



Banc Ceannais na hÉireann
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Eurosystem

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Implementation of Competent Authority Discretions and Options in CRD IV and CRR



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1 Overview

This Notice specifies Central Bank of Ireland (hereafter ‘Central Bank’) requirements and guidance in relation to the implementation of competent authority discretions and options arising under the European Union (EU) Capital Requirements Directive IV (hereafter ‘CRD IV’)¹ and Capital Requirements Regulation (hereafter ‘CRR’).²

CRD IV and CRR are applicable from 1 January 2014 and repeal Directives 2006/48/EC³ and 2006/49/EC.⁴ CRR is directly applicable and does not necessitate transposition into Irish national law. CRD IV requires national transposition and this is scheduled to occur via the European Union (Capital Requirements) Regulations 2014⁵ (hereafter S.I. XXX/2014). It is anticipated that S.I. XXX/2014 will repeal the following statutory instruments:

- European Communities (Capital Adequacy of Investment Firms) Regulations 2006;⁶
- European Communities (Capital Adequacy of Credit Institutions) Regulations 2006;⁷
- European Communities (Licencing and Supervision of Credit Institutions) Regulations 1992;⁸ and
- European Communities (Credit Institutions) (Consolidated Supervision) Regulations 2009.⁹

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and repealing Directives 2006/48/EC and 2006/49/EC [2013] OJ L 176/338; Corrigendum to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC [2013] OJ L 208/73.

² Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 [2013] OJ L 176/1; Corrigendum to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 [2013] OJ L 208/68.

³ Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) [2006] OJ L 177 (as amended).

⁴ Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast) [2006] OJ L 177 (as amended).

⁵ S.I. XXX/2014.

⁶ S.I. 660/2006 (as amended).

⁷ S.I. 661/2006 (as amended).

⁸ S.I. 395/1992 (as amended).

Transposition of CRD IV is a matter for the Department of Finance (hereafter ‘the Department’).

Legal Basis for this Notice

The Central Bank issues this Notice pursuant to Article 143 of CRD IV, transposed through Regulation X of S.I. XXX/2014. The Central Bank may periodically update elements of this Notice over time; in accordance with Article 143(1) of CRD IV and any relevant developments or requirements stemming from, inter alia, the Single Supervisory Mechanism (SSM).¹⁰ The Central Bank’s powers and requirements in this area generally are exercised pursuant to the provisions of S.I. XXX/2014 and CRR; also with regard to, inter alia, the Central Bank Acts 1942-2013, including the Central Bank (Supervision and Enforcement) Act 2013.¹¹

Stakeholders are advised to note that, at time of issuance of this Notice, the S.I. transposing CRD IV (i.e. S.I. XXX/2014) has yet to be finalised. Accordingly, the Central Bank reserves the right to update this Notice in due course to reflect the provisions of the finalised S.I or any other such required revisions.

Scope of this Notice

The Central Bank is the ‘competent authority’ for the purposes of S.I. XXX/2014 [CRD IV] and CRR. The Department has indicated that it also intends to assign the Central Bank as the ‘designated authority’ for the purposes of CRR and S.I. XXX/2014 [CRD IV].¹² Therefore, subject to finalisation of the S.I., this Notice governs the implementation of competent and designated authority¹³ discretions and options arising in S.I. XXX/2014 [CRD IV] and CRR. These provisions were previously brought to the

⁹ S.I. 475/2009 (as amended).

¹⁰ 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 [2013] OJ L 287/63 (hereafter ‘SSM (ECB) Regulation’); Regulation (EU) No 1022/2013 of the European Parliament and of the Council of 22 October 2013 amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority) as regards the conferral of specific tasks on the European Central Bank pursuant to Council Regulation (EU) No 1024/2013 [2013] OJ L 287/5 (hereafter ‘SSM (EBA) Regulation’).

¹¹ *Central Bank Acts 1942-2013; Central Bank (Supervision and Enforcement) Act 2013* (No 26 of 2013).

¹² See Department of Finance, *Consultation on Member State Discretions in the Capital Requirements Directive (CRD IV)* (7 November 2013).

¹³ Subject to confirmation in S.I. XXX/2014.

attention of stakeholders by way of a Central Bank Consultation Paper on ‘Competent Authority Discretions and Options in CRD IV and CRR’ (CP74), published in September 2013.

This Notice does not include discretions and options retained by the State (i.e. the Minister for Finance) in S.I. XXX/2014 [CRD IV] and CRR, except where the Central Bank has received an indication that certain of these discretions are to be assigned to the Central Bank. An indication in this respect was contained in a Department of Finance Consultation Paper on ‘Member State Discretions in the Capital Requirements Regulation and Directive’ published on 7 November 2013.¹⁴ However, such assignments remain subject to confirmation in S.I. XXX/2014.

The Department has yet to confirm its approach in relation to certain outstanding Member State discretions arising in both CRR and S.I. XXX/2014 [CRD IV] which may interplay with, or impact upon, competent authority discretions and responsibilities. Decision-making relating to Member State discretions and options not allocated to the Central Bank will be a matter for the Minister for Finance.

The provisions of this Notice are applicable to credit institutions, investment firms and all other entities encompassed by S.I. XXX/2014 [CRD IV] and Article 4 of CRR (hereafter collectively referred to as ‘relevant entities’, except where otherwise indicated). This Notice does not purport to offer an exhaustive account of all provisions under CRD IV and CRR and should not be interpreted as such. For further information, and avoidance of doubt, relevant entities are encouraged to consult relevant legal texts directly.

Additional Requirements

The implementation of many of the discretions and options available to the Central Bank in CRD IV and CRR are subject to binding technical standards (BTSs) developed by the European Supervisory Authorities (ESAs),¹⁵ primarily the European Banking

¹⁴ Department of Finance, *Consultation on Member State Discretions in the Capital Requirements Regulation and Directive (CRD IV)* (7 November 2013).

¹⁵ European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA).

Authority (EBA). Upon adoption by the European Commission, BTSs enter into force as legally binding EU regulations. EBA, as well as the other ESAs and the European Systemic Risk Board (ESRB), are also mandated to issue guidelines and recommendations. Additionally, EBA has launched a Single Rulebook Q&A tool to promote consistent application of CRD IV and CRR across the EU.

Relevant entities must ensure that their operations are consistent with all ESA and ESRB issuances, unless the Central Bank advises otherwise. Therefore, relevant entities shall adhere to relevant outputs which have emanated from the ESAs and the ESRB to date, including regulations and guidelines as they emerge.

Relevant entities must also note that the European Commission is empowered to promulgate ‘delegated and implementing acts’ under CRD IV and CRR in order to further calibrate, and facilitate implementation of, certain requirements.¹⁶ These instruments also take effect as binding EU regulations. Consequently, such measures are binding on relevant entities. In addition, the European Commission is mandated to undertake a number of reviews and reports on specific provisions arising under CRD IV and CRR. Certain of these reviews may result in future legislative initiatives impinging upon particular discretions and options arising in S.I. XXX/2014 [CRD IV] and CRR.

Furthermore, credit institutions must be cognisant of the potential future implications of the SSM. The Central Bank will be solely entitled to discharge competent and designated authority¹⁷ discretions and options from 1 January 2014 up until the assumption of supervisory responsibilities by the SSM. Thereafter, decision-making pertaining to, and discharge of, competent and designated authority discretions and options will not exclusively be a matter for the Central Bank. Accordingly, it is possible that an alternative approach towards the exercise of competent and designated authority discretions may be pursued in an SSM environment.

Applications for Case-by-Case Discretions and Options

Where it is highlighted that a new discretion or option will be exercised on a case-by-case basis, the onus is on relevant entities to apply for that discretion or option. Each

¹⁶ See, e.g., Articles 456-462 in CRR and Articles 145-148 in CRD IV.

¹⁷ Subject to confirmation in S.I. XXX/2014.

relevant entity should also reapply for the continued application of discretions and options on a case-by-case basis where the associated conditions attaching to the exercise of them have changed. Relevant entities must apply separately for each of these, which can be achieved by way of itemising each discretion or option sought on the same application to the Central Bank.

Structure of this Notice

- Section 2 details the Central Bank's approach in relation to certain transitional provisions arising in S.I. XXX/2014 [CRD IV] and CRR;
- Section 3 sets out Central Bank discharge of certain competent authority discretions in the area of own funds;
- Section 4 highlights the Central Bank's policies with respect to certain discretions arising in relation to the Standardised Approach to credit risk;
- Section 5 contains an update with respect to Internal Ratings Based Approach (IRBA) model applications for credit risk;
- Section 6 specifies Central Bank requirements and expectations in relation to specific liquidity discretions;
- Section 7 confirms the Central Bank's discharge of discretions arising within the sphere of corporate governance in S.I. XXX/2014 [CRD IV]; as well as an indication of the interplay between these discretions and the Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings;
- Section 8 highlights the Central Bank's exercise of a discretion with respect to leverage;
- Section 9 outlines the Central Bank's policies with respect to discretions of specific relevance to 'MiFID' firms and investment firms defined under point 2 of Article 4(1) of CRR and also provides information on the impact of certain provisions of CRR/CRD IV on these firms;

- A comprehensive list of new competent authority discretions and options arising within S.I. XXX/2014 [CRD IV], as well as existing discretions and options where conditions associated with them have changed are contained in Appendix A, Part I. Unchanged competent authority discretions and options arising within S.I. XXX/2014 [CRD IV] are contained in Appendix A, Part II. New competent authority discretions and options identified within CRR, as well as existing discretions and options where conditions associated with them have changed are contained in Appendix B, Part I. Existing competent authority discretions and options identified within CRR are contained in Appendix B, Part II.

2 Transitional Arrangements

This section details the Central Bank’s approach towards certain transitional provisions arising in S.I. XXX/2014 [CRD IV] and CRR.

Own Funds

Under Article 465(1)(a) of CRR, the Central Bank is entitled to determine the phase-in rate for Common Equity Tier 1 (CET1) and Tier 1. Institutions are required to hold a minimum level of CET1 of 4% and a minimum level of Tier 1 of 5.5% from 1 January 2014. By 1 January 2015, all institutions must meet the full phase-in requirement under CRR of 4.5% CET1 and 6% Tier 1.

Ineligible non-state aid capital instruments and items will be ‘grandfathered’ within CET1, AT1 and Tier 2 at the following rates, with full de-recognition from 1 January 2022.¹⁸ Institutions may include within those Tier 2 items being phased out, Incurred but not Reported (“IBNR”) provisions currently accepted up to 1.25% of credit risk-weighted assets calculated under the Standardised Approach.

CRR	Applicable percentage for determining the limits for grandfathering of items within CET 1, AT1 and Tier 2 items (% within the specified range)	Year	Treatment
Article 486(2)	60% to 80%	2014	80%
	40% to 70%	2015	70%
	20% to 60%	2016	60%
	0% to 50%	2017	50%
	0% to 40%	2018	40%
	0% to 30%	2019	30%
	0% to 20%	2020	20%
	0% to 10%	2021	10%

Once CRR is fully phased-in, recognition in consolidated CET1 of capital instruments and reserves deriving from subsidiaries is more limited than under the current CRD. Subsidiary capital instruments and items must be mirrored at consolidated level in the tier in which they are recognised at subsidiary level, rather than all flowing through to consolidated CET1 reserves. Recognition in consolidated capital will only be afforded

¹⁸ Please note that the percentage rates included in the Own Funds tables under “proposed treatment” are applicable as of 1 January of each year specified.

to capital instruments and items that are issued by an institution or an undertaking subject to CRR and S.I. XXX/2014 [CRD IV] which is included in the same regulatory consolidation as the parent and where they are held by third parties. No direct or indirect funding by the parent of the minority interests by the parent or other subsidiaries is permitted.

Pursuant to Article 479 of CRR, a transitional treatment is permitted for capital instruments and items from subsidiaries currently recognised as consolidated CT1 to be derecognised from CET1/reclassified appropriately to end-2017. The following rates of de-recognition apply, with no recognition of those instruments and items in 2018:

CRR	Applicable percentage for the recognition in consolidated CET 1 capital of instruments and items that do not qualify in minority interests (% within specified range)	Year	Treatment
Article 479	0% to 80%	2014	80%
	0% to 60%	2015	60%
	0% to 40%	2016	40%
	0% to 20%	2017	20%

One of the elements that must be included in CET1 under CRR is accumulated other comprehensive income (AOCI) which includes the cumulative unrealised gains and losses of certain assets and liabilities measured at fair value. Under the current CRD, a filter is applied to the cumulative unrealised gains and losses of available-for-sale (AFS) assets to exclude them (and their volatility) from regulatory capital. CRR will phase out the filter over the period to end-2017.

The International Accounting Standards Board (IASB) is expected to announce amendments to IAS39 (on the accounting classification of assets) in due course. In response, CRR provides for a competent authority discretion to provide the option for institutions to apply a filter on unrealised gains and losses on sovereign exposures measured at fair value until the adoption by the European Commission of a regulation endorsing the International Financial Reporting Standard (IFRS) replacing IAS 39.

No recognition of such unrealised gains in CET1 is permitted during 2014, pending possible action following a report by EBA to the European Commission on appropriate alternative treatments to the full recognition of such gains on assets and liabilities

measured at fair value. In the interim, institutions shall recognise unrealised gains within CET1 at the rates specified in the table below. The Central Bank will not be exercising a further discretion in Article 468(2) of CRR to allow, from 1 January 2015, a 100% recognition of unrealised gains measured at fair value where 100% recognition of unrealised losses is required.

From 1 January 2015, a competent authority may not set an applicable percentage of unrealised gains that is recognised within CET1 capital that exceeds the applicable percentage of unrealised losses of CRR. By 1 January 2018, according to CRR, all unrealised losses and gains must be fully recognised within CET1 (subject to European Commission review).

CRR	Applicable percentage of unrealised losses that shall be included in calculation of CET 1 items (% within specified range)	Year	Treatment
Article 467(2)	20% to 100%	2014	20%
	40% to 100%	2015	40%
	60% to 100%	2016	60%
	80% to 100%	2017	80%
CRR	Applicable percentage of unrealised gains that shall be removed from the CET 1 items (% within specified range)	Year	Treatment
Article 468(2)	60% to 100%	2015	60%
	40% to 100%	2016	40%
	20% to 100%	2017	20%

Article 36 of CRR requires that the following be deducted from CET1:

- a. Losses for the current financial year;
- b. Intangible assets;
- c. Deferred tax assets (DTAs) that rely on future profitability;
- d. Shortfall of expected loss amounts under IRB approaches;
- e. Net defined benefit (DB) pension fund assets on the balance sheet of the institution;
- f. Holdings by an institution of own CET1 instruments;
- g. Reciprocal holdings in the CET1 of another institution designed to artificially inflate the own funds of the institution;

- h. The amount of holdings by an institution in the CET1 of financial sector entities where the institution does not have a significant investment in those entities; and
- i. The amount of holdings by an institution in the CET1 of financial sector entities where the institution has a significant investment in those entities.

Article 56 of CRR requires that the following be deducted from AT1:

- a. Reciprocal holdings in the AT1 of another institution designed to artificially inflate the own funds of the institution;
- b. The amount of holdings by an institution in the AT1 of financial sector entities where the institution does not have a significant investment in those entities;
- c. The amount of holdings by an institution in the AT1 of financial sector entities where the institution has a significant investment in those entities.

Article 66 of CRR requires that the following be deducted from Tier 2:

- a. Reciprocal holdings in the Tier 2 of another institution designed to artificially inflate the own funds of the institution;
- b. The amount of holdings by an institution in the Tier 2 of financial sector entities where the institution does not have a significant investment in those entities;
- c. The amount of holdings by an institution in the Tier 2 of financial sector entities where the institution has a significant investment in those entities.

Under Article 478(3) of CRR, competent authorities are required to determine and publish an applicable percentage in the ranges specified in Article 478(1) and (2) of CRR for the transitional phase-in of the following deductions:

- a. The individual deductions required under points (a) to (h) of Article 36(1) of CRR, (where these are not already deducted from Core Tier 1 under Pillar 1 or Pillar 2 measures) excluding DTAs that rely on future profitability and arise from temporary differences

- b. The aggregate amount of DTAs that rely on future profitability and arise from temporary differences and the items referred to in point (i) of Article 36(1) that is required to be deducted under Article 48 of CRR;
- c. The deductions required in points (b) to (d) of Article 56 of CRR ;
- d. The deductions required in points (b) to (d) of Article 66 of CRR.

The following rate of phase-in for these deductions will apply, with full deduction required commencing 1 January 2018:

CRR	Applicable percentages for deduction from CET1, AT1 and Tier 2	Year	Treatment
Article 478(3)	20% to 100%	2014	20%
	40% to 100%	2015	40%
	60% to 100%	2016	60%
	80% to 100%	2017	80%

Article 478(2) of CRR elaborates possible phase-in rates from 2014 to 2023 for deductions of DTAs relying on future profitability that existed prior to 1 January 2014. Full deduction of such DTAs is required from 1 January 2024. The following phase-in rates will apply in this regard, as per the below table:

CRR	CET 1 (exemption for DTAs that existed prior to the date of application of CRR)	Year	Treatment
Article 478(2)	0% to 100%	2014	0%
	10% to 100%	2015	10%
	20% to 100%	2016	20%
	30% to 100%	2017	30%
	40% to 100%	2018	40%
	50% to 100%	2019	50%
	60% to 100%	2020	60%
	70% to 100%	2021	70%
	80% to 100%	2022	80%
	90% to 100%	2023	90%

With respect to Article 481(1) of CRR, no additional common deductions are required on a continuing basis by the Central Bank. While a number of prudential filters have been applied since the introduction of IFRS in 2005, those to be phased out should largely be dealt with under the ‘Treatment of Unrealised Gains and Losses Measured at

Fair Value’, with the notable exception of the national filter for Defined Benefit Pension deficits and surpluses.

CRR	Inclusion of additional filters and deductions within CET1	Year	Treatment
Article 481 (1) – (5)	0% to 80%	2014	80%
	0% to 60%	2015	60%
	0% to 40%	2016	40%
	0% to 20%	2017	20%

According to Article 473 of CRR, the net liability as recorded on the balance sheet in respect of a defined benefit pension fund should be recognised in the calculation of CET 1. In other words, the creation of the net liability on the balance sheet will automatically have resulted in a reduction in common equity (through a reduction in AOCI/Reserves) and no adjustment should be applied in respect of this in the calculation of CET1. This differs from the treatment until 1 January 2013 under IFRS, which allowed for the deferral of actuarial losses beyond a specified threshold (i.e. the ‘corridor approach’) without recognition in the financial statements. CRR introduces a competent authority option to allow institutions to phase out the corridor approach of IAS 19 for regulatory capital over 5 years.

Ireland did not implement the corridor regime but devised its own national filter. Therefore, the transitional treatment contained in Article 473 of CRR will not be applicable. The rates specified by the Central Bank in relation to Article 481 of CRR on ‘Additional Filters and Deductions’ will apply instead (see detailed treatment under p.110).

Capital Buffers

The Department has indicated its intention to assign the Central Bank as the national designated authority for the purposes of the macro-prudential measures provisions arising in CRR (i.e. Article 458), as well as the capital buffers provisions contained in S.I. XXX/2014.¹⁹ Therefore, if confirmed as the designated authority the Central Bank will, subject to the final S.I. XXX/2014 and relevant SSM competences,²⁰ be the national authority responsible for implementing the capital buffers and macro-prudential discretions and options arising under S.I. XXX/2014 and CRR. Further

¹⁹ See Department of Finance, *Consultation on Member State Discretions in the Capital Requirements Directive (CRD IV)* (7 November 2013).

