428ai of Regulation (EU) No 575/2013: NSFR – application of the simplified net stable funding requirement (sNSFR)	Section II, Chapter 6 paragraph 18 of the ECB Guide
Article 428aq(7) of Regulation (EU) No 575/2013 – NSFR – treatment of non-standard central bank operations (sNSFR)	Section I, Chapter 5 paragraph 1 of the ECB Guide

Legal basis of the option and/or discretion	Approach recommended: consistency with the policy on options and discretions for significant institutions
Article 8 of Regulation (EU) No 575/2013: liquidity waivers	Section II, Chapter 4 paragraph 3 of the ECB Guide
Leverage	
Article 429a(2) of Regulation (EU) No 575/2013: preferential treatment in favour of public development banks	Section II, Chapter 7 paragraph 3 of the ECB Guide
Article 429a(5) of Regulation (EU) No 575/2013: exemption of central bank reserves from calculation of leverage ratio	Section I, Chapter 5 paragraph 1 of the ECB Guide
Article 429b(3) of Regulation (EU) No 575/2013: preferential treatment for notional cash pooling arrangements	Section II, Chapter 7 paragraph 4 of the ECB Guide
Reporting requirements	
Article 430(11) of Regulation (EU) No 575/2013: reporting on prudential requirements and financial information	Section II, Chapter 8 paragraph 1 of the ECB Guide
General requirements for access to the activity of credit institutions	
Article 21(1) of Directive 2013/36/EU: waiver for credit institutions permanently affiliated to a central body	Section II, Chapter 9 paragraph 1 of the ECB Guide
Article 21b(2) of Directive 2013/36/EU: intermediate parent undertaking	Section II, Chapter 9 paragraph 3 of the ECB Guide
Governance arrangements and prudential supervision	
Article 91(6) of Directive 2013/36/EU: additional non-executive directorship	Section II, Chapter 10 paragraph 4 of the ECB Guide
Article 108(1) of Directive 2013/36/EU: internal capital adequacy assessment process for credit institutions permanently affiliated to a central body	Section II, Chapter 10 paragraph 5 of the ECB Guide
Articles 117 and 118 of Directive 2013/36/EU: cooperation obligations	Section II, Chapter 10 paragraph 8 of the ECB Guide
Article 142 of Directive 2013/36/EU: capital conservation plans	Section II, Chapter 10 paragraph 11 of the ECB Guide

(*) Commission Delegated Regulation (EU) 2022/676 of 3 December 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions in accordance with which consolidation is to be carried out in the cases referred to in Article 18(3) to (6) and Article 18(8) of that Regulation (OJ L 123, 26.4.2022, p. 1, ELI: http://data.europa.eu/eli/reg_del/2022/676/oj).'.