²⁰ See, e.g., Recital 24, Recital 34 and Article 5 of the SSM (ECB) Regulation.

guidance documents in this area and details of a national macro-prudential framework will be published by the Central Bank in due course. Subject to finalisation of S.I. XXX/2014, the Central Bank confirms the following:

Capital Conservation and Countercyclical Capital Buffers

The Department has confirmed to the Central Bank that it does not intend to transpose the Member State discretion in Article 160(6) of CRD IV which would facilitate implementation of the capital conservation buffer (CCB) and/or countercyclical capital buffer (CCyB) before 2016. Therefore, the Central Bank anticipates that the standard transitional period for the introduction of the mandatory CCB, as well as the CCyB, will apply, commencing 1 January 2016; in accordance with Regulations X and X of S.I. XXX/2014 [Article 160(2)-(4) of CRD IV].

Global and Other Systemically Important Institution Buffers

Global systemically important institution ('G-SII') buffer requirements will be incrementally introduced from 1 January 2016 for identified G-SIIs, in accordance with the phase-in period stipulated in Regulation X of S.I. XXX/2014 [Article 162(5) of CRD IV]. Institutions should note that the calibration and application of G-SII buffer requirements will be contingent upon EBA technical standards developed under Article 131(18) of CRD IV and adopted by the European Commission.

Regulations X and X of S.I. XXX/2014 [Articles 131(3) and (5) of CRD IV] also provide that a capital buffer requirement may be applied to identified 'other systemically important institutions' ('O-SIIs'), as defined in Regulation X of S.I. XXX/2014 [Article 131(1) CRD IV]. Subject to confirmation as the national designated authority for this provision in S.I. XXX/2014, the Central Bank will consider scheduled EBA Guidelines under Article 131(3) of CRD IV in determining its future approach in this area.

Systemic Risk Buffer

The Central Bank is awaiting confirmation from the Department of its approach with respect to transposition of the systemic risk buffer (SRB) provisions in CRD IV (i.e. Articles 133 and 134).

Combined Buffer Requirement

Once the capital buffers regime becomes applicable, institutions will be subject to a ‘combined buffer requirement’, as defined in Regulation X [Article 128(6) CRD IV] of S.I. XXX/2014, which will constitute a combination of the CET1 capital required to meet the mandatory CCB and other specified buffer requirements that institutions may be subject to (i.e. a CCyB, SRB, G-SII and/or O-SII buffer).

Interactions between Buffers

In accordance with Regulation X of S.I. XXX/2014 [Article 133(4) CRD IV], where an institution is subject to a G-SII buffer, an O-SII buffer and a SRB, in general the buffers will not be cumulative and the highest of the three will apply; except where the SRB is only applicable to domestic exposures, in which case the SRB requirement will be cumulative with G-SII and O-SII buffer requirements, where applicable.²¹

Pursuant to Regulation X of S.I. XXX/2014 [Article 131(8) CRD IV], if an O-SII is itself a subsidiary of a G-SII or an O-SII which is an EU parent institution, its O-SII buffer shall not exceed the higher of a) 1 per cent or b) the G-SII or O-SII buffer rate applicable at the consolidated level.

Investment Firms

Investment firm-specific aspects of the capital buffers provisions are addressed in section 9.

Liquidity Requirements

Article 412(5) of CRR contains a Member State or competent authority discretion to introduce a Liquidity Coverage Requirement of up to 100% ahead of the phase-in schedule specified in Article 460 of CRR. This discretion is linked to a Member State discretion within the same provision to maintain or introduce national provisions in the area of liquidity requirements before the binding minimum standard is fully introduced. The Department has confirmed that discretions arising in Article 412(5) of CRR vest in the Central Bank. Consequently, the Central Bank ‘Requirements for the Management

²¹ As per Regulation X of S.I. XXX/2014 [Article 133(5) CRD IV].

of Liquidity Risk' will remain in place until 1 January 2018, or an earlier date as may be deemed appropriate by the Central Bank.

For 2015 the Central Bank will not impose an accelerated phase-in of the minimum liquidity coverage requirement - the minimum requirement will be set at 60 per cent in accordance with Article 460(2) of CRR.

Article 415(3)(b) of CRR contains a discretion for competent authorities to continue to collect information through monitoring tools for existing national liquidity standards until the liquidity coverage requirement is fully introduced in accordance with Article 460 of CRR. The Central Bank will exercise the discretion in Article 415(3)(b) in CRR. Therefore, existing liquidity regulatory reporting will continue until 1 January 2018, or an earlier date, if deemed appropriate by the Central Bank. The reporting process for these submissions will remain unchanged and run concurrently with the new liquidity reporting requirements in CRR. Should the Central Bank deem it appropriate to review and alter existing regulatory liquidity requirements or the phase-in schedule of the liquidity coverage requirement before 2018, it will engage with institutions on its intentions.

The existing Central Bank liquidity requirements will continue to apply to Irish branches of credit institutions authorised in another European Economic Area (EEA) Member State, until the date in 2015 on which the minimum liquidity coverage requirement becomes applicable in accordance with the delegated act adopted pursuant to Article 460 of CRR. The Central Bank will not require these branches to submit EBA liquidity reports in accordance with the Implementing Technical Standard (ITS) on Supervisory Reporting²² during this transitional period.

Article 413(3) of CRR contains a Member State discretion to maintain or introduce national requirements in the area of stable funding ahead of their specification and introduction in accordance with Article 510 of CRR. Subject to confirmation by the Department as to whether this discretion vests in the Central Bank, the Central Bank will not introduce an industry wide net stable funding requirement in advance of the

²² Final draft EBA ITS: <http://www.eba.europa.eu/regulation-and-policy/liquidity-risk/draft-implementing-technical-standards-on-supervisory-reporting-liquidity-coverage-and-stable-funding->

specification of such a requirement by the EU legislative bodies; however, it retains the power to impose stable funding requirements on individual relevant entities, where appropriate.

Large Exposures

Pursuant to Article 507 CRR, by 31 December 2015 the European Commission is mandated to report on the application of Article 400(1)(j) and Article 400(2) CRR, including whether the competent authority discretion relating to certain large exposure exemptions specified in Article 400(2) will remain available. That report may also be accompanied by a European Commission legislative proposal.

The Department has advised the Central Bank that it does not intend to activate the transitional Member State discretion in Article 493(3) CRR relating to certain large exposure exemptions. Therefore, the Central Bank will, in lieu of the European Commission action specified in Article 507 CRR, exercise the competent authority discretion in Article 400(2) CRR (which broadly replicates pre-existing large exposure exemptions²³) on a case-by-case basis; subject to fulfilment of the additional criteria stipulated in Article 400(3) CRR.

²³ See Article 113(4) of Directive 2006/48/EC.

3 Own Funds

This section sets out Central Bank expectations in relation to certain competent authority discretions in the area of own funds.

Pre-approval of Capital Instruments

Competent authorities are required to evaluate whether issuances of CET1 instruments meet the criteria set out in Article 28 or, where applicable, Article 29 of CRR. With respect to issuances after 28 June 2013, institutions shall classify capital instruments as CET1 instruments only after permission is granted by the competent authorities.

Recital 75 of CRR clarifies that competent authorities may also maintain pre-approval processes regarding contracts governing Additional Tier 1 and Tier 2 capital instruments, with such capital instruments only recognisable by the institution as Additional Tier 1 capital or Tier 2 capital once they have successfully completed these approval processes.

The Central Bank requires all new capital instruments, including any associated arrangements, to have received its prior permission before they may be included in own funds. In cases other than the issuance of ordinary shares, including amendment of the effective terms and conditions of own funds instruments, the Central Bank will require 30 days' notice, starting from the point at which all necessary information has been provided to the Central Bank.

'Necessary information' shall comprise a full description of the proposed issuance. For proposed issuances of CET1, other than common shares, and AT1 instruments, the necessary information shall also be accompanied by a legal confirmation addressed to the Central Bank from an external advisor of sufficient standing and experience in the area of financial services law. That confirmation must unequivocally state that the institution is entitled to recognise the proposed issue within the relevant tier of capital because it and its associated arrangements meet the applicable eligibility criteria under CRR. The legal confirmation should take relevant draft and finalised technical standards into account and, in particular, should treat relevant EBA outputs (e.g. Guidelines, Recommendations and Q&As) as if they were binding.

BSD S 1/04 'Alternative Capital Instruments: Eligibility as Tier-1 Capital'²⁴ is discontinued as of 31 December 2013.

Risk Weighting and Prohibition of Qualifying Holdings outside the Financial Sector

Under Regulation 62 of S.I. 661 of 2006 (which transposed the previous CRD) thresholds of own funds were specified which could not be exceeded by the qualifying holdings of a credit institution, other than on an exceptional basis. Under such exceptional circumstances, the Central Bank required the credit institution to increase its own funds or take equivalent measures.

Under Article 89(3) of CRR, competent authorities are afforded the option to require a) the application of a 1,250 per cent risk weight to qualifying holdings in excess of specified thresholds or b) to prohibit holdings which incur such excesses. The Central Bank will apply a).

Initial Capital Requirements on Going Concern Basis

Article 93(6) of CRR allows the Central Bank to prohibit certain institutions from having a level of own funds which falls below their initial capital requirement. The Central Bank will exercise this discretion on a case-by-case basis.

Reporting on Own Fund Requirements and Financial Information

Article 99(3) of CRR is a discretion available to the Central Bank to require credit institutions reporting own funds on a consolidated basis in accordance with international accounting standards to also report financial information (FINREP). Consistent with the EBA ITS on Supervisory Reporting, the Central Bank requires all Irish-licensed credit institutions to report financial information in the form of FINREP on a solo basis.

²⁴ Central Bank of Ireland, *Credit Institutions: Alternative Capital Instruments: Eligibility as Tier 1 Capital* (BSD S 1/04) [<http://www.centralbank.ie/regulation/industry-sectors/credit-institutions/Documents/Alternative%20Capital%20Instruments%20%20Eligibility%20as%20Tier%20%20Capital%20%20BSD%20S%201%202004.pdf>].

For a banking group with more than one credit institution in the group that reports on a consolidated basis, a reduced solo version of FINREP will also be required for each credit institution in the group. For a sub-consolidated credit institution that reports on both a consolidated and solo basis, a full consolidated and a reduced solo version of FINREP will also be required for that credit institution. For a credit institution that reports on a solo basis only, a full solo version of FINREP will be required for that credit institution. The Central Bank requires FINREP at a solo level under Section 22 of the Central Bank (Supervision and Enforcement) Act 2013.²⁵

²⁵ No 26 of 2013.

4 Credit Risk – Standardised Approach

This section highlights the Central Bank’s policies in relation to certain discretions arising in relation to the Standardised Approach to credit risk.

Third Country Equivalency

Under Articles 107, 114, 115, 116, 132 and 142 contained in Title II, Chapters 1 and 2 of CRR, the European Commission is afforded discretion to adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2) of CRR, a decision as to whether a third country applies prudential supervisory and regulatory requirements at least equivalent to those applied in the EU.

In the absence of such a decision, until 1 January 2015 institutions are permitted to continue prescribed treatments of third country exposures, provided that the relevant competent authorities had approved the third country as eligible for that treatment before 1 January 2014.

Solely for the purposes of credit risk, the Central Bank deems the following third countries to apply prudential supervisory and regulatory requirements at least equivalent to those applied in the EU:²⁶

- Australia,
- Canada,
- Singapore,
- Switzerland; and
- United States of America (USA).

Exposures to Residential Property

Unless otherwise decided by competent authorities in accordance with Article 124(2) of CRR on financial stability grounds, Article 125 of CRR applies a 35 per cent risk weighting to loans fully and completely secured on residential property; subject to fulfilment of certain criteria. Where the relevant criteria are not met, a 100 per cent risk weighting applies.

²⁶ This should also be interpreted to encompass members of the European Economic Area (EEA).

The Central Bank is availing of the discretion under Article 124(2) of CRR to set stricter criteria in this area. Accordingly, the Central Bank will continue to permit a 35 per cent risk weighting for such exposures but only where the loan-to-value (LTV) at market value does not exceed 75 per cent and the residential property is owner-occupied and the other specified conditions are met.

Any amount above 75 per cent LTV or exposure to a mortgage secured by residential property not meeting the conditions of Article 125 of CRR may attract a 75 per cent risk weighting. This is provided that the exposure meets certain conditions; including that the relevant amount of the exposure does not exceed 1 million Euro in combination with all other owed amounts of exposures to the obligor or group of connected obligors, but not taking account of exposures actually treated as secured on real estate property and that it satisfies the definition of ‘retail exposure class’ under Article 123 CRR. In addition, the Central Bank requires that exposures to mortgages secured by residential investment properties would be assigned a risk weight of 75 per cent, provided certain conditions are met.

The Central Bank will consult with EBA on its proposed approach with respect to risk weighting for exposures secured by residential property, as required by Article 124(2) of CRR. It should also be noted that, as per Article 124(4) of CRR, this will be subject to an EBA Regulatory Technical Standard (RTS) on ‘financial stability considerations’, to be submitted to the European Commission by 31 December 2014.

Exposures to Commercial Property

Unless otherwise decided by competent authorities on financial stability grounds in accordance with Article 124(2) of CRR, Article 126 of CRR applies a 50 per cent risk weighting to loans fully and completely secured on commercial property; subject to the fulfilment of specific criteria. Otherwise a risk weight of 100 per cent applies.

The Central Bank is availing of the discretion under Article 124(2) of CRR to set a higher risk weighting in this area. Therefore, the Central Bank is continuing with its policy requiring 100 per cent risk weighting for such exposures as a matter of course.

The Central Bank will consult with EBA on the continuance of its current approach with respect to risk weighting for exposures secured by commercial property, as required by Article 124(2) of CRR. It should also be noted that, as per Article 124(4) of CRR, this will also be subject to an EBA Regulatory Technical Standard (RTS) on ‘financial stability considerations’, to be submitted to the European Commission by 31 December 2014

Covered Bonds

Article 129(1)(g), 3rd subparagraph of CRR contains a competent authority discretion which permits the Central Bank, following consultation with EBA, to partly waive point (c) of Article 129(1) of CRR and allow credit quality step 2 for exposures to institutions collateralising covered bonds for up to 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution; provided that significant potential concentration problems can be documented due to the application of the credit quality step 1 requirement set out in that article. The Central Bank is exercising this discretion on a case by case basis.

The Central Bank is also taking this opportunity to highlight a new provision under Article 129(7) of CRR. This provision stipulates that exposures in the form of covered bonds will only be eligible for relevant preferential treatment if a) institutions investing in such instruments can demonstrate to competent authorities that they are in receipt of certain information facilitating a due diligence assessment and b) issuers of covered bonds render such information available to investors at least semi-annually.

5 Credit Risk – IRBA

This section sets out relevant details in relation to the Internal Ratings Based Approach (IRBA), including national discretions exercised by the Central Bank under CRR.

Regulatory Technical Standards

Related to this area, EBA is required to develop a number of Regulatory Technical Standards (RTS), including:

- Article 143(5): Permission to use the IRB approach and Material Changes;²⁷
- Article 144(2): Competent authorities assessment of an application to use an IRB approach;
- Article 148(6): IRB Implementation;
- Article 150(3): Conditions for Permanent Partial Use;
- Article 152(5): Treatment of exposures in the form of units or shares in CIUs;
- Article 153(9): Risk weighted exposure amounts for exposures to corporate, institutions and central governments and central banks;
- Article 164(6): Loss given default (LGD);
- Article 173(3): Integrity of assignment process;
- Article 178(6): Default of an obligor;
- Article 180(3): Requirements specific to PD estimation;
- Article 181(3): Requirements Specific to own LGD estimation;
- Article 182(4): Requirements specific to own-conversion factor estimates;
- Article 183(6): Effects of guarantees and credit derivatives for exposures to corporates.

Exercise of IRBA Discretions

The below discretions will be exercised by the Central Bank:

²⁷ Notwithstanding this the Central Bank of Ireland's 'Material Change Notification Process' will continue to operate and will be reviewed once the RTS is published.

- Article 162(1): Maturity;
- Article 164(5): Loss given default (LGD);
- Article 178(2d): Default of an obligor;
- Article 500(5): Transitional/Basel I Floor;

All of the above discretions are detailed in the Appendices of this document.

If you have any queries in relation to IRBA applications please contact your lead Examiner in the Central Bank.

6 Liquidity

This section specifies Central Bank requirements and expectations in relation to specific liquidity discretions.

Solo Waivers

The new liquidity requirements apply on a consolidated and individual basis. A derogation to the application of liquidity requirements on an individual basis can be considered in accordance with Recital 105 and Article 8 of CRR. In these cases, the institutions will be supervised at a consolidated or single ‘liquidity sub-group’ basis. Provided the conditions outlined in Article 8(1) of CRR are fulfilled, the Central Bank will exercise this discretion on a case-by-case basis. This derogation, which may be a full or partial waiver of the Part Six liquidity requirements, is not related to existing exemptions from the Central Bank’s ‘Requirements for the Management of Liquidity Risk’.

From 1 January 2014, the Central Bank may grant this derogation to an institution where all member institutions of the relevant single liquidity sub-group are authorised by the Central Bank. Where this waiver is granted, the Central Bank may also consider waiving the application of all or part of Regulation X of S.I. XXX/2014 [Article 86 CRD IV] on an individual basis. The granting of this waiver is subject to the European Commission report outlined in Article 8(1) of CRR.

From 1 January 2015, in accordance with Article 8(3) of CRR and subject to the joint decision process outlined in Article 21 of CRR, waivers may be considered for institutions where members of the single liquidity sub-group are authorised in several Member States. The granting of this waiver is also subject to the European Commission report outlined in Article 8(1) of CRR.

Intra-Group Liquidity Flows

Where a solo waiver to the liquidity requirements is not granted or sought, intra-group liquidity flows and committed facilities may receive preferential inflow and outflow rates, as appropriate, subject to the fulfilment of a set of objective criteria. The Central Bank will exercise this discretion on a case-by-case basis and subject to the

methodology, criteria and parameters to be determined in accordance with the European Commission delegated act under Article 460 CRR and the EBA RTSs under Articles 422 and 425 of CRR. For cross-border intra-group liquidity flows, the joint decision process specified in Article 20 of CRR will be adhered to.

Similarly, in accordance with Article 425(1) of CRR, where the Central Bank is the competent authority responsible for supervision on an individual basis, it will review, on a case-by-case basis, applications to fully or partially exempt intra-group flows from the cap limiting inflows to 75 per cent of liquidity outflows.

Assessments

Article 420(2) of CRR contains a competent authority discretion to set the outflow rate on liquidity outflows not captured in Articles 422, 423 and 424 of CRR. The Central Bank will set these rates on a case-by-case basis. Relevant entities shall assess the liquidity outflows in accordance with Article 420(2) of CRR and report to the Central Bank not less than annually, by the 30th September each year, those products and services for which the likelihood and potential volume of the liquidity outflows referred to in Article 420(2) are material.

Article 423(2) of CRR contains a notification and assessment process in relation to contracts entered into by institutions, the contractual conditions of which lead, within 30 days following a material deterioration of the credit quality of the institution, to liquidity outflows or additional collateral needs. The Central Bank will assess these notifications on a case-by-case basis, and where the Central Bank considers such contracts material, shall require the relevant entity to add an additional outflow as appropriate.

Article 418(4) CRR contains a competent authority permission to use particular third parties to calculate and report the appropriate haircuts for shares or units in Collective Investment Undertakings (CIUs). The Central Bank will assess applications from relevant entities on a case-by-case basis.

Trade Finance

The provision in Article 420(2) of CRR on trade finance is included so as not to unnecessarily inhibit trade finance though the imposition of a relatively high outflow rate on contingent funding obligations stemming from trade finance instruments. Outflow rates on relevant off-balance sheet exposures can be up to 100%. The discretion in Article 420(2) of CRR permits competent authorities to set a reduced outflow rate of up to 5 per cent for trade finance off-balance sheet products. An outflow rate of 5 per cent for trade finance off-balance sheet products will apply, as defined in Article 429 and Annex I of CRR.

7 Corporate Governance

This section confirms the Central Bank's discharge of discretions arising within the sphere of corporate governance in S.I. XXX/2014;²⁸ as well as an indication of the interplay between these discretions and the [Central Bank's Corporate Governance Code for Credit Institutions and Insurance Undertakings \(2013\)](#) ('the Code').

Requirements on institutions deemed significant for the purposes of the CRDIV

CRD IV introduces a number of corporate governance requirements for institutions which are significant in terms of their size, internal organisation and the nature, scope and complexity of their activities, hereafter referred to as 'significant institutions'. These requirements²⁹ relating to the composition of the risk, nomination and remuneration committees of significant institutions and to the number of directorships permitted to be held by directors of such institutions are similar, though not identical, to those outlined in the Code. The Central Bank's position is that the requirements of the Code in these cases (as they apply to significant institutions) shall be substituted by the relevant CRD IV provisions as set out above. For clarity, the Code contains an appendix³⁰ which clearly identifies which requirement significant institutions shall comply with in these instances. The Central Bank will notify, where applicable, institutions of their status as a significant institution for the purpose of CRD IV.

Discretions Available to the Competent Authority

This paragraph outlines the discretions available to the competent authority in relation to the corporate governance requirements in CRD IV and how the Central Bank, as the designated competent authority in these instances, intends to exercise these discretions.

Combined Risk-Audit Committee for Institutions not Considered Significant

Regulation X of S.I. XXX/2014 [Article 76(3) CRD IV] requires that significant institutions establish a risk committee. Regulation X of S.I. XXX/2014 [Article 76(3), subparagraph 4 CRD IV] contains a discretion to the effect that the Central Bank may allow an institution which is not considered significant to combine the risk committee

²⁸ Investment firms are also advised to refer to section 9.

²⁹ Set out in Articles 76(3)(1), 88(2), 91(3) and 95(2) CRD IV [Regulations X,X,X, of S.I. XXX/2014].

³⁰ Appendix 2: Additional obligations on credit institutions which are deemed significant for the purposes of CRD IV [S.I. XXX/2014].

with the audit committee. The Central Bank affirms the importance it attaches to the establishment of separate audit and risk committees and therefore does not intend to exercise this discretion for credit institutions. This approach is reflected by section 19.1³¹ of the Code.

The Chairman and Chief Executive Officer Roles

Regulation X of S.I. XXX/2014 [Article 88(1)(e) CRD IV] prohibits the chairman of a management body from holding the position of the chief executive officer simultaneously within the same institution, unless such an arrangement can be justified by the institution and authorised by the competent authority. The Central Bank affirms the importance it attaches to the segregation of these two roles within an institution in the prevention of potential conflicts of interest developing and therefore does not intend to exercise this discretion for credit institutions. This approach is reflected by section 8.6³² of the Code.

Limitations on Directorships at Significant Institutions

Regulation X of S.I. XXX/2014 [Article 91(3) CRD IV] establishes limits on the number and nature of directorships³³ permitted to be held by members of the management bodies of significant institutions. From 1 July 2014, these limits cannot amount to more than one of the following combinations: a) one executive directorship with two non-executive directorships: b) Four non-executive directorships. CRD IV sets out criteria for quantifying relevant directorships for the purposes of the limits in Regulation X of S.I. XXX/2014 [Article 91(4) and (5) CRD IV]. As noted in paragraph 7.1, notwithstanding the less onerous limitation on directorships required in the Code, significant credit institutions shall comply with the requirements contained in CRD IV in this regard. CRD IV permits competent authorities to authorise members of the management bodies of significant institutions to hold one additional non-executive directorship. The Central Bank intends to exercise this discretion on a case-by-case basis for credit institutions.

³¹ Section 19.1 states ‘Subject to paragraph 19.2 below, the board shall establish, at a minimum, both an audit committee and a risk committee. Where the board comprises only 5 members, the full board, including the Chairman and the CEO, may act as the audit committee and/or the risk committee.’

³² Section 8.6 states ‘The roles of Chairman and Chief Executive Officer shall be separate’.

³³ Unless representing the State.

8 Leverage

This section sets out the leverage ratio reporting requirement and the Central Bank's exercise of the transitional discretion relating to calculation of the leverage ratio.

Leverage Ratio Reporting Requirement

As per Articles 429 and 430 of CRR institutions will be subject to a leverage ratio (LR) calculation and reporting requirement, with an observation period on the impact of the LR from 1 January 2014 to mid-June 2016. Public disclosure of certain information pertaining to the LR will also be required from 1 January 2015. Only certain investment firms are subject to this requirement as specified in Article 6(5) of CRR and further elaborated on in section 9.

Following the observation period, EBA will submit a report to the European Commission on the impact of the LR. Article 511 of CRR provides that, by 31 December 2016, the European Commission will publish a report on the impact and effectiveness of the LR. If the European Commission deems it appropriate, that report will be accompanied by a legislative proposal on the introduction of an appropriate number of levels of the LR that institutions following different business models will be required to meet. Under Article 430(1) of CRR institutions must submit the information necessary for the EBA to prepare the report for the European Commission.

Calculation of the LR

As per Article 429(2) of CRR institutions shall calculate the simple arithmetic mean of the monthly LRs over a quarter in accordance with the methodology set out in paragraphs (2)-(11) of that same article.

However, under Article 499(3) of CRR, competent authorities may, during the period from 1 January 2014 to 31 December 2017, permit institutions to calculate an end-of-quarter LR where it is considered that institutions may not possess data of sufficient quality to enable calculation based on an arithmetic mean of monthly LRs over a quarter. The Central Bank is exercising this transitional discretion on a general basis.

9 ‘MiFID’ Firms

This section is relevant for firms authorised under S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 (hereafter ‘MiFID firms’). It is not relevant for credit institutions. The section provides information on the impact of certain provisions of CRR/CRD IV on MiFID firms and in particular sets out how the Central Bank is exercising a number of discretions that are relevant for MiFID firms. As noted in section 1, a comprehensive list of all relevant discretions, together with the Central Bank’s policy on the discretions, is set out in Appendices A and B.

Unless noted differently in this section, the preceding sections of this Notice are also relevant for those MiFID firms that are captured under the definition of ‘investment firm’ in point 2 of Article 4(1) CRR and the term ‘investment firm’ used hereafter in this section (and throughout the other sections of the Notice) will explicitly denote these firms.

Scope of CRR and CRD IV for MiFID firms

The definition of ‘investment firm’ has changed under CRR when compared to the previous definition in Article 3(1)(b) of Directive 2006/49/EC. Point 2 of Article 4(1) CRR refers to Directive 2004/39/EC (MiFID)³⁴ as a starting point for the definition of ‘investment firm’ for CRR and CRDIV and then excludes credit institutions³⁵ and local firms³⁶ from the definition under points 2(a) and 2(b) respectively of Article 4(1). Point 2(c) of Article 4(1) then further excludes MiFID firms that:

- are not authorised to hold client money,
- are not authorised to provide the MiFID ancillary service of safekeeping and administration, *and*
- are only authorised for a combination of the MiFID investment services and activities of reception and transmission of orders, execution of orders on behalf of clients, portfolio management and investment advice

³⁴ Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

³⁵ As defined in point 1 of Article 4(1) of CRR.

³⁶ As defined in point 4 of Article 4(1) of CRR.

from the definition of investment firm and therefore from the full scope of the CRR and CRD IV (hereafter these firms are referred to as the ‘CRD IV exempt firms’). It should be noted that *all three criteria* under point 2(c) of Article 4(1) must be met for the exclusion to apply. The CRD IV exempt firms are still captured by a number of provisions of CRR and CRDIV as noted below and there is also a competent authority discretion in relation to the prudential treatment of a sub-set of these firms for which we have set out the Central Bank’s treatment below.

The CRD IV exempt firms are subject to Regulation X of S.I. XXX/2014 [Article 31 CRD IV] which requires these firms to hold initial capital of €50,000 or to have a certain specified level of professional indemnity insurance or to hold a combination of both. The €50,000 initial capital must comprise one or more of the items referred to in points (a) to (e) of Article 26(1) CRR³⁷ - it must be made up of CET1 capital as defined under CRR.

There is a competent authority discretion set out in Article 95(2) CRR in relation to a sub-set of the CRD IV exempt firms – those that are authorised to execute orders on behalf of clients and/or conduct portfolio management. Hereafter this sub-set of the CRD IV exempt firms will be referred to as the ‘CRD IV exempt FOR firms’. The competent authority discretion in Article 95(2) CRR allows competent authorities to set the own fund requirements for the CRD IV exempt FOR firms as those that would be binding on these firms according to the national transposition measures in force on 31 December 2013 for Directives 2006/48/EC and 2006/49/EC. The Central Bank is exercising this discretion, in effect meaning that the Pillar 1 binding capital requirements and Pillar 2 Internal Capital Adequacy Assessment Process (hereafter ‘ICAAP’) and the Supervisory Review and Evaluation Process (hereafter ‘SREP’) set out in S.I. No. 660 of 2006 (as amended) and S.I. No. 661 of 2006 (as amended) as at 31 December 2013 continue to apply to the CRD IV exempt FOR firms on both an individual and consolidated basis as applicable.

It should be noted that, under CRR, the European Commission is required to review and report on an appropriate regime for the prudential supervision of investment firms,

³⁷ Article 4(51) of CRR and Regulation X of S.I. XXX/2014 [Article 28(1) CRD IV].

local firms and the CRD IV exempt firms by 31 December 2015.³⁸ The Central Bank may therefore revisit the decision to exercise the discretion in Article 95(2) CRR when the European Commission report referred to above is published depending on the outcome of the report and on any legislative changes proposed.

The CRD IV exempt FOR firms are also subject to the initial capital provision set out in Regulation XXX of S.I. XXX/2014 [Article 31 CRD IV] and will have to ensure that their initial capital requirement of €50,000 is met with CET1 capital as defined in points (a) to (e) of Article 26(1) CRR.

Liquidity Requirements

As set out in section 6 above, Part Six CRR introduces new liquidity requirements for institutions. Initially these are liquidity reporting requirements, with a binding Pillar 1 liquidity coverage ratio being phased in from 2015 to 2018. Article 6(4) CRR requires investment firms that are authorised to provide the MiFID investment services and activities of ‘dealing on own account’ and/or ‘underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis’ to comply with the obligations laid down in Part Six on an individual basis.

Article 11(3) CRR requires EU parent institutions³⁹ and institutions controlled by an EU parent financial holding company⁴⁰ or an EU parent mixed financial holding company⁴¹ to comply with the liquidity reporting and funding requirements laid down in Part Six on a consolidated basis if the group comprises one or more credit institutions or investment firms that are authorised to provide the MiFID investment services and activities of ‘dealing on own account’ and/or ‘underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis’.

As noted above, the European Commission is required to review and report on an appropriate regime for the prudential supervision of investment firms by 31 December 2015. In addition, Article 508(2) CRR specifically requires the European Commission to review and report, by the same date, on whether and how the liquidity coverage

³⁸ Article 508(3) of CRR.

³⁹ Article 4(29) of CRR.

⁴⁰ Article 4(31) of CRR.

⁴¹ Article 4(33) of CRR.

requirement laid down in Part Six should apply to investment firms. Pending the outcome of these reviews, Article 6(4) CRR gives competent authorities the discretion to exempt investment firms from compliance with the liquidity reporting and funding requirements laid down in Part Six. Similarly, Article 11(3) affords competent authorities discretion to exempt investment firms from the obligation to comply with the requirements laid down in Part Six on a consolidated basis provided the relevant group comprises only investment firms. The Central Bank is exercising these two discretions, however it should be noted that if, at any stage, the Central Bank considers it necessary for a particular investment firm or category of investment firms to comply with the liquidity reporting and funding requirements in CRR due to the potential impact a firm failure could have on the Irish financial system, the Central Bank may withdraw the exemption from these requirements for that investment firm or category of investment firms.

Until the European Commission reports on an appropriate prudential liquidity regime for investment firms, the Central Bank will continue to monitor the liquidity position of Irish investment firms through the Monthly Metrics Report⁴² and through the Pillar 2 supervisory review process as well as through full risk assessments of firms.

Capital Buffers

CRD IV introduces a number of capital buffers including the capital conservation buffer ('CCB') and the countercyclical buffer ('CCyB'). The requirements for institutions to hold these two buffers are set out in Regulations X and XXX of S.I. XXX/2014 [Articles 129 and 130 CRD IV] respectively. These requirements apply to investment firms that are authorised to provide the MiFID investment services and activities of 'dealing on own account' and/or 'underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis'⁴³.

Regulations X and X of S.I. XXX/2014 [Articles 129 and 130 CRD IV] include Member State discretions to exempt small and medium-sized investment firms from the requirement to hold, respectively, a CCB and a CCyB provided such an exemption does

⁴² Details of the Monthly Metrics Report are available on the Central Bank's website:

<http://www.centralbank.ie/regulation/industry-sectors/investment-firms/mifid-firms/Pages/reporting.aspx>

⁴³ Regulation X of S.I. XXX/2014 [Paragraph 2 of Article 128 CRD IV].

not threaten the stability of the financial system of the Member State. Paragraph X of both Regulation XXX and Regulation XXX of S.I. XXX/2014 [Paragraph 3 of both Article 129 and Article 130] stipulate that the Member State shall designate the authority responsible for making decisions with regard to the Member State discretions on the two buffers. If the Central Bank is confirmed as the designated authority with responsibility for these discretions, the Central Bank intends to consult on its policy proposal in relation to these discretions in due course.

Leverage Ratio

Section 8 above discusses the introduction of leverage ratio and reporting requirements under CRR. These requirements only apply to certain investment firms as follows. Article 6(5) of CRR applies these requirements to investment firms that do not use the fixed overhead requirement (hereafter 'FOR') as part of their Pillar 1 capital requirements calculation⁴⁴ on an individual basis. Article 11 of CRR applies the leverage ratio and reporting requirements on a consolidated basis to parent institutions in a Member State⁴⁵ and to institutions controlled by a parent financial holding company in a Member State⁴⁶ or a parent mixed financial holding company in a Member State.⁴⁷ Therefore any investment firms captured by these definitions are captured by the leverage requirements on a consolidated basis. However Article 16 of CRR provides a derogation to this rule and allows that where all entities in a group of investment firms are investment firms that are exempt from the application of the leverage requirements on an individual basis, the parent investment firm may choose not to apply the requirements on a consolidated basis.

Fixed Overhead Requirement

Investment firms that fall within one of the categories set out in Article 95(1) or 96(1) CRR and therefore use the FOR as part of their Pillar 1 capital requirements calculation should note that Article 97 CRR mandates the EBA, in consultation with ESMA, to develop draft RTS to specify the calculation of the FOR in greater detail. These draft RTS are to be submitted to the European Commission by 1 March 2014. Investment

⁴⁴ The leverage requirements apply to investment firms **other than** investment firms that fall within one of the categories set out in Article 95(1) or 96(1) of CRR.

⁴⁵ Article 4(28) of CRR.

⁴⁶ Article 4(30) of CRR.

⁴⁷ Article 4(32) of CRR.

firms will therefore be required to use the calculation of the FOR set out in the RTS. It is also the Central Bank's intention that the CRD IV Exempt FOR firms will be required to use this calculation of the FOR when the RTS comes into effect.

Initial Capital Requirements on Going Concern Basis

Regulations X to X of S.I. XXX/2014 [Articles 28 to 32 CRD IV] set out requirements for the initial capital of MiFID firms. Regulation X [Article 32] sets out certain grandfathering provisions in relation to initial capital levels similar to those included in Article 20 of Directive 2006/49/EC. Paragraph X of Regulation X of S.I. XXX/2014 [Article 32(5) CRD IV] allows the Central Bank to dis-apply these grandfathering provisions in order to ensure the solvency of the relevant firms. The Central Bank is exercising this discretion for all relevant MiFID firms.

Corporate Governance

Section 7 above refers to a number of corporate governance provisions and competent authority discretions. The Central Bank would like to highlight here its approach to the application of two of these discretions to Irish investment firms. Firstly, Regulation X of S.I. XXX/2014 [Article 76 CRD IV] provides that the Central Bank may allow an institution which is not considered as significant in terms of its size, internal organisation and the nature, scope and complexity of its activities to combine its risk committee with its audit committee. The Central Bank is not exercising this discretion for banks in Ireland, however because of the differences in the nature, scale and complexity of Irish investment firms, the Central Bank is exercising this discretion on a case-by-case basis for investment firms.

Regulation X of S.I. XXX/2014 [Article 88 CRD IV] prohibits the chairman of the management body in its supervisory function from exercising simultaneously the role of chief executive officer within the same institution, unless justified by the institution and authorised by the Central Bank. The Central Bank affirms the importance it attaches to the separateness of the roles of chairman and chief executive officer and as a general rule the Central Bank is not exercising this discretion for investment firms. However the Central Bank reserves the possibility of exercising this discretion for a low-impact investment firm that does not hold client funds and which makes a case to the Central Bank. This will be assessed on application and on a case by case basis.

Reporting Requirements

Existing capital reporting requirements will continue to apply for the CRD IV exempt firms and CRD IV exempt FOR firms. In this regard, from 1 January 2014, the CRD IV exempt FOR firms will continue to be required to submit capital returns on the COREP templates in place as at 31 December 2013⁴⁸ at the same level (individual/consolidated) and frequency as applied to these firms at 31 December 2013. However, the remittance dates for these COREP returns will be aligned to the new remittance dates required for investment firms' capital returns under the CRR/CRD IV.⁴⁹ The first reporting date for which the new remittance dates apply is 31 March 2014.

New reporting requirements will apply to investment firms captured in scope of CRR and CRD IV. The full suite of reporting requirements applicable to an investment firm will depend on whether it is captured in scope of certain requirements in CRR and CRD IV. The EBA is developing draft technical standards to specify in detail the reporting requirements that apply to institutions and specifically to investment firms. More information is available on these detailed reporting requirements on the EBA's website⁵⁰.

For the avoidance of doubt, all MiFID firms – including investment firms in scope of CRR and CRD IV, the CRD IV exempt firms and the CRD IV exempt FOR firms – will continue to be required to submit management accounts and audited annual accounts information to the Central Bank on the FINREP templates in place as at 31 December 2013⁵¹ at the same level (individual/consolidated) and frequency as applied at 31 December 2013. There will be no change to the remittance dates for submissions of management and audited annual accounts by MiFID firms.

⁴⁸ For details of these COREP templates see the Central Bank's website at the following link:

<http://www.centralbank.ie/regulation/industry-sectors/investment-firms/mifid-firms/Pages/reporting.aspx>

⁴⁹ The remittance dates required for investment firms' capital returns under the CRR/CRD IV will be specified in technical standards. Draft technical standards are currently available on the EBA's website:

<http://www.eba.europa.eu/regulation-and-policy/supervisory-reporting>

⁵⁰ <http://www.eba.europa.eu/regulation-and-policy/supervisory-reporting>

⁵¹ For details on these FINREP templates see the Central Bank's website at:

<http://www.centralbank.ie/regulation/industry-sectors/investment-firms/mifid-firms/Pages/reporting.aspx>

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Appendix A (Part I) – New Competent Authority Discretions and Options in CRD IV [S.I. XXX/2014]

Directive Reference	Text of Article [or Text of Provision]	Area	Nature	Exercise	Comment
Article 32(5) (Grandfathering provision)	Where competent authorities consider it necessary, in order to ensure the solvency of such investment firms and firms, that the requirements set out in paragraph 4 are met, paragraphs 1, 2 and 3 shall not apply.	Investment Firms	General or Case-by-case	Yes	The Central Bank intends to exercise this discretion for all relevant investment firms and firms.
Article 40 (Reporting requirements)	<p>The competent authorities of the host Member States may require that all credit institutions having branches within their territories shall report to them periodically on their activities in those host Member States.</p> <p>Such reports shall only be required for information or statistical purposes, for the application of Article 51(1), or for supervisory purposes in accordance with this Chapter. They shall be subject to professional secrecy requirements at least equivalent to those referred to in Article 53(1).</p> <p>The competent authorities of the host Member States may in particular require information from the credit institutions referred to in the first subparagraph in order to allow those competent authorities to assess whether a branch is significant in accordance with Article 51(1).</p>	Home-Host/Branches	General	Yes	Once this provision becomes applicable (see Article 151(1) CRD IV), the Central Bank intends to retain the flexibility to exercise the discretion in subparagraph 1, subject to the (new) provisions in subparagraphs 2 and 3.
Article 74(4) (Internal governance and recovery and resolution plans)	Competent authorities shall ensure that recovery plans for the restoration of an institution's financial situation following a significant deterioration, and resolution plans are put in place. In accordance with the principle of proportionality, the requirements for an institution to draw up, maintain and update recovery plans and for the resolution authority, after consulting the competent authority, to prepare resolution plans, may be reduced if, after consulting the national macroprudential authority, competent	Recovery & Resolution	General or case-by-case	Yes	The Central Bank intends to exercise this discretion on a proportionate basis

	authorities consider that the failure of a specific institution due, inter alia, to its size, to its business model, to its interconnectedness to other institutions, or to the financial system in general, will not have a negative effect on financial markets, on other institutions or on funding conditions.				
Article 76(3) (Treatment of risks)	Competent authorities may allow an institution which is not considered significant as referred to in the first subparagraph to combine the risk committee with the audit committee as referred to in Article 41 of Directive 2006/43/EC. Members of the combined committee shall have the knowledge, skills and expertise required for the risk committee and for the audit committee.	Corporate Governance	General or case-by-case	Yes for investment firms	The Central Bank intends to exercise this discretion on a case-by-case basis for investment firms; subject to the prior written approval of the Central Bank. In the case of credit institutions, the Central Bank does not intend to exercise this discretion.
Article 78(2) (Supervisory benchmarking of internal approaches for calculating own funds requirements)	Competent authorities shall ensure that institutions submit the results of the calculations referred to in paragraph 1 in accordance with the template developed by EBA in accordance with paragraph 8 to the competent authorities and to EBA. Where competent authorities choose to develop specific portfolios, they shall do so in consultation with EBA and ensure that institutions report the results of the calculations separately from the results of the calculations for EBA portfolios.	Benchmarking	General	Yes	The Central Bank intends to retain the flexibility to develop 'specific portfolios' for the purposes of this provision.
Article 88(1)(e) (Governance arrangements)	the chairman of the management body in its supervisory function of an institution must not exercise simultaneously the functions of a chief executive officer within the same institution, unless justified by the institution and authorised by	Corporate Governance	Case-by-case	No, except for certain investment firms	The Central Bank affirms the importance it attaches to the maintenance of separate roles for the chairman and chief executive officer and does not intend to exercise this

	competent authorities.				discretion, with the exception of a low-impact investment firm which does not hold client funds and which makes a case to the Central Bank. This will be assessed on application and on a case by case basis.
Article 91(6) (Management body)	Competent authorities may authorise members of the management body to hold one additional non-executive directorship. Competent authorities shall regularly inform EBA of such authorisations.	Corporate Governance	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis
Article 99(2)(c) (Supervisory examination programme)	Supervisory examination programmes shall include the following institutions... any other institution for which the competent authorities deem it to be necessary.	Supervisory Review & Evaluation	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis
Article 103(1) (Application of supervisory measures to institutions with similar risk profiles)	Where the competent authorities determine under Article 97 that institutions with similar risk profiles such as similar business models or geographical location of exposures, are or might be exposed to similar risks or pose similar risks to the financial system, they may apply the supervisory review and evaluation process referred to in Article 97 to those institutions in a similar or identical manner. For those purposes, Member States shall ensure that competent authorities have the necessary legal powers to impose requirements under this Directive and under Regulation (EU) No 575/2013 on those institutions in a similar or identical manner, including in particular the exercise of supervisory powers under Articles 104, 105 and 106. The types of institution referred to in the first subparagraph may in particular be determined in accordance with the criteria referred to in Article	Supervisory Review & Evaluation	Case-by-case	Yes	The Central Bank proposes to retain the flexibility to exercise this discretion, if necessary, on a case-by-case basis.

	98(1)(j).				
Article 129(2)-(3) (Requirement to maintain a capital conservation buffer)	<p>2. By way of derogation from paragraph 1, a Member State may exempt small and medium-sized investment firms from the requirements set out in that paragraph if such an exemption does not threaten the stability of the financial system of that Member State. The decision on the application of such an exemption shall be fully reasoned, shall include an explanation as to why the exemption does not threaten the stability of the financial system of the Member State and shall contain the exact definition of the small and medium-sized investment firms which are exempt.</p> <p>Member States which decide to apply such an exemption shall notify the Commission, the ESRB, EBA and the competent authorities of the Member States concerned accordingly.</p> <p>3. For the purpose of paragraph 2, the Member State shall designate the authority in charge of the application of this Article. That authority shall be the competent authority or the designated authority.</p>	Capital Buffers/Investment Firms	General	TBC	If Regulation X of S.I. XXX/2014 assigns the Central Bank as the designated authority with responsibility for deciding if this discretion will be implemented, the Central Bank intends to consult with industry further on this discretion.
Article 130(2)-(3) (Requirement to maintain an institution-specific countercyclical capital buffer)	<p>By way of derogation from paragraph 1, a Member State may exempt small and medium-sized investment firms from the requirements set out in that paragraph if such an exemption does not threaten the stability of the financial system of that Member State. The decision on the application of such an exemption shall be fully reasoned, shall include an explanation as to why the exemption does not threaten the stability of the financial system of the Member State and shall contain the exact definition of small and</p>	Capital Buffers/Investment Firms	General	TBC	If Regulation X of S.I. XXX/2014 assigns the Central Bank as the designated authority with responsibility for deciding if this discretion, the Central Bank intends to consult with industry further on this discretion.

	<p>medium-sized investment firms which are exempt.</p> <p>Member States which decide to apply such an exemption shall notify the Commission, the ESRB, EBA and the competent authorities of the Member States concerned accordingly.</p> <p>3. For the purpose of paragraph 2, the Member State shall designate the authority in charge of the application of this Article. That authority shall be the competent authority or the designated authority.</p>				
Article 131(5) (Global and other systemically important institutions)	The competent authority or designated authority may require each O-SII, on a consolidated or sub-consolidated or individual basis, as applicable, to maintain an O-SII buffer of up to 2 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, taking into account the criteria for the identification of the O-SII. That buffer shall consist of and shall be supplementary to Common Equity Tier 1 capital.	Capital Buffers	Case-by-case	TBC	
Article 131(10) (Global and other systemically important institutions)	Without prejudice to paragraphs 1 and 9, the competent authority or the designated authority may, in the exercise of sound supervisory judgment: <ul style="list-style-type: none"> (a) re- allocate a G-SII from a lower sub-category to a higher sub-category; (b) allocate an entity as referred to in paragraph 1 that has an overall score that is lower than the cut-off score of the lowest sub-category to that sub-category or to a higher sub-category, thereby designating it as a G-SII. 	Capital Buffers	Case-by-case	TBC	
Article 133(1)-(3)(see also Article 133(2)) (Requirement to	1. Each Member State may introduce a systemic risk buffer of Common Equity Tier 1 capital for the financial sector or one or more subsets of that sector, in order to prevent and mitigate long term non-	Capital Buffers	General or case-by-case	TBC	

<p>maintain a systemic risk buffer)</p>	<p>cyclical systemic or macroprudential risks not covered by Regulation (EU) No 575/2013, in the meaning of a risk of disruption in the financial system with the potential to have serious negative consequences to the financial system and the real economy in a specific Member State.</p> <p>2. For the purpose of paragraph 1, the Member State shall designate the authority in charge of setting the systemic risk buffer and of identifying the sets of institutions to which it applies. This authority shall be the competent authority or the designated authority.</p> <p>3. For the purpose of paragraph 1, institutions may be required to maintain, in addition to the Common Equity Tier 1 capital maintained to meet the own funds requirement imposed by Article 92 of Regulation (EU) No 575/2013, a systemic risk buffer of Common Equity Tier 1 capital of at least 1 % based on the exposures to which the systemic risk buffer applies in accordance with paragraph 8 of this Article, on an individual, consolidated, or sub-consolidated basis, as applicable in accordance with Part One, Title II of that Regulation. The relevant competent or designated authority may require institutions to maintain the systemic risk buffer on an individual and on a consolidated level.</p>				
<p>Article 133(8) (Requirement to maintain a systemic risk buffer)</p>	<p>The systemic risk buffer may apply to exposures located in the Member State that sets that buffer and may also apply to exposures in third countries. The systemic risk buffer may also apply to exposures located in other Member States, subject to paragraphs 15 and 18.</p>	<p>Capital Buffers</p>	<p>General or case-by-case</p>	<p>TBC</p>	
<p>Article 133(9) (Requirement to maintain a systemic risk</p>	<p>The systemic risk buffer shall apply to all institutions, or one or more subsets of those institutions, for which the authorities of the Member State concerned are competent in accordance with this Directive and shall</p>	<p>Capital Buffers</p>	<p>General or case-by-case</p>	<p>TBC</p>	

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

buffer)	be set in gradual or accelerated steps of adjustment of 0,5 percentage point. Different requirements may be introduced for different subsets of the sector.				
Article 133(13) (Requirement to maintain a systemic risk buffer)	The competent authority or the designated authority may from 1 January 2015 set or reset a systemic risk buffer rate that applies to exposures located in that Member State and may also apply to exposures in third countries of up to 5 % and follow the procedures set out in paragraph 11. When setting or resetting a systemic risk buffer rate above 5 % the procedures set out in paragraph 12 shall be complied with.	Capital Buffers	General or case-by-case	TBC	
Article 133(17) (Requirement to maintain a systemic risk buffer)	Where an institution fails to meet fully the requirement under paragraph 1 of this Article, it shall be subject to the restrictions on distributions set out in Article 141(2) and (3). Where the application of those restrictions on distributions leads to an unsatisfactory improvement of the Common Equity Tier 1 capital of the institution in the light of the relevant systemic risk, the competent authorities may take additional measures in accordance with Article 64.	Capital Buffers	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case by case basis.
Article 133(18) (Requirement to maintain a systemic risk buffer)	Following notification as referred to in paragraph 11, Member States may apply the buffer to all exposures. Where the competent authority or the designated authority decides to set the buffer up to 3 % on the basis of exposures in other Member States, the buffer shall be set equally on all exposures located within the Union.	Capital Buffers	Case-by-case	TBC	
Article 136(4)-(6) (Setting countercyclical)	4. The countercyclical buffer rate, expressed as a percentage of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 of institutions that	Capital Buffers	General	TBC	

<p>buffer rates)</p>	<p>have credit exposures in that Member State, shall be between 0 % and 2,5 %, calibrated in steps of 0,25 percentage points or multiples of 0,25 percentage points. Where justified on the basis of the considerations set out in paragraph 3, a designated authority may set a countercyclical buffer rate in excess of 2,5 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 for the purpose set out in Article 140(2) of this Directive.</p> <p>5. Where a designated authority sets the countercyclical buffer rate above zero for the first time, or where, thereafter, a designated authority increases the prevailing countercyclical buffer rate setting, it shall also decide the date from which the institutions must apply that increased buffer for the purposes of calculating their institution-specific countercyclical capital buffer. That date shall be no later than 12 months after the date when the increased buffer setting is announced in accordance with paragraph 7. If the date is less than 12 months after the increased buffer setting is announced, that shorter deadline for application shall be justified on the basis of exceptional circumstances.</p> <p>6. If a designated authority reduces the existing countercyclical buffer rate, whether or not it is reduced to zero, it shall also decide an indicative period during which no increase in the buffer is expected. However, that indicative period shall not bind the designated authority.</p>				
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<p>Article 137(1)-(2) (Recognition of countercyclical buffer rates in excess of 2,5 %)</p>	<p>1. Where a designated authority, in accordance with Article 136(4), or a relevant third-country authority has set a countercyclical buffer rate in excess of 2,5 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, the other designated authorities may recognise that buffer rate for the purposes of the calculation by domestically authorised institutions of their institution-specific countercyclical capital buffers.</p> <p>2. Where a designated authority in accordance with paragraph 1 of this Article recognises a buffer rate in excess of 2,5 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, it shall announce that recognition by publication on its website. The announcement shall include at least the following information:</p> <p>(a) the applicable countercyclical buffer rate;</p> <p>(b) the Member State or third countries to which it applies;</p> <p>(c) where the buffer rate is increased, the date from which the institutions authorised in the Member State of the designated authority must apply that increased buffer rate for the purposes of calculating their institution-specific countercyclical capital buffer;</p> <p>(d) where the date referred to in point (c) is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.</p>	<p>Capital Buffers</p>	<p>General</p>	<p>TBC</p>	
<p>Article 138(b) (ESRB recommendation on third country</p>	<p>The ESRB may, in accordance with Article 16 of Regulation (EU) No 1092/2010, issue a recommendation to designated authorities on the appropriate countercyclical buffer rate for exposures to that third country where... (b) the ESRB considers that</p>	<p>Capital Buffers</p>	<p>General</p>	<p>TBC</p>	

<p>countercyclical buffer rates)</p>	<p>a countercyclical buffer rate which has been set and published by the relevant third-country authority for a third country is not sufficient to protect Union institutions appropriately from the risks of excessive credit growth in that country, or a designated authority notifies the ESRB that it considers that buffer rate to be insufficient for that purpose.</p>				
<p>Article 139(2)-(4) (Decision by designated authorities on third country countercyclical buffer rates)</p>	<p>2. In the circumstances referred to in point (a) of Article 138, designated authorities may set the countercyclical buffer rate that domestically authorised institutions must apply for the purposes of the calculation of their institution-specific countercyclical capital buffer.</p> <p>3. Where a countercyclical buffer rate has been set and published by the relevant third-country authority for a third country, a designated authority may set a different buffer rate for that third country for the purposes of the calculation by domestically authorised institutions of their institution-specific countercyclical capital buffer if they reasonably consider that the buffer rate set by the relevant third-country authority is not sufficient to protect those institutions appropriately from the risks of excessive credit growth in that country.</p> <p>When exercising the power under the first subparagraph, a designated authority shall not set a countercyclical buffer rate below the level set by the relevant third-country authority unless that buffer rate exceeds 2,5 %, expressed as a percentage of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 of institutions that have credit exposures in that third country.</p> <p>In order to achieve coherence for the buffer settings for third countries the ESRB may give</p>	<p>Capital Buffers</p>	<p>Case-by-case</p>	<p>TBC</p>	

	<p>recommendations for such settings.</p> <p>4. Where a designated authority sets a countercyclical buffer rate for a third country pursuant to paragraph 2 or 3 which increases the existing applicable countercyclical buffer rate, the designated authority shall decide the date from which domestically authorised institutions must apply that buffer rate for the purposes of calculating their institution-specific countercyclical capital buffer. That date shall be no later than 12 months from the date when the buffer rate is announced in accordance with paragraph 5. If that date is less than 12 months after the setting is announced, that shorter deadline for application shall be justified on the basis of exceptional circumstances.</p>				
<p>Article 142(3)-(4) (Capital Conservation Plan)</p>	<p>3. The competent authority shall assess the capital conservation plan, and shall approve the plan only if it considers that the plan, if implemented, would be reasonably likely to conserve or raise sufficient capital to enable the institution to meet its combined buffer requirements within a period which the competent authority considers appropriate.</p> <p>4. If the competent authority does not approve the capital conservation plan in accordance with paragraph 3, it shall impose one or both of the following:</p> <p>(a) require the institution to increase own funds to specified levels within specified periods;</p> <p>(b) exercise its powers under Article 102 to impose more stringent restrictions on distributions than those required by Article 141.</p>	<p>Capital Buffers</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise the discretion in subparagraph 4 on a case-by-case basis.</p>

**Appendix A (Part II) – Pre-existing Competent Authority Discretions and Options in CRD
IV [S.I. XXX/2014]**

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

Directive Reference	Text of Article	Area	Nature	Exercise	Comment
Article 12(3)(Initial Capital)	Member States may decide that credit institutions which do not fulfil the requirement to hold separate own funds and which were in existence on 15 December 1979 may continue to carry out their business. They may exempt such credit institutions from complying with the requirement contained in the first subparagraph of Article 13(1).	Requirements for Access to the Activity of Credit Institutions	Case-by-case	TBC	This discretion has been assigned by the Department to the Central Bank, subject to confirmation in S.I. XXX/2014.
Article 12(4)(Initial Capital)	Member States may grant authorisation to particular categories of credit institutions the initial capital of which is less than that specified in paragraph 1, subject to the following conditions: (a) the initial capital is no less than EUR 1 million; (b) the Member States concerned notify the Commission and EBA of their reasons for exercising that option.	Requirements for Access to the Activity of Credit Institutions	Case-by-case	No, except for building societies	This discretion has been assigned by the Department to the Central Bank. The Central Bank intends to discharge this discretion in accordance with the current approach.
Article 19 (Name of Credit Institutions)	For the purposes of exercising their activities, credit institutions may, notwithstanding any provisions in the host Member State concerning the use of the words 'bank', 'savings bank' or other banking names, use throughout the territory of the Union the same name that they use in the Member State in which their head office is situated. In the event of there being any danger of confusion, the host Member State may, for the purposes of clarification, require that the name be accompanied by certain explanatory particulars.	Requirements for Access to the Activity of Credit Institutions	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.
Article 21 (Waiver for credit institutions permanently affiliated to a central body)	The competent authorities may waive the requirements set out in Articles 10 and 12 and Article 13(1) of this Directive with regard to a credit institution referred to in Article 10 of Regulation (EU) No 575/2013 in accordance with the conditions set out therein.	Authorisations	Case-by-case	No	See comment on Article 10 CRR.
Article 22(3)-(5),(7) (Notification)	3. The competent authorities may, during the assessment period if necessary, and no later than on the 50th working day of the assessment period, request further information that is necessary to	Qualifying Holdings	Case-by-case	Yes	The Central Bank intends to continue exercising these discretions on a case-by-case

<p>and assessment of proposed acquisitions)</p>	<p>complete the assessment. Such a request shall be made in writing and shall specify the additional information needed.</p> <p>For the period between the date of request for information by the competent authorities and the receipt of a response thereto by the proposed acquirer, 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 information shall be at their discretion but shall not result in a suspension of the assessment period.</p> <p>4. The competent authorities may extend the suspension referred to in the second subparagraph of paragraph 3 up to 30 working days if the proposed acquirer is situated or regulated in a third country or is a natural or legal person not subject to supervision under this Directive or under Directives 2009/65/EC, 2009/138EC, or 2004/39/EC.</p> <p>5. If the competent authorities decide to oppose the proposed acquisition, they shall, within two working days of completion of the assessment, and not exceeding the assessment period, inform the proposed acquirer in writing, providing the reasons. 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 proposed acquirer. This shall not prevent a Member State from allowing the competent authority to publish such information in the absence of a request by the proposed acquirer.</p> <p>7. The competent authorities may fix a maximum period for concluding the proposed acquisition and extend it where appropriate</p>				<p>basis.</p>
<p>Article 23(2) (Assessment criteria)</p>	<p>The competent 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 proposed acquirer is incomplete</p>	<p>Qualifying Holdings</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>The Central Bank intends to continue exercising this discretion on a case-by-case basis.</p>

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

<p>Article 29(2) (Initial capital of particular types of investment firms)</p>	<p>2. The competent authorities may allow an investment firm which executes investors' orders for financial instruments to hold such instruments for its own account if the following conditions are met: (a) such positions arise only as a result of the firm's failure to match investors' orders precisely; (b) the total market value of all such positions is subject to a ceiling of 15 % of the firm's initial capital; (c) the firm meets the requirements set out in Articles 92 to 95 and Part Four of Regulation (EU) No 575/2013; (d) such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.</p>	<p>Investment Firms</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>The Central Bank intends to continue exercising this discretion on a case-by-case basis subject to prior written approval from the Central Bank.</p>
<p>Article 29(3) (Initial Capital of particular types of investment firms)</p>	<p>Member States may reduce the amount referred to in paragraph 1 to EUR 50 000 where a firm is not authorised to hold client money or securities, to deal for its own account, or to underwrite issues on a firm commitment basis.</p>	<p>Investment Firms</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>This is subject to prior written approval by the Central Bank.</p>
<p>Article 44 (Powers of Host Member State)</p>	<p>Host Member States may, notwithstanding Articles 40 and 41, exercise the powers conferred on them under this Directive to take appropriate measures to prevent or to punish breaches committed within their territories of the rules they have adopted pursuant to this Directive or in the interests of the general good. This shall include the possibility of preventing offending credit institutions from initiating further transactions within their territories.</p>	<p>Home/Host</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>The Central Bank will maintain the flexibility to exercise this discretion on a case-by-case.</p>
<p>Article 93(b) (Institutions that benefit from government intervention)</p>	<p>In the case of institutions that benefit from exceptional government intervention, the following principles shall apply in addition to those set out in Article 92(2)...(b) the relevant competent authorities require institutions to restructure remuneration in a manner aligned with sound risk management and long-term growth, including, where appropriate, establishing limits to the remuneration of the members of the management body of the institution</p>	<p>Remuneration</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>The Central Bank intends to maintain the flexibility to exercise this discretion on a case-by-case basis.</p>

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

Article 108(1) (Internal capital adequacy assessment process)	Competent authorities shall require every institution which is neither a subsidiary in the Member State where it is authorised and supervised, nor a parent undertaking, and every institution not included in the consolidation pursuant to Article 19 of Regulation (EU) No 575/2013, to meet the obligations set out in Article 73 of this Directive on an individual basis. Competent authorities may waive the requirements set out in Article 73 of this Directive in regard to a credit institution in accordance with Article 10 of Regulation (EU) No 575/2013.	Level of Application	Case-by-case	No	See comment on Article 10 CRR.
Article 109(1) (Institutions' arrangements, processes and mechanisms)	Competent authorities shall require institutions to meet the obligations set out in Section II of this Chapter on an individual basis, unless competent authorities make use of the derogation provided for in Article 7 of Regulation (EU) No 575/2013.	Level of Application	Case-by-case	No	See comment on Article 7 CRR.
Article 111(5) (Determination of the consolidating supervisor)	In particular cases, the competent authorities may, by common agreement, waive the criteria referred to in paragraphs 3 and 4 if their application would be inappropriate, taking into account the institutions and the relative importance of their activities in different countries, and appoint a different competent authority to exercise supervision on a consolidated basis. In such cases, before taking their decision, the competent authorities shall give the EU parent institution, EU parent financial holding company, EU parent mixed financial holding company, or institution with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that decision.	Consolidated Supervision	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.
Article 115(2) (Coordination and cooperation arrangements)	The competent authorities responsible for authorising the subsidiary of a parent undertaking which is an institution may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010, delegate their responsibility for supervision to the competent authorities which authorised and supervise the parent undertaking so that they assume responsibility for supervising the subsidiary in accordance with this Directive. EBA shall be kept informed of the existence and content of such agreements. It shall forward such information to the competent authorities of the other	Consolidated Supervision	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.

	Member States and to the European Banking Committee				
Article 127(3) (Assessment of equivalence of third countries' consolidated supervision)	Competent authorities may in particular require the establishment of a financial holding company or mixed financial holding company which has its head office in the Union, and apply the provisions on consolidated supervision to the consolidated position of that financial holding company or the consolidated position of the institutions of that mixed financial holding company.	Holding Companies	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.
Article 152 (Reporting Requirements)	Host Member States may, for statistical purposes, require that all credit institutions having branches within their territories shall report periodically on their activities in those host Member States to the competent authorities of those host Member States. In discharging the responsibilities imposed on them in Article 156 of this Directive, host Member States may require that branches of credit institutions from other Member States provide the same information as they require from national credit institutions for that purpose.	Transitional Provision	General	Yes	The Central Bank intends to exercise this discretion.
Article 153(4) (Measures taken by the competent authorities of the home Member State in relation to activities carried out in the host Member State)	If, despite the measures taken by the home Member State or because such measures prove inadequate or are not provided for in the Member State in question, the credit institution persists in violating the legal rules referred to in paragraph 1 in force in the host Member State, the latter may, after informing the competent authorities of the home Member State, take appropriate measures to prevent or to punish further breaches and, in so far as is necessary, to prevent that credit institution from initiating further transactions within its territory. Member States shall ensure that it is possible to serve the legal documents necessary for those measures on credit institutions within their territories.	Transitional Provision	Case-by-case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.

Appendix B (Part I) – New Competent Authority Discretions and Options in CRR

Regulation Reference	Text of Article	Area	Nature	Exercise	Comment
Recital 75 (Approval of Additional Tier 1 and 2 instruments)	This Regulation should not affect the ability of competent authorities to maintain pre-approval processes regarding the contracts governing Additional Tier 1 and Tier 2 capital instruments. In those cases such capital instruments should only be computed towards the institution's Additional Tier 1 capital or Tier 2 capital once they have successfully completed these approval processes.	Own Funds	General	Yes	The eligibility criteria in the CRR are far clearer as to what AT1/T2 instruments should conform to. Notwithstanding this greater clarity, in the interests of prudence and consistency of approach, it is proposed that all capital instruments must receive the Central Bank's prior approval before they may be included in Own Funds.
Article 4(2)(Definitions)	Where reference in this Regulation is made to real estate or residential or commercial immovable property or a mortgage on such property, it shall include shares in Finnish residential housing companies operating in accordance with the Finnish Housing Company Act of 1991 or subsequent equivalent legislation. Member States or their competent authorities may allow shares constituting an equivalent indirect holding of real estate to be treated as a direct holding of real estate provided that such an indirect holding is specifically regulated in the national law of the Member State concerned and that, when pledged as collateral, it provides equivalent protection to creditors.	Credit Risk	Case by Case	No	

6(4)(General Principles)	Credit institutions and investment firms that are authorised to provide the investment services and activities listed in points (3) and (6) of Section A of Annex I to Directive 2004/39/EC shall comply with the obligations laid down in Part Six on an individual basis. Pending the report from the Commission in accordance with Article 508(3), competent authorities may exempt investment firms from compliance with the obligations laid down in Part Six taking into account the nature, scale and complexity of the investment firms' activities.	Investment Firms	General	Yes	Pending the report from the European Commission, due 31 December 2015, the Central Bank intends to exercise this discretion for all investment firms in scope of the requirements. It should be noted that if, at any stage, the Central Bank considers it necessary for a particular investment firm or category of investment firms to comply with the liquidity requirements the Central Bank may withdraw the exemption from the CRR liquidity requirements for that investment firm or category of investment firms.
Article 8 (Derogation from the application of liquidity requirements on an individual basis)	1. The competent authorities may waive in full or in part the application of Part Six 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 of the following conditions: (a) the parent institution on a consolidated basis or a subsidiary institution on a sub consolidated basis complies with the obligations laid down in Part Six; (b) the parent institution on a consolidated basis or the subsidiary institution on a sub consolidated basis monitors and has oversight at all times over the liquidity positions of all institutions within the group or sub group, that are subject to the waiver and ensures a sufficient level of liquidity for all of these institutions; (c) the institutions have entered into contracts that, to the satisfaction of the competent authorities, provide for the free movement of funds between them to enable them to meet their individual and joint obligations as they become due;	Liquidity	Case by Case	Yes	From 1 Jan 2014 derogations may be granted where all institutions of the single liquidity sub-group are authorised by the Bank. From 1 Jan 2015, following a joint-decision process, derogations may be granted where institutions of the relevant single liquidity sub-group are authorised in several Member States. These derogations are subject to a European Commission review of one of the conditions by 1 Jan 2014 and a possible legislative proposal by 31 Dec 2015 if appropriate. When granting the derogation to domestic institutions, a derogation to the application of the

	<p>(d) there is no current or foreseen material practical or legal impediment to the fulfilment of the contracts referred to in (c). By 1 January 2014, the Commission shall report to the European Parliament and the Council on any legal obstacles which are capable of rendering impossible the application of point (c) of the first subparagraph and is invited to make a legislative proposal, if appropriate, by 31 December 2015, on which of those obstacles should be removed.</p> <p>2. The competent authorities may waive in full or in part the application of Part Six to an institution and to all or some of its subsidiaries where all institutions of the single liquidity sub group are authorised in the same Member State and provided that the conditions in paragraph 1 are fulfilled.</p> <p>3. Where institutions of the single liquidity sub group are authorised in several Member States, paragraph 1 shall only be applied after following the procedure laid down in Article 21 and only to the institutions whose competent authorities agree about the following elements: (a) their assessment of the compliance of the organisation and of the treatment of liquidity risk with the conditions set out in Article 86 of Directive 2013/36/EU/36/EU across the single liquidity sub group; (b) the distribution of amounts, location and ownership of the required liquid assets to be held within the single liquidity sub group; (c) the determination of minimum amounts of liquid assets to be held by institutions for which the application of Part Six will be waived; (d) the need for stricter parameters than those set out in</p>				<p>Directive's Article 86 qualitative liquidity requirements may also be granted.</p>
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	<p>Part Six; (e) unrestricted sharing of complete information between the competent authorities; (f) a full understanding of the implications of such a waiver.</p> <p>4. Competent authorities may also apply paragraphs 1, 2 and 3 to institutions which are members of the same institutional protection scheme as referred to in Article 113(7) provided that they meet all the conditions laid down therein, and to other institutions linked by a relationship referred to in Article 113(6) provided that they meet all the conditions laid down therein. Competent authorities shall in that case determine one of the institutions subject to the waiver to meet Part Six on the basis of the consolidated situation of all institutions of the single liquidity sub group.</p> <p>5. Where a waiver has been granted under paragraph 1 or paragraph 2, the competent authorities may also apply Article 86 of Directive 2013/36/EU, or parts thereof, at the level of the single liquidity sub group and waive the application of Article 86 of Directive 2013/36/EU, or parts thereof, on an individual basis.</p>				
<p>Article 9 (Individual consolidation method)</p>	<p>1. Subject to paragraphs 2 and 3 of this Article and to Article 144(3) of Directive 2013/36/EU, the competent authorities may permit on a case-by-case basis parent institutions to incorporate in the calculation of their requirement under Article 6(1), subsidiaries which meet the conditions laid down in points (c) and (d) of Article 7(1) and whose material exposures or material liabilities are to that parent institution.</p> <p>2. The treatment set out in paragraph 1 shall be permitted only where the parent institution demonstrates fully to the competent authorities the circumstances and arrangements, including legal arrangements, by virtue of which there is no current or</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>Yes</p>	<p>For institutions in receipt of previous waivers under CRD Article 70, the waiver will continue to apply automatically unless there has been a material change since their original application (e.g., to their business model or in the parent-subsidiary relationship). In instances where there have been such significant changes the institution must re-apply under Article 9(4).</p>

	<p>foreseen material practical or legal impediment to the prompt transfer of own funds, or repayment of liabilities when due by the subsidiary to its parent undertaking.</p> <p>3. Where a competent authority exercises the discretion laid down in paragraph 1, it shall on a regular basis and not less than once a year inform the competent authorities of all the other Member States of the use made of paragraph 1 and of the circumstances and arrangements referred to in paragraph 2. Where the subsidiary is in a third country, the competent authorities shall provide the same information to the competent authorities of that third country as well.</p>				
11(3) (General Treatment)	<p>EU parent institutions and institutions controlled by an EU parent financial holding company and institutions controlled by an EU parent mixed financial holding company shall comply with the obligations laid down in Part Six on the basis of the consolidated situation of that parent institution, financial holding company or mixed financial holding company, if the group comprises one or more institutions that are authorised to provide the investment services and activities listed in points (3) and (6) of Section A of Annex I to Directive 2004/39/EC. Pending the report from the Commission in accordance with Article 508(2), and if the group comprises only investment firms, competent authorities may exempt investment firms from compliance with the obligations laid down in Part Six on a consolidated basis, taking into account the nature, scale and complexity of the investment firm's activities</p>	Investment Firms	General	Yes	<p>The Central Bank will exercise this discretion for all investment firms in scope of the requirements. It should be noted that if, at any stage, the Central Bank considers it necessary for a particular investment firm or category of investment firms to comply with the liquidity requirements due to the potential impact a firm failure could have on the Irish financial system, the Central Bank may withdraw the exemption from the liquidity requirements for that investment firm or category of investment firms. This discretion will be revisited after the report from the European Commission, due 31 December 2015.</p>

<p>Article 11(5)</p>	<p>5. In addition to the requirements in paragraphs 1 to 4, and without prejudice to other provisions of this Regulation and Directive 2013/36/EU, when it is justified for supervisory purposes by the specificities of the risk or of the capital structure of an institution or where Member States adopt national laws requiring the structural separation of activities within a banking group, competent authorities may require the structurally separated institutions to comply with the obligations laid down in Parts Two to Four and Parts Six to Eight of this Regulation and in Title VII of Directive 2013/36/EU on a sub-consolidated basis.</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The EBA has produced a Q&A which clarifies that "Institutions may be required to comply with the prudential requirements laid down in CRR on a sub-consolidated basis in the following cases: - where Member States adopt national laws requiring the structural separation of activities within a banking group" <u>and</u> - when it is justified for supervisory purposes by the specificities of the risk or of the capital structure of an institution Cases for supervisory purposes are not limited to those specified in Article 22 or Article 11 (1) to (3) of Regulation (EU) No 575/2013. The Central Bank may wish to impose sub-consolidated supervision on institutions for reasons other than structural separation of activities and therefore intends to leave open the possibility of exercising this discretion.</p>
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<p>Article 18(2) (Methods for Prudential Consolidation)</p>	<p>However, the competent authorities may on a case-by-case basis permit proportional consolidation according to the share of capital that the parent undertaking holds in the subsidiary. Proportional consolidation may only be permitted where all of the following conditions are fulfilled: (a) the liability of the parent undertaking is limited to the share of capital that the parent undertaking holds in the subsidiary in view of the liability of the other shareholders or members; (b) the solvency of those other shareholders or members is satisfactory; (c) the liability of the other shareholders and members is clearly established in a legally binding way.</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis only.</p>
<p>Article 18(5)&(6)</p>	<p>5. In the case of participations or capital ties other than those referred to in paragraphs 1 and 2, the competent authorities shall determine whether and how consolidation is to be carried out. In particular, they may permit or require use of the equity method. That method shall not, however, constitute inclusion of the undertakings concerned in supervision on a consolidated basis.</p> <p>6. The competent authorities shall determine whether and how consolidation is to be carried out in the following cases: (a) where, in the opinion of the competent authorities, an institution exercises a significant influence over one or more institutions or financial institutions, but without holding a participation or other capital ties in these institutions; and (b) where two or more institutions or financial institutions are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.</p> <p>In particular, the competent authorities may permit, or</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis only.</p>

	require use of, the method provided for in Article 12 of Directive 83/349/EEC. That method shall not, however, constitute inclusion of the undertakings concerned in consolidated supervision.				
Article 24(2) (Valuation of assets and off-balance sheet items)	By way of derogation from paragraph 1, competent authorities may require that institutions effect the valuation of assets and off-balance sheet items and the determination of own funds in accordance with the international accounting standards as applicable under Regulation (EC) No 1606/2002.	Own Funds	Case by Case	Yes	The main change to existing Article 74 of 2006/48/EC is to specify that where the applicable accounting framework is not international accounting standards (IAS), competent authorities may still require the valuation of assets and off-balance sheet liabilities <u>and</u> determination of own funds in accordance with International Accounting Standards.
Article 27(1) & (2) (Capital instruments of mutuals, cooperative societies, savings institutions or similar institutions entities in	1. Common Equity Tier 1 items shall include any capital instrument issued by an institution under its statutory terms provided that the following conditions are met: (a) the institution is of a type that is defined under applicable national law and which competent authorities consider to qualify as any of the following: (i) a mutual; (ii) a co-operative society; (iii) a savings institution;	Own Funds	Case by Case	No	The Central Bank does not consider that this discretion is relevant within the Irish context.

<p>Common Equity Tier 1 items)</p>	<p>(iv) a similar institution; (v) a credit institution which is wholly owned by one of the institutions referred to in points (i) to (iv), and has approval from the relevant competent authority to make use of the provisions in this Article, and provided that, and for as long as, 100 % of the ordinary shares in issue in the credit institution are held directly or indirectly by an institution referred to in those points (b) the conditions laid down in Articles 28 or, where applicable, Article 29, are met. Those mutuals, cooperative societies or savings institutions recognised as such under applicable national law prior to 31 December 2012 shall continue to be classified as such for the purposes of this Part, provided that they continue to meet the criteria that determined such recognition.</p>				
<p>Article 31(Capital instruments subscribed by public authorities in emergency situations)</p>	<p>1. In emergency situations, competent authorities may permit institutions to include in Common Equity Tier 1 capital instruments that comply at least with the conditions laid down in points (b) to (e) of Article 28(1) where all the following conditions are met: (a) the capital instruments are issued after 1 January 2014; (b) the capital instruments are considered State aid by the Commission; (c) the capital instruments are issued within the context of recapitalisation measures pursuant to State aid- rules existing at the time; (d) the capital instruments are fully subscribed and held by the State or a relevant public authority or public-owned entity; (e) the capital instruments are able to absorb losses; (f) except for the capital instruments referred to in Article 27, in the event of liquidation, the capital instruments entitle their owners to a claim on the residual assets of the institution after the payment of all</p>	<p>Own Funds</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.</p>

	<p>senior claims;</p> <p>(g) there are adequate exit mechanisms of the State or, where applicable, a relevant public authority or public-owned entity;</p> <p>(h) the competent authority has granted its prior permission and has published its decision together with an explanation of that decision.</p> <p>2. Upon reasoned request by and in cooperation with the relevant competent authority, EBA shall consider the capital instruments referred to in paragraph 1 as equivalent to Common Equity Tier 1 instruments for the purposes of this Regulation.</p>				
<p>Article 49 (Requirement for deduction, supplementary supervision or institutional protection schemes have been applied)</p>	<p>1. For the purposes of calculating own funds on an individual basis, a sub-consolidated basis and a consolidated basis, where the competent authorities require or permit institutions to apply method 1, 2 or 3 of Annex I to Directive 2002/87/EC, the competent authorities may permit institutions not to deduct the holdings of own funds instruments of a financial sector entity in which the parent institution, parent financial holding company or parent mixed financial holding company or institution has a significant investment, provided that the conditions laid down in points (a) to (e) of this paragraph are met:</p> <p>(a) the financial sector entity is an insurance undertaking, a re- insurance undertaking or an insurance holding company;</p> <p>(b) that insurance undertaking, re-insurance undertaking or insurance holding company is included in the same supplementary supervision under Directive 2002/87/EC as the parent institution, parent financial holding company or parent mixed financial holding company or institution that has the holding;</p> <p>(c) the institution has received the prior permission of the competent authorities;</p>	Own Funds	Case by Case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion, though considers that it is a constrained discretion subject to RTS conditionality.

<p>(d) prior to granting the permission referred to in point (c), and on a continuing basis, the competent authorities are satisfied that the level of integrated management, risk management and internal control regarding the entities that would be included in the scope of consolidation under method 1, 2 or 3 is adequate;</p> <p>(e) the holdings in the entity belong to one of the following:</p> <ul style="list-style-type: none"> (i) the parent credit institution; (ii) the parent financial holding company; (iii) the parent mixed financial holding company; (iv) the institution; (v) a subsidiary of one of the entities referred to in points (i) to (iv) that is included in the scope of consolidation pursuant to Chapter 2 of Title II of Part One. <p>The method chosen shall be applied in a consistent manner over time.</p> <p>2. For the purposes of calculating own funds on an individual basis and a sub-consolidated basis, institutions subject to supervision on a consolidated basis in accordance with Chapter 2 of Title II of Part One shall not deduct holdings of own funds instruments issued by financial sector entities included in the scope of consolidated supervision, unless the competent authorities determine those deductions to be required for specific purposes, in particular structural separation of banking activities and resolution planning.</p> <p>Applying the approach referred to in the first subparagraph shall not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or in the Union as a whole forming or creating an obstacle to the functioning of</p>				
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	<p>the internal market.</p> <p>3. Competent authorities may, for the purposes of calculating own funds on an individual or sub-consolidated basis permit institutions not to deduct holdings of own funds instruments in the following cases:</p> <p>(a) where an institution has a holding in another institution and the conditions referred to in points (i) to (v) are met:</p> <p>(i) the institutions fall within the same institutional protection scheme referred to in Article 113(7);</p> <p>(ii) the competent authorities have granted the permission referred to in Article 113(7);</p> <p>(iii) the conditions laid down in Article 113(7) are satisfied;</p> <p>(iv) the institutional protection scheme draws up a consolidated balance sheet referred to in point (e) of Article 113(7) or, where it is not required to draw up consolidated accounts, an extended aggregated calculation that is, to the satisfaction of the competent authorities, equivalent to the provisions of Directive 86/635/EEC, which incorporates certain adaptations of the provisions of Directive 83/349/EEC or of Regulation (EC) No 1606/2002, governing the consolidated accounts of groups of credit institutions. The equivalence of that extended aggregated calculation shall be verified by an external auditor and in particular that the multiple use of elements eligible for the calculation of own funds as well as any inappropriate creation of own funds between the members of the institutional protection scheme is eliminated in the calculation. The consolidated balance sheet or the extended aggregated calculation shall be reported to the competent authorities no less frequently than the frequency laid down in Article 99;EN</p>				
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	<p>27.6.2013 Official Journal of the European Union L 176/47</p> <p>(v) the institutions included in an institutional protection scheme meet together on a consolidated or extended aggregated basis the requirements laid down in Article 92 and carry out reporting of compliance with those requirements in accordance with Article 99. Within an institutional protection scheme the deduction of the interest owned by co-operative members or legal entities, which are not members of the institutional protection scheme, is not required, provided that the multiple use of elements eligible for the calculation of own funds as well as any inappropriate creation of own funds between the members of the institutional protection scheme and the minority shareholder, when it is an institution, is eliminated.</p> <p>(b) where a regional credit institution has a holding in its central or another regional credit institution and the conditions laid down in points (a)(i) to (v) are met.</p> <p>4. The holdings in respect of which deduction is not made in accordance with paragraph 1, 2 or 3 shall qualify as exposures and shall be risk weighted in accordance with Chapter 2 or 3 of Title II of Part Three, as applicable.</p> <p>5. Where an institution applies methods 1, 2 or 3 of Annex I to Directive 2002/87/EC, the institution shall disclose the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate as calculated in accordance with Article 6 of and Annex I to that Directive.</p> <p>6. EBA, EIOPA and the European Supervisory Authority (European Securities and Markets Authority) (ESMA) established by Regulation (EU) No 1095/2010</p>				
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	<p>of the European Parliament and of the Council of 24 November 2010 (1) shall, through the Joint Committee, develop draft regulatory technical standards to specify for the purposes of this Article the conditions of application of the calculation methods listed in Annex I, Part II of Directive 2002/87/EC for the purposes of the alternatives to deduction referred to in paragraph 1 of this Article.</p> <p>EBA, EIOPA and ESMA shall submit those draft regulatory technical standards to the Commission by 1 February 2015.</p> <p>Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010 respectively.</p>				
<p>Article 78 (Supervisory permission for reducing own funds)</p>	<p>1. The competent authority shall grant permission for an institution to reduce, repurchase, call or redeem Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments where either of the following conditions is met:</p> <p>(a) earlier than or at the same time as the action referred to in Article 77, the institution replaces the instruments referred to in Article 77 with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution;</p> <p>(b) the institution has demonstrated to the satisfaction of the competent authority that the own funds of the institution would, following the action in question, exceed the requirements laid down in Article 92(1) of this Regulation and the combined buffer requirement as defined in point (6) of Article 128 of Directive 2013/36/EU by a margin that the competent authority may consider necessary on the basis of Article 104(3) of Directive 2013/36/EU.</p>	<p>Own Funds</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise the discretion in Article 78(4) on a case-by-case basis. Interpretation of 1(a) will also be subject to an EBA RTS.</p>

	<p>2. When assessing under point (a) of paragraph 1 the sustainability of the replacement instruments for the income capacity of the institution, competent authorities shall consider the extent to which those replacement capital instruments would be more costly for the institution than those they would replace.</p> <p>3. Where an institution takes an action referred to in point (a) of Article 77 and the refusal of redemption of Common Equity Tier 1 instruments referred to in Article 27 is prohibited by applicable national law, the competent authority may waive the conditions laid down in paragraph 1 of this Article provided that the competent authority requires the institution to limit the redemption of such instruments on an appropriate basis.</p> <p>4. The competent authorities may permit institutions to redeem Additional Tier 1 or Tier 2 instruments before five years of the date of issue only where the conditions laid down in paragraph 1 and point (a) or (b) of this paragraph are met:</p> <p>(a) there is a change in the regulatory classification of those instruments that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, and both the following conditions are met:</p> <p>(i) the competent authority considers such a change to be sufficiently certain;</p> <p>(ii) the institution demonstrates to the satisfaction of the competent authorities that the regulatory reclassification of those instruments was not reasonably foreseeable at the time of their issuance;</p> <p>(b) there is a change in the applicable tax treatment of those instruments which the institution demonstrates to</p>				
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	the satisfaction of the competent authorities is material and was not reasonably foreseeable at the time of their issuance.				
Article 83(1) (Qualifying Additional Tier 1 and Tier 2 capital issued by a special purpose entity)	<p>1. Additional Tier 1 and Tier 2 instruments issued by a special purpose entity, and the related share premium accounts, are included in qualifying Additional Tier 1, Tier 1 or Tier 2 capital or qualifying own funds, as applicable, only where the following conditions are met:</p> <p>(a) the special purpose entity issuing those instruments is included fully in the consolidation pursuant to Chapter 2 of Title II of Part One;</p> <p>(b) the instruments, and the related share premium accounts, are included in qualifying Additional Tier 1 capital only where the conditions laid down in Article 52(1) are satisfied;</p> <p>(c) the instruments, and the related share premium accounts, are included in qualifying Tier 2 capital only where the conditions laid down in Article 63 are satisfied;</p> <p>(d) the only asset of the special purpose entity is its investment in the own funds of the parent undertaking or a subsidiary thereof that is included fully in the consolidation pursuant to Chapter 2 of Title II of Part One, the form of which satisfies the relevant conditions laid down in Articles 52(1) or 63, as applicable.</p> <p>Where the competent authority considers the assets of a special purpose entity other than its investment in the own funds of the parent undertaking or a subsidiary thereof that is included in the scope of consolidation pursuant to Chapter 2 of Title II of Part One, to be</p>	Own Funds	Case by Case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.

	minimal and insignificant for such an entity, the competent authority may waive the condition specified in point (d) of the first subparagraph.				
Article 84(5) (Minority interests included in consolidated Common Equity Tier 1 capital)	<p>5. Competent authorities may grant a waiver from the application of this Article to a parent financial holding company that satisfies all the following conditions:</p> <p>(a) its principal activity is to acquire holdings;</p> <p>(b) it is subject to prudential supervision on a consolidated basis;</p> <p>(c) it consolidates a subsidiary institution in which it has only a minority holding by virtue of the control relationship defined in Article 1 of Directive 83/349/EEC;</p> <p>(d) more than 90 % of the consolidated required Common Equity Tier 1 capital arises from the subsidiary institution referred to in point c) calculated on a sub-consolidated basis.</p> <p>Where, after 31 December 2014, a parent financial holding company that meets the conditions laid down in the first subparagraph becomes a parent mixed financial holding company, competent authorities may grant the waiver referred to in the first subparagraph to that parent mixed financial holding company provided that it meets the conditions laid down in that subparagraph.</p>	Own Funds	Case by Case	No	The Central Bank does not consider that any Irish banks would meet all of the conditions for the granting of this waiver.
Article 89(3)(Risk weighting and prohibition of qualifying holdings outside the financial sector)	<p>Competent authorities shall apply the requirements laid down in point (a) or (b) to qualifying holdings of institutions referred to in paragraphs 1 and 2:</p> <p>(a) for the purpose of calculating the capital requirement in accordance with Part Three of this Regulation, institutions shall apply a risk weight of 1250 % to the greater of the following:</p> <p>(i) the amount of qualifying holdings referred to in paragraph 1 in excess of 15 % of eligible capital;</p> <p>(ii) the total amount of qualifying holdings referred to</p>	Own Funds	General	Apply 1250% risk weight	Under Part 7 of S.I. No.661 of 2006, banks may have a qualifying holding outside the financial sector in excess of 15% of own funds or on an aggregated basis in excess of 60% of Own Funds on an exceptional basis. Under such circumstances, the Central Bank shall require the institution to increase its own

	<p>in paragraph 2 that exceed 60 % of the eligible capital of the institution;</p> <p>(b) the competent authorities shall prohibit institutions from having qualifying holdings referred to in paragraphs 1 and 2 the amount of which exceeds the percentages of eligible capital laid down in those paragraphs. Competent authorities shall publish their choice of (a) or (b).</p>				<p>funds or take equivalent measures. Under the CRR, the discretion for the competent authority is whether to permit a risk-weighting of 1250% for the excess or to prohibit such excesses entirely. The Central Bank does not consider that a prohibition is prudentially-warranted.</p> <p>The choice of 1250% risk-weighting or deduction is left to institutions under Article 90 CRR.</p>
Article 93(6)(Initial capital requirement on going concern)	Where competent authorities consider it necessary to ensure the solvency of an institution that the requirement laid down in paragraph 1 is met, the provisions laid down in paragraphs 2 to 5 shall not apply.	Own Funds	Case by Case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.
Article 95(2) (Own funds requirements for investment firms with limited authorisation to provide investment services))	Competent authorities may set the own funds requirements for firms referred to in point (2)(c) of Article 4(1) that provide the investment services and activities listed in points (2) and (4) of Section A of Annex I to Directive 2004/39/EC as the own funds requirements that would be binding on those firms according to the national transposition measures in force on 31 December 2013 for Directives 2006/49/EC and 2006/48/EC.	Investment Firms	General	Yes	Pending the report from the European Commission referred to in Article 508(3) CRR, due 31 December 2015, the Central Bank intends to exercise this discretion in order to maintain the Pillar 1 and Pillar 2 regime according to S.I. No. 660 of 2006 (as amended) and S.I. No. 661 of 2006 (as amended) as at 31 December 2013 for these firms. See section 9 for more detail.

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

Article 99(3) (Reporting on own funds requirements and financial information)	Competent authorities may require those credit institutions applying International Accounting Standards as applicable under Regulation (EC) No 1606/2002 for the reporting of own funds on a consolidated basis pursuant to Article 24(2) of this Regulation to also report financial information as laid down in the previous subparagraph 2 of this Article.	Reporting	Case by Case	Yes	This Central Bank intends to exercise this discretion as all Irish-licensed banks will be required to report FINREP.
Article 107(4)(Approaches to credit risk)	4. For the purposes of paragraph 3, the Commission may adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2), a decision as to whether a third country applies prudential supervisory and regulatory requirements at least equivalent to those applied in the Union. In the absence of such a decision, until 1 January 2015, institutions may continue to treat exposures to the entities referred to in paragraph 3 as exposures to institutions provided that the relevant competent authorities have approved the third country as eligible for that treatment before 1 January 2014.	Credit Risk	General	Yes	Australia, Canada, Singapore, Switzerland and US are deemed equivalent for the purposes of this credit risk provision by the Central Bank.
Article 114(7) (Exposures to central governments or central banks)	For the purposes of this paragraph, the Commission may adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2), a decision as to whether a third country applies supervisory and regulatory arrangements at least equivalent to those applied in the Union. In the absence of such a decision, until 1 January 2015, institutions may continue to apply the treatment set out in this paragraph to the exposures to the central government or central bank of the third country where the relevant competent authorities had approved the third country as eligible for that treatment before 1 January 2014.	Credit Risk	General	Yes	Australia, Canada, Singapore, Switzerland and US are deemed equivalent for the purposes of this credit risk provision by the Central Bank.

<p>Article 115(3) (Exposures to Regional Governments or Local Authorities)</p>	<p>Exposures to churches or religious communities constituted in the form of a legal person under public law shall, in so far as they raise taxes in accordance with legislation conferring on them the right to do so, be treated as exposures to regional governments and local authorities. In this case, paragraph 2 shall not apply and, for the purposes of Article 150(1)(a), permission to apply the Standardised Approach shall not be excluded.</p>	<p>Credit Risk</p>	<p>General</p>	<p>Yes</p>	
<p>Article 115(4)</p>	<p>For the purposes of this paragraph, the Commission may adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2), a decision as to whether a third country applies supervisory and regulatory arrangements at least equivalent to those applied in the Union. In the absence of such a decision, until 1 January 2015, institutions may continue to apply the treatment set out in this paragraph to the third country where the relevant competent authorities had approved the third country as eligible for that treatment before 1 January 2014.</p>	<p>Credit Risk</p>	<p>General</p>	<p>Yes</p>	<p>Australia, Canada, Singapore, Switzerland and US are deemed equivalent for the purposes of this credit risk provision by the Central Bank.</p>
<p>Article 116(4) and (5) (Exposures to public sector entities)</p>	<p>4. In exceptional circumstances, exposures to public-sector entities may be treated as exposures to the central government, regional government or local authority in whose jurisdiction they are established where in the opinion of the competent authorities of this jurisdiction there is no difference in risk between such exposures because of the existence of an appropriate guarantee by the central government, regional government or local authority.</p> <p>5. When competent authorities of a third country jurisdiction, which apply supervisory and regulatory arrangements at least equivalent to those applied in the Union, treat exposures to public sector entities in accordance with paragraph 1 or 2, institutions may risk weight exposures to such public sector entities in the</p>	<p>Credit Risk</p>	<p>General</p>	<p>Yes</p>	<p>Australia, Canada, Singapore, Switzerland and US are deemed equivalent for the purposes of this credit risk provision by the Central Bank.</p>

	<p>same manner. Otherwise the institutions shall apply a risk weight of 100 %. For the purposes of this paragraph, the Commission may adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2), a decision as to whether a third country applies supervisory and regulatory arrangements at least equivalent to those applied in the Union. In the absence of such a decision, until 1 January 2015, institutions may continue to apply the treatment set out in this paragraph to the third country where the relevant competent authorities had approved the third country as eligible for that treatment before 1 January 2014.</p>				
<p>Article 129(1)(g)(3rd subparagraph) (Exposures in the form of covered bonds)</p>	<p>The competent authorities may, after consulting EBA, partly waive the application of point (c) of the first subparagraph and allow credit quality step 2 for up to 10 % of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution, provided that significant potential concentration problems in the Member States concerned can be documented due to the application of the credit quality step 1 requirement referred to in that point.</p>	Credit Risk	Case by Case	Yes	<p>The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.</p> <p>Designated credit institutions are required to comply with the applicable provisions of the Asset Covered Securities Act 2001 (as amended) (“ACS”), the Statutory Instruments and the Central Bank’s Regulatory Notices issued thereunder. The Central Bank will amend the applicable Regulatory Notices issued pursuant to the ACS to reflect the discretion that may be exercised should significant potential concentration problems in the State be identified.</p>

Article 132(3)(c) (Exposures in the form of units or shares in CIUs)	For the purposes of point (a), the Commission may adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2), a decision as to whether a third country applies supervisory and regulatory arrangements at least equivalent to those applied in the Union. In the absence of such a decision, until 1 January 2015, institutions may continue to apply the treatment set out in this paragraph to exposures in the form of units or shares of CIUs from third countries where the relevant competent authorities had approved the third country as eligible for that treatment before 1 January 2014.	Credit Risk	General	Yes	Australia, Canada, Singapore, Switzerland and US are deemed equivalent for the purposes of this credit risk provision by the Central Bank.
Article 142(2) (Definitions)	For the purposes of point (4)(b) of paragraph 1 of this Article, the Commission may adopt, by way of implementing acts, and subject to the examination procedure referred to in Article 464(2), a decision as to whether a third country applies supervisory and regulatory arrangements at least equivalent to those applied in the Union. In the absence of such a decision, until 1 January 2015, institutions may continue to apply the treatment set out in this paragraph to a third country where the relevant competent authorities had approved the third country as eligible for this treatment before 1 January 2014.	Credit Risk	General	Yes	Australia, Canada, Singapore, Switzerland and US are deemed equivalent for the purposes of this credit risk provision by the Central Bank.
Article 162(1)-(2)(Maturity)	1. Institutions that have not received permission to use own LGDs and own conversion factors for exposures to corporates, institutions or central governments and central banks shall assign to exposures arising from repurchase transactions or securities or commodities lending or borrowing transactions a maturity value (M) of 0,5 years and to all other exposures M of 2,5 years. Alternatively, as part of the permission referred to in Article 143, the competent authorities shall decide on whether the institution shall use maturity (M) for each exposure as set out under paragraph 2.	Credit Risk	Case by Case	Yes. Irish banks using IRB all applying alternative calculation	The Central Bank believes the alternative calculation to be the more risk sensitive treatment. Evidence suggests that maturity, M, can be a significant driver of risk, particularly for low PD portfolios. The Central Bank sees no reason to link maturity with the ability to use own estimates of LGD and conversion factors (where M becomes mandatory). All banks approved for IRB

	<p>2. Institutions that have received the permission of the competent authority to use own LGDs and own conversion factors for exposures to corporates, institutions or central governments and central banks pursuant to Article 143 shall calculate M for each of these exposures as set out in points (a) to (e) of this paragraph and subject to paragraphs 3 to 5 of this Article. M shall be no greater than five years except in the cases specified in Article 384(1) where M as specified there shall be used:</p> <p>(a) for an instrument subject to a cash flow schedule, M shall be calculated in accordance with the following formula:</p> <p>where CF_t denotes the cash flows (principal, interest payments and fees) contractually payable by the obligor in period t;</p> <p>(b) for derivatives subject to a master netting agreement, M shall be the weighted average remaining maturity of the exposure, where M shall be at least 1 year, and the notional amount of each exposure shall be used for weighting the maturity;</p> <p>(c) for exposures arising from fully or nearly-fully collateralised derivative instruments listed in Annex II and fully or nearly-fully collateralised margin lending transactions which are subject to a master netting agreement, M shall be the weighted average remaining maturity of the transactions where M shall be at least 10 days;</p> <p>(d) for repurchase transactions or securities or commodities lending or borrowing transactions which are subject to a master netting agreement, M shall be the weighted average remaining maturity of the transactions where M shall be at least 5 days. The notional amount of each transaction shall be used for weighting the maturity;</p>				<p>models should continue to use the alternative calculation, other than for exposures referred to in Article 164(4) where the option is at the discretion of institutions.</p>
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	<p>(e) an institution that has received the permission of the competent authority pursuant to Article 143 to use own PD estimates for purchased corporate receivables, for drawn amounts M shall equal the purchased receivables exposure weighted average maturity, where M shall be at least 90 days. This same value of M shall also be used for undrawn amounts under a committed purchase facility provided the facility contains effective covenants, early amortisation triggers, or other features that protect the purchasing institution against a significant deterioration in the quality of the future receivables it is required to purchase over the facility's term. Absent such effective protections, M for undrawn amounts shall be calculated as the sum of the longest-dated potential receivable under the purchase agreement and the remaining maturity of the purchase facility, where M shall be at least 90 days;</p> <p>(f) for any instrument other than those referred to in this paragraph or when an institution is not in a position to calculate M as set out in point (a), M shall be the maximum remaining time (in years) that the obligor is permitted to take to fully discharge its contractual obligations, where M shall be at least one year;</p> <p>(g) for institutions using the Internal Model Method set out in Section 6 of Chapter 6 to calculate the exposure values, M shall be calculated for exposures to which they apply this method and for which the maturity of the longest-dated contract contained in the netting set is greater than one year in accordance with the following formula:</p> <p>where: = a dummy variable whose value at future period tk is</p>				
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	<p>equal to 0 if $t_k > 1$ year and to 1 if $t_k \leq 1$; = the expected exposure at the future period t_k; = the effective expected exposure at the future period t_k; = the risk-free discount factor for future time period t_k; ; (h) an institution that uses an internal model to calculate a one-sided credit valuation adjustment (CVA) may use, subject to the permission of the competent authorities, the effective credit duration estimated by the internal model as M.</p> <p>Subject to paragraph 2, for netting sets in which all contracts have an original maturity of less than one year the formula in point (a) shall apply; (i) for institutions using the Internal Model Method set out in Section 6 of Chapter 6, to calculate the exposure values and having an internal model permission for specific risk associated with traded debt positions in accordance with Part Three, Title IV, Chapter 5, M shall be set to 1 in the formula laid out in Article 153(1), provided that an institution can demonstrate to the competent authorities that its internal model for Specific risk associated with traded debt positions applied in Article 383 contains effects of rating migrations; (j) for the purposes of Article 153(3), M shall be the effective maturity of the credit protection but at least 1 year.</p>				
<p>Article 164(5) (Loss Given Default LGD))</p>	<p>Based on the data collected under Article 101 and taking into account forward-looking immovable property market developments and any other relevant indicators, the competent authorities shall periodically, and at least annually, assess whether the minimum LGD values in paragraph 4 of this Article are</p>	<p>Credit Risk</p>	<p>General</p>	<p>Yes</p>	<p>This competent authority discretion will be subject to an EBA RTS (due by end 31 Dec 2014) specifying the conditions to be taken into account when determining higher minimum</p>

	appropriate for exposures secured by residential property or commercial immovable property located in their territory. Competent authorities may, where appropriate on the basis of financial stability considerations, set higher minimum values of exposure weighted average LGD for exposures secured by immovable property in their territory.				LGD values. The Central Bank intends to retain the flexibility to exercise this discretion in future.
Article 311(2) (Own funds requirements for exposures to CCPs that cease to meet certain conditions)	Where only the condition in point (a) of paragraph 1 has been met, the competent authority of the institution shall verify the reasons why the CCP has stopped calculating KCCP. Where the competent authority considers that the reasons referred to in the first subparagraph are valid, it may permit institutions in its Member State to apply the treatment set out in Article 310 to their trade exposures and default fund contributions to that CCP. Where it grants such permission, it shall disclose the reasons for its decision. Where the competent authority considers that the reasons referred to in the first subparagraph are not valid, all institutions in its Member State, irrespective of the treatment they chose in accordance with Article 301(2), shall apply the treatment set out in points (a) to (d) of paragraph 3 of this Article.	Market Risk - CCR	Case by Case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.
Article 315(3) (Capital requirement)	Where an institution can prove to its competent authority that, due to a merger, an acquisition or a disposal of entities or activities, using a three year average to calculate the relevant indicator would lead to a biased estimation for the own funds requirement for operational risk, the competent authority may permit the institution to amend the calculation in a way that would take into account such events and shall duly inform EBA thereof. In such circumstances, the competent authority may, on its own initiative, also require an institution to amend the calculation.	Op Risk	Case by Case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.

<p>Article 329(4) (Options and Warrants)</p>	<p>Before the entry into force of the technical standards referred to in paragraph 3, competent authorities may continue to apply the existing national treatments, where the competent authorities have applied those treatments before 31 December 2013.</p>	<p>Market Risk</p>	<p>General</p>	<p>Yes</p>	<p>The relevant RTS is due to be submitted to the European Commission before 31 December 2013. For the purposes of any interim period, the Central Bank intends to continue to apply the existing pre-processing model invoked by the Central Bank under the competent authority discretion in Annex 1, paragraph 5 of Directive 2006/49/EC.</p> <p>However, continuance of this national treatment is only likely to apply for a very short period of time, if at all.</p>
<p>Article 352(6) (Calculation of the overall net foreign exchange provision)</p>	<p>EBA shall develop draft regulatory technical standards defining a range of methods to reflect in the own funds requirements other risks, apart from delta risk, in a manner proportionate to the scale and complexity of institutions' activities in options. EBA shall submit those draft regulatory technical standards to the Commission by 31 December 2013. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with the procedure laid down in Articles 10 to 14 of Regulation (EU) No 1093/2010.</p> <p>Before the entry into force of the technical standards referred to in the first subparagraph, competent authorities may continue to apply the existing national treatments, where the competent authorities have applied those treatments before 31 December 2013</p>	<p>Market Risk</p>	<p>General</p>	<p>Yes</p>	<p>The relevant RTS is due to be submitted to the European Commission before 31 December 2013. However, continuance of this national treatment is only likely to apply for a very short period of time, if at all.</p>

<p>Article 358(4) (Particular instruments)</p>	<p>EBA shall develop draft regulatory technical standards defining a range of methods to reflect in the own funds requirements other risks, apart from delta risk, in a manner proportionate to the scale and complexity of institutions' activities in options. EBA shall submit those draft regulatory technical standards to the Commission by 31 December 2013. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010 Before the entry into force of the technical standards referred to in the first subparagraph, competent authorities may continue to apply the existing national treatments, where the competent authorities have applied that those treatments before 31 December 2013</p>	<p>Market Risk</p>	<p>General</p>	<p>Yes</p>	<p>The relevant RTS is due to be submitted to the European Commission before 31 December 2013. For the purposes of any interim period, the Central Bank intends to continue to apply the existing national discretion invoked under Annex IV (10) of Directive 2006/49/EC. However, continuance of this national treatment is only likely to apply for a very short period of time, if at all.</p>
<p>Article 382(4)(b) (Scope)</p>	<p>The following transactions shall be excluded from the own funds requirements for CVA risk:...(b) intragroup transactions as provided for in Article 3 of Regulation (EU) No 648/2012 [EMIR]unless Member States enact national laws requiring the structural separation within a banking group, in which case competent authorities may require those intragroup transactions between the structurally separated institutions to be included in the own funds requirements</p>	<p>Market Risk</p>	<p>Case by Case</p>	<p>N/A</p>	<p>Structural separation measures have not been taken in Ireland. The Central Bank therefore considers that this discretion is not relevant for Irish institutions.</p>
<p>Article 383(5)(c) (Advanced Method)</p>	<p>(c) the three-times multiplication factor used in the calculation of own funds requirements based on a value-at-risk and a stressed value-at-risk in accordance with 364(1) will apply to these calculations. EBA shall monitor for consistency any supervisory discretion used to apply a higher multiplication factor than that three-times multiplication factor to the value-at-risk and stressed value-at-risk inputs to the CVA risk charge. Competent authorities applying a multiplication factor higher than three shall provide a</p>	<p>Market Risk</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.</p>

	written justification to EBA;				
Article 395(6)-(8) (Limits to Large Exposures)	<p>6. For the purpose of this paragraph, structural measures mean measures adopted by a Member State and implemented by the relevant competent authorities of that Member State before the entry into force of a legal act explicitly harmonising such measures, that require credit institutions authorised in that Member State to reduce their exposures to different legal entities depending on their activities, irrespective of where those activities are located, with a view to protecting depositors and preserving financial stability. Notwithstanding paragraph 1 of this Article and Article 400(1)(f), where Member States adopt national laws requiring structural measures to be taken within a banking group, competent authorities may require the institutions of the banking group which hold deposits that are covered by a Deposit Guarantee Scheme in accordance with Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes (1) or an equivalent deposit guarantee scheme in a third country to apply a large exposure limit below 25 % but not lower than 15 % between 31 December 2014 and 30 June 2015, and than 10 % from 1 July 2015 on a sub-consolidated basis in accordance with Article 11(5) to intragroup exposures where these exposures consist of exposures to an entity that does not belong to the same subgroup as regards the structural measures.</p> <p>7. Before adopting the specific structural measures as referred to in paragraph 6 relating to large exposures, the competent authorities shall notify the Council, the Commission, the competent authorities concerned and EBA at least two months prior to the publication of the decision to adopt the structural measures, and submit</p>	Large Exposures	Case by Case	No	Structural separation measures have not been taken in Ireland. The Central Bank therefore considers that this discretion is not relevant for Irish institutions.

	<p>relevant quantitative or qualitative evidence of all of the following:</p> <p>(a) the scope of the activities that are subject to the structural measures;</p> <p>(b) an explanation as to why such draft measures are deemed to be suitable, effective and proportionate to protect depositors;</p> <p>(c) an assessment of the likely positive or negative impact of the measures on the internal market based on information which is available to the Member State.</p> <p>8. The power to adopt an implementing act to accept or reject the proposed national measures referred to in paragraph 7 is conferred on the Commission acting in accordance with the procedure referred to in Article 464(2).</p>				
Article 396(1) (Compliance with Large Exposures Requirements)	<p>If, in an exceptional case, exposures exceed the limit set out in Article 395(1), the institution shall report the value of the exposure without delay to the competent authorities which may, where the circumstances warrant it, allow the institution a limited period of time in which to comply with the limit.</p> <p>Where the amount of EUR 150 million referred to in Article 395(1) is applicable, the competent authorities may allow on a case by case basis the 100 % limit in terms of the institution's eligible capital to be exceeded</p>	Large Exposures	Case by Case	Yes	The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.

<p>Article 400(2)-(3)(Exemptions)</p>	<p>Competent authorities may fully or partially exempt the following exposures:</p> <p>(a) covered bonds falling within the terms of Article 129(1), (3) and (6);</p> <p>(b) asset items constituting claims on regional governments or local authorities of Member States where those claims would be assigned a 20 % risk weight under Part Three, Title II, Chapter 2 and other exposures to or guaranteed by those regional governments or local authorities, claims on which would be assigned a 20 % risk weight under Part Three, Title II, Chapter 2;</p> <p>(c) exposures, including participations or other kinds of holdings, incurred by an institution to its parent undertaking, to other subsidiaries of that parent undertaking or to its own subsidiaries, in so far as those undertakings are covered by the supervision on a consolidated basis to which the institution itself is subject, in accordance with this Regulation, Directive 2002/87/EC or with equivalent standards in force in a third country; exposures that do not meet these criteria, whether or not exempted from Article 395(1), shall be treated as exposures to a third party;</p> <p>(d) asset items constituting claims on and other exposures, including participations or other kinds of holdings, to regional or central credit institutions with which the credit institution is associated in a network in accordance with legal or statutory provisions and which are responsible, under those provisions, for cash clearing operations within the network;</p> <p>(e) asset items constituting claims on and other exposures to credit institutions incurred by credit institutions, one of which operates on a non competitive basis and provides or guarantees loans under legislative programmes or its statutes, to promote specified sectors of the economy under some form of</p>	<p>Large Exposures</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>Pursuant to Article 507, the Commission is mandated to review and report on the application of Article 400(1)(j) (exposures to CCPs) and Article 400(2), including whether the exemptions set out in Article 400(2) are to be discretionary, and shall submit that report to the European Parliament and to the Council, together with a legislative proposal if appropriate by 31 December 2015.</p> <p>The Department has confirmed that it will not be exercising the Member State discretion in Article 493(3).</p> <p>In lieu of the Commission report and potential legislative proposal envisaged under Article 507, the Central Bank intends to exercise the discretion in Article 400(2) on a case-by-case basis, subject to the conditions in Article 400(3).</p>
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	<p>government oversight and restrictions on the use of the loans, provided that the respective exposures arise from such loans that are passed on to the beneficiaries via credit institutions or from the guarantees of these loans;</p> <p>(f) asset items constituting claims on and other exposures to institutions, provided that those exposures do not constitute such institutions' own funds, do not last longer than the following business day and are not denominated in a major trading currency;</p> <p>(g) asset items constituting claims on central banks in the form of required minimum reserves held at those central banks which are denominated in their national currencies;</p> <p>(h) asset items constituting claims on central governments in the form of statutory liquidity requirements held in government securities which are denominated and funded in their national currencies provided that, at the discretion of the competent authority, the credit assessment of those central governments assigned by a nominated ECAI is investment grade;</p> <p>(i) 50 % of medium/low risk off balance sheet documentary credits and of medium/low risk off balance sheet undrawn credit facilities referred to in Annex I and subject to the competent authorities' agreement, 80 % of guarantees other than loan guarantees which have a legal or regulatory basis and are given for their members by mutual guarantee schemes possessing the status of credit institutions;</p> <p>(j) legally required guarantees used when a mortgage loan financed by issuing mortgage bonds is paid to the mortgage borrower before the final registration of the mortgage in the land register, provided that the guarantee is not used as reducing the risk in calculating the risk weighted exposure amounts;</p> <p>(k) assets items constituting claims on and other</p>				
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	<p>exposures to recognised exchanges.</p> <p>3. Competent authorities may only make use of the exemption provided for in paragraph 2 where the following conditions are met:</p> <p>(a) the specific nature of the exposure, the counterparty or the relationship between the institution and the counterparty eliminate or reduce the risk of the exposure; and</p> <p>(b) any remaining concentration risk can be addressed by other equally effective means such as the arrangements, processes and mechanisms provided for in Article 81 of Directive 2013/36/EU.</p> <p>Competent authorities shall inform EBA whether or not they intend to use any of the exemptions provided for in paragraph 2 in accordance with points (a) and (b) of this paragraph and shall consult EBA on this choice.</p>				
Article 412(5) (Liquidity Coverage Requirement)	<p>Member States may maintain or introduce national provisions in the area of liquidity requirements before binding minimum standards for liquidity coverage requirements are specified and fully introduced in the Union in accordance with Article 460.</p>	Liquidity	General	Yes	<p>This discretion has been allocated by the Department to the Central Bank. The Central Bank 'Requirements for the Management of Liquidity Risk' will remain in place until 1 January 2018, or an earlier date as may be deemed appropriate by the Central Bank.</p>

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

Article 412(5) (Liquidity Coverage Requirement)	Member States or competent authorities may require domestically authorised institutions, or a subset of those institutions, to maintain a higher liquidity coverage requirement up to 100 % until the binding minimum standard is fully introduced at a rate of 100 % in accordance with Article 460.	Liquidity	General	No	This discretion has been allocated by the Department to the Central Bank. For 2015 the Central Bank will not impose an accelerated phase-in of the minimum liquidity coverage requirement - the minimum requirement will be set at 60 per cent in accordance with Article 460(2) of CRR.
Article 413(3) (Stable Funding)	Member States may maintain or introduce national provisions in the area of stable funding requirements before binding minimum standards for net stable funding requirements are specified and introduced in the Union in accordance with Article 510.	Liquidity	General	No	If this discretion is allocated to the Central Bank by the Department, the Central Bank will not introduce an industry wide net stable funding requirement before a binding standard is specified by EU legislative bodies.
Article 415(3) (Reporting obligation and reporting format)	Until the full introduction of binding liquidity requirements, competent authorities may continue to collect information through monitoring tools for the purpose of monitoring compliance with existing national liquidity standards. 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.	Liquidity	General	Yes	The Central Bank will exercise this discretion. Existing liquidity regulatory reporting will continue until 1 January 2018, or an earlier date, if deemed appropriate by the Central Bank. The reporting process for these submissions will remain unchanged and run concurrently with the new CRR liquidity reporting requirements.

<p>Article 416(1) last para (Reporting on Liquid Assets)</p>	<p>Pending specification of a uniform definition in accordance with Article 460 of high and extremely high liquidity and credit quality, institutions shall identify themselves in a given currency transferable assets that are respectively of high or extremely high liquidity and credit quality. Pending specification of a uniform definition, competent authorities may, taking into account the criteria listed in Article 509(3), (4) and (5) provide general guidance that institutions shall follow in identifying assets of high and extremely high liquidity and credit quality. In the absence of such guidance, institutions shall use transparent and objective criteria to this end, including some or all of the criteria listed in Article 509(3), (4) and (5).</p>	<p>Liquidity</p>	<p>General</p>	<p>No</p>	<p>The EBA is expected to publish and submit a report to the European Commission in December 2013 on the uniform definition of high and extremely high liquidity and credit quality. The European Commission will specify this uniform definition in the liquidity delegated act by 30 June 2014. Pending this specification, institutions shall identify transferable assets that are respectively of high or extremely high liquidity and credit quality, using transparent and objective criteria, including some or all of the criteria listed in Article 509(3), (4) and (5). Further instruction or guidance on this matter may be issued by the Central Bank in due course.</p>
<p>Article 418(4)(Valuation of liquid assets)</p>	<p>Institutions shall develop robust methodologies and processes to calculate and report the market value and haircuts for shares or units in CIUs. Only where they can demonstrate to the satisfaction of the competent authority that the materiality of the exposure does not justify the development of their own methodologies, institutions may rely on the following third parties to calculate and report the haircuts for shares or units in CIUs, in accordance with the methods set out in points (a) and (b) of paragraph 3:</p> <p>(a) the depository institution of the CIU provided that the CIU exclusively invests in securities and deposits all securities at this depository institution;</p>	<p>Liquidity</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank will assess this permission on a case-by-case basis.</p>

	<p>(b) for other CIUs, the CIU management company, provided that the CIU management company meets the criteria set out in Article 132(3)(a).</p> <p>The correctness of the calculations by the depository institution or the CIU management company shall be confirmed by an external auditor.</p>				
Article 420(2) (Liquidity Outflows)	<p>Institutions shall regularly assess the likelihood and potential volume of liquidity outflows during the next 30 days as far as products or services are concerned, which are not captured in Articles 422, 423 and 424 and which they offer or sponsor or which potential purchasers would consider to be associated with them, including but not limited to liquidity outflows resulting from any contractual arrangements such as other off-balance sheet and contingent funding obligations, including, but not limited to committed funding facilities, un-drawn loans and advances to wholesale counterparties, mortgages that have been agreed but not yet drawn down, credit cards, overdrafts, planned outflows related to renewal or extension of new retail or wholesale loans, planned derivative payables and trade finance off-balance sheet related products, as referred to in Article 429 and in Annex I. These outflows shall be assessed under the assumption of a combined idiosyncratic and market-wide stress scenario.</p> <p>For this assessment, institutions shall take particular account of material reputational damage that could result from not providing liquidity support to such products or services. Institutions shall report not less than annually to the competent authorities those products and services for which the likelihood and potential volume of the liquidity outflows referred to in the first subparagraph are material and the competent</p>	Liquidity	Case by Case	Yes	<p>The Central Bank will set these rates on a case-by-case basis. Relevant entities shall assess the liquidity outflows in accordance with Article 420(2) of CRR and report to the Central Bank not less than annually, by the 30th September each year, those products and services for which the likelihood and potential volume of the liquidity outflows referred to in Article 420(2) are material.</p>

	authorities shall determine the outflows to be assigned.				
Article 420(2) (Liquidity Outflows)	The competent authorities may apply an outflow rate up to 5 % for trade finance off balance sheet related products, as referred to in Article 429 and Annex I.	Liquidity	General	Yes	The Central Bank applies an outflow rate of 5% for relevant trade finance off-balance sheet products, as defined in Article 429 and Annex I of CRR.
Article 422(4) (Outflows on other liabilities)	Pending a uniform definition of an established operational relationship as referred to in point (c) of paragraph 3, institutions shall themselves establish the criteria to identify an established operational relationship for which they have evidence that the client is unable to withdraw amounts legally due over a 30 day horizon without compromising their operational functioning and shall report these criteria to the competent authorities. Competent authorities may, in the absence of a uniform definition, provide general guidance that institutions shall follow in identifying deposits maintained by the depositor in a context of an established operational relationship.	Liquidity	General	No	The EBA published and submitted a report to the European Commission in December 2013 on the uniform definition of an established operational relationship in the context of Article 422(3)(c). The European Commission will specify this uniform definition in the liquidity delegated act by 30 June 2014. Pending this specification, institutions shall identify deposits maintained by the depositor in the context of an established operational relationship, in accordance with Article 422(4). Further instruction or guidance on this matter may be issued by the Central Bank in due course.

<p>Article 422(8)-(9)</p>	<p>8. Competent authorities may grant the permission to apply a lower outflow percentage on a case by case basis, to the liabilities referred to in paragraph 7, when all of the following conditions are fulfilled:</p> <p>(a) the depositor is:</p> <p>(i) a parent or subsidiary institution of the institution or another subsidiary of the same parent institution;</p> <p>(ii) linked to the institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC;</p> <p>(iii) an institution falling within the same institutional protection scheme meeting the requirements of Article 113(7);</p> <p>(iv) the central institution or a member of a network compliant with Article 400 (2)(d);</p> <p>(b) there are reasons to expect a lower outflow over the next 30 days even under a combined idiosyncratic and market wide stress scenario;</p> <p>(c) a corresponding symmetric or more conservative inflow is applied by the depositor by way of derogation from Article 425;</p> <p>(d) the institution and the depositor are established in the same Member State.</p> <p>9. Competent authorities may waive the conditions set out in point (d) of paragraph 8 where point (b) of Article 20(1) is applied. In that case additional objective criteria as set out in the delegated act referred to in Article 460 have to be met. Where such lower outflow is permitted to be applied, the competent authorities shall inform EBA about the result of the process referred to in point (b) of Article 20(1). The fulfilment of the conditions for such lower outflows shall be regularly reviewed by the competent authorities.</p>	<p>Liquidity</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank will assess this permission on a case-by-case basis. Where the institution and the depositor are not established in Ireland and as part of the joint decision process with the relevant competent authority, objective criteria must be fulfilled before this permission will be granted. These objective criteria will be outlined in the European Commission liquidity delegated act and further specified in an RTS to be submitted to the European Commission by 1 January 2015.</p>
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<p>Article 423(2) (Additional Outflows)</p>	<p>Institutions shall notify to the competent authorities all contracts entered into the contractual conditions of which lead, within 30 days following a material deterioration of the credit quality of the institution, to liquidity outflows or additional collateral needs. If the competent authorities consider such contracts material in relation to the potential liquidity outflows of the institution, they shall require the institution to add an additional outflow for those contracts corresponding to the additional collateral needs resulting from a material deterioration in the credit quality of the institution such as a downgrade in its external credit assessment by three notches. The institution shall regularly review the extent of this material deterioration in light of what is relevant under the contracts it has entered into and shall notify the result of its review to the competent authorities.</p>	<p>Liquidity</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank will perform this assessment on a case-by-case basis.</p>
<p>Article 425(1) (Inflows)</p>	<p>Institutions shall report their liquidity inflows. Capped liquidity inflows shall be the liquidity inflows limited to 75 % of liquidity outflows. Institutions may exempt liquidity inflows from deposits placed with other institutions and qualifying for the treatments set out in Article 113(6) or (7) from this limit. Institutions may exempt liquidity inflows from monies due from borrowers and bond investors related to mortgage lending funded by bonds eligible for the treatment set out in Article 129(4), (5) or (6) or by bonds as defined referred to in Article 52(4) of Directive 2009/65/EC from this limit. Institutions may exempt inflows from promotional loans that the institutions have passed through. Subject to the prior approval of the competent authority responsible for supervision on an individual basis, the institution may fully or partially exempt inflows where the provider is a parent or a subsidiary institution of the institution or another subsidiary of the same parent institution or linked to the institution by a</p>	<p>Liquidity</p>	<p>Case by Case</p>	<p>Yes</p>	<p>This discretion will be available on a case-by-case basis when reporting liquidity inflows for liquidity reporting purposes. The Central Bank may fully or partially exempt relevant inflows as appropriate. These exemptions are subject to change following the adoption of the European Commission delegated act by 30 June 2014.</p>

	relationship within the meaning of Article 12(1) of Directive 83/349/EEC.				
Article 425(4)-(5)	<p>4. By way of derogation from point (g) of paragraph 2, competent authorities may grant the permission to apply a higher inflow on a case by case basis for credit and liquidity facilities when all of the following conditions are fulfilled:</p> <p>(a) there are reasons to expect a higher inflow even under a combined market and idiosyncratic stress of the provider;</p> <p>(b) the counterparty is a parent or subsidiary institution of the institution or another subsidiary of the same parent institution or linked to the institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC or a member of the same institutional protection scheme referred to in Article 113(7) of this Regulation or the central institution or a member of a network that is subject to the waiver referred to in Article 10 of this Regulation;</p> <p>(c) a corresponding symmetric or more conservative outflow is applied by the counterparty by way of derogation from Articles 422, 423 and 424;</p> <p>(d) the institution and the counterparty are established in the same Member State.</p> <p>5. Competent authorities may waive the condition set out in point (d) of paragraph 4 where Article 20(1)(b) is applied. In that case additional objective criteria as set out in the delegated act referred to in Article 460 have to be met. Where such higher inflow is permitted to be applied, the competent authorities shall inform EBA about the result of the process referred to in Article 20(1)(b). Fulfilment of the conditions for such higher inflows shall be regularly reviewed by the</p>	Liquidity	Case by Case	Yes	The Central Bank will assess this permission on a case-by-case basis. Where the institution and the counterparty are not established in Ireland and as part of the joint decision process with the relevant competent authority, objective criteria must be fulfilled before this permission will be granted. These objective criteria will be outlined in the European Commission liquidity delegated act and further specified in an RTS to be submitted to the European Commission by 1 January 2015.

	competent authorities.				
Article 450(1) (Remuneration Policy)	Institutions shall disclose at least the following information, regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile; (i) upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	Disclosure	Case by Case	Yes	Case-by-case dependent at the option of Member State or Competent Authority. The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.
Article 458(2), (4)-(5), (8)-(10) (Macroprudential or systemic risk identified at the level of a Member State)	2. Where the authority determined in accordance with paragraph 1 identifies changes in the intensity of macroprudential or systemic risk in the financial system with the potential to have serious negative consequences to the financial system and the real economy in a specific Member State and which that authority considers would better be addressed by means of stricter national measures, it shall notify the European Parliament, the Council, the Commission, the ESRB and EBA of that fact and submit relevant quantitative or qualitative evidence of all of the following: (a) the changes in the intensity of macroprudential or systemic risk; (b) the reasons why such changes could pose a threat to financial stability at national level; (c) a justification of why Articles 124 and 164 of this Regulation and Articles 101, 103, 104, 105, 133, and 136 of Directive 2013/36/EU cannot adequately address the macroprudential or systemic risk identified, taking into account the relative effectiveness of those measures; (d) draft national measures for domestically authorised institutions, or a subset of those institutions, intended to mitigate the changes in the intensity of risk and concerning: (i) the level of own funds laid down in Article 92;	Macro-prudential Measures	General or Case-by-case	TBC	

	<p>(ii) the requirements for large exposures laid down in Article 392 and Article 395 to 403;</p> <p>(iii) the public disclosure requirements laid down in Articles 431 to 455;</p> <p>(iv) the level of the capital conservation buffer laid down in Article 129 of Directive 2013/36/EU;</p> <p>(v) liquidity requirements laid down in Part Six;</p> <p>(vi) risk weights for targeting asset bubbles in the residential and commercial property sector; or</p> <p>(vii) intra financial sector exposures;</p> <p>(e) an explanation as to why the draft measures are deemed by the authority determined in accordance with paragraph 1 to be suitable, effective and proportionate to address the situation; and</p> <p>(f) an assessment of the likely positive or negative impact of the draft measures on the internal market based on information which is available to the Member State concerned.</p> <p>4. The power to adopt an implementing act to reject the draft national measures referred to in point (d) of paragraph 2 is conferred on the Council, acting by qualified majority, on a proposal from the Commission. Within one month of receiving the notification referred to in paragraph 2, the ESRB and EBA shall provide their opinions on the points mentioned in that paragraph to the Council, the Commission and the Member State concerned.</p> <p>Taking utmost account of the opinions referred to in the second subparagraph and if there is robust, strong and detailed evidence that the measure will have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified, the Commission may, within one month, propose to the Council an implementing act to reject the draft national</p>				
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	<p>measures.</p> <p>In the absence of a Commission proposal within that period of one month, the Member State concerned may immediately adopt the draft national measures for a period of up to two years or until the macroprudential or systemic risk ceases to exist if that occurs sooner. The Council shall decide on the proposal by the Commission within one month after receipt of the proposal and state its reasons for rejecting or not rejecting the draft national measures.</p> <p>The Council shall only reject the draft national measures if it considers that one or more of the following conditions are not complied with:</p> <ul style="list-style-type: none"> (a) the changes in the intensity of macroprudential or systemic risk are of such nature as to pose risk to financial stability at national level; (b) Articles 124 and 164 of this Regulation and Articles 101, 103, 104, 105, 133, and 136 of Directive 2013/36/EU cannot adequately address the macroprudential or systemic risk identified, taking into account the relative effectiveness of those measures; (c) the draft national measures are more suitable to address the identified macroprudential or systemic risk and do not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or in the Union as a whole, thus forming or creating an obstacle to the functioning of the internal market; (d) the issue concerns only one Member State; and (e) the risks have not already been addressed by other measures in this Regulation or in Directive 2013/36/EU. <p>The assessment of the Council shall take into account the opinion of the ESRB and EBA and shall be based on the evidence presented in accordance with paragraph 2 by the authority determined in accordance</p>				
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	<p>with paragraph 1. In the absence of a Council implementing act to reject the draft national measures within one month after receipt of the proposal by the Commission, the Member State may adopt the measures and apply them for a period of up to two years or until the macroprudential or systemic risk ceases to exist if that occurs sooner.</p> <p>5. Other Member States may recognise the measures set in accordance with this Article and apply them to domestically authorised branches located in the Member State authorised to apply the measures.</p> <p>8. The Member State authorised to apply the measures may ask the ESRB to issue a recommendation as referred to in Article 16 of Regulation (EU) No 1092/2010 to one or more Member States which do not recognise the measures.</p> <p>9. Before the expiry of the authorisation issued in accordance with paragraph 4, the Member State shall, in consultation with the ESRB and EBA, review the situation and may adopt, in accordance with the procedure referred to in paragraph 4, a new decision for the extension of the period of application of national measures for one additional year each time. After the first extension, the Commission shall in consultation with the ESRB and EBA review the situation at least annually.</p> <p>10. Notwithstanding the procedure as set out in paragraphs 3 to 9, Member States shall be allowed to increase the risk weights beyond those provided in this Regulation by up to 25 %, for those exposures identified in points (vi) and (vii) of paragraph 2(d) of this Article and tighten the large exposure limit provided in Article 395 by up to 15 % for a period of up to two years or until</p>				
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	the macroprudential or systemic risk ceases to exist if that occurs sooner, provided that the conditions and notification requirements in paragraph 2 of this Article are met.				
Article 465(1)-(2) (Own Funds Requirements- Transitional Provisions)	<p>1. By way of derogation from points (a) and (b) of Article 92(1) the following own funds requirements shall apply during the period from 1 January 2014 to 31 December 2014:</p> <p>(a) a Common Equity Tier 1 capital ratio of a level that falls within a range of 4 % to 4,5 %;</p> <p>(b) a Tier 1 capital ratio of a level that falls within a range of 5,5 % to 6 %.</p> <p>2. Competent authorities shall determine and publish the levels of the Common Equity Tier 1 and Tier 1 capital ratios in the ranges specified in paragraph 1 that institutions shall meet or exceed.</p>	Transitional Own Funds	General	4% CET1 in 2014, 5.5% Tier 1	This discretion applies only in 2014. From 1 Jan. 2015, all banks must meet or exceed a CET1 ratio of 4.5% and a Tier 1 ratio of 6%.
Article 467(2) &(3) (Unrealised losses measured at fair value)	<p>2. The applicable percentage for the purposes of paragraph 1 shall fall within following ranges:</p> <p>(a) 20 % to 100 % during the period from 1 January 2014 to 31 December 2014;</p> <p>(b) 40 % to 100 % during the period from 1 January 2015 to 31 December 2015;</p> <p>(c) 60 % to 100 % during the period from 1 January 2016 to 31 December 2016; and</p> <p>(d) 80 % to 100 % for the period from 1 January 2017 to 31 December 2017.</p> <p>By way of derogation from paragraph 1, the competent authorities may, in cases where such treatment was applied before 1 January 2014, allow institutions not to include in any element of own funds unrealised gains or losses on exposures to central governments classified in the "Available for Sale" category of EU-endorsed IAS 39.</p>	Transitional Own Funds	General	Applicable percentage of unrealised losses that must be included in calculation of CET 1 items are as follows; 2014; 20% 2015; 40% 2016; 60% 2017; 80%	<p>From 1 January 2015, a competent authority may not set an applicable percentage of unrealised gains that exceeds the applicable percentage of unrealised losses recognised within CET1.</p> <p>The Bank will permit banks to opt to maintain their filter on both unrealised gains or losses on exposures to central governments classified in the 'Available for Sale' category'.</p>

	<p>The treatment set out in the second subparagraph shall be applied until the Commission has adopted a regulation on the basis of Regulation (EC) No 1606/2002 endorsing the International Financial Reporting Standard replacing IAS 39.</p> <p>3. Competent authorities shall determine and publish the applicable percentage in the ranges specified in points (a) to (d) of paragraph 2.</p>				
<p>Article 468(2)-(3) (Unrealised Gains Measured at Fair Value)</p>	<p>2. For the purposes of paragraph 1, the applicable percentage shall be 100 % during the period from 1 January 2014 to 31 December 2014, and shall, after that date, fall within the following ranges:</p> <p>(a) 60 % to 100 % during the period from 1 January 2015 to 31 December 2015;</p> <p>(b) 40 % to 100 % during the period from 1 January 2016 to 31 December 2016;</p> <p>(c) 20 % to 100 % for the period from 1 January 2017 to 31 December 2017.</p> <p>From 1 January 2015, where under Article 467 a competent authority requires institutions to include in the calculation of Common Equity Tier 1 capital 100 % of their unrealised losses measured at fair value, that competent authority may also permit institutions to include in that calculation 100 % of their unrealised gains at fair value.</p> <p>From 1 January 2015, where under Article 467 a competent authority requires institutions to include a percentage of unrealised losses measured at fair value in the calculation of Common Equity Tier 1 capital, that competent authority shall not set an applicable percentage of unrealised gains under paragraph 2 of this Article which results in a percentage of unrealised gains that is included in the calculation of Common Equity Tier 1 capital that exceeds the applicable percentage of unrealised losses set in accordance with Article 467.</p>	<p>Transitional Own Funds</p>	<p>General</p>	<p>Applicable percentage of unrealised gains that must be excluded in calculation of CET 1 items are as follows;</p> <p>2015; 60%</p> <p>2016; 40%</p> <p>2017; 20%</p>	<p>No recognition of unrealised gains in general in CET1 is permitted during 2014, pending a report by the EBA to the EU Commission on appropriate alternative treatments to the full recognition of such gains on assets and liabilities measured at fair value.</p> <p>The Central Bank will not exercise the permission contained in Article 468(2), paragraph 2.</p>

	3. Competent authorities shall determine and publish the applicable percentage of unrealised gains in the ranges specified in points (a) to (c) of paragraph 2 that is removed from Common Equity Tier 1 capital.				
Article 471(1) (Exemption from Deduction of Equity Holdings in Insurance Companies from Common Equity Tier 1 Items)	By way of derogation from Article 49(1), during the period from 1 January 2014 to 31 December 2022, competent authorities may permit institutions to not deduct equity holdings in insurance undertakings, reinsurance undertakings and insurance holding companies where the following conditions are met: (a) the conditions laid down in points (a), (c) and (e) of Article 49(1); (b) the competent authorities are satisfied with the level of risk control and financial analysis procedures specifically adopted by the institution in order to supervise the investment in the undertaking or holding company; (c) the equity holdings of the institution in the insurance undertaking, reinsurance undertaking or insurance holding company do not exceed 15 % of the Common Equity Tier 1 instruments issued by that insurance entity as at 31 December 2012 and during the period from 1 January 2013 to 31 December 2022; (d) the amount of the equity holding which is not deducted does not exceed the amount held in the Common Equity Tier 1 instruments in the insurance undertaking, reinsurance undertaking or insurance holding company as at 31 December 2012.	Transitional Own Funds	General	Yes	The granting of this exemption carries strict conditionality (e.g., max. 15% shareholding in the insurance entity). The Central Bank is of the view that the transitional exemption is of limited use to Irish banks but intends to exercise this discretion for level-playing field reasons.
Article 473(1) (Introduction of amendments to IAS 19)	1. By way of derogation from Article 481 during the period from 1 January 2014 until 31 December 2018, competent authorities may permit institutions that prepare their accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2) of Regulation (EC) No 1606/2002 to add to their Common Equity Tier 1 capital the applicable amount	Transitional Own Funds	General	No	The Central Bank does not intend to exercise this discretion as it is not considered relevant to Irish banks, given they do not use the 'Corridor Approach'.

	in accordance with paragraph 2 or 3 of this Article, as applicable, multiplied by the factor applied in accordance with paragraph 4.				
Article 478 (Applicable percentages for deduction from Common Equity Tier 1, Additional Tier 1 and Tier 2 items)	<p>1. The applicable percentage for the purposes of Article 468(4), points (a) and (c) of Article 469(1), point (a) of Article 474 and point (a) of Article 476 shall fall within the following ranges:</p> <p>(a) 20 % to 100 % for the period from 1 January 2014 to 31 December 2014;</p> <p>(b) 40 % to 100 % for the period from 1 January 2015 to 31 December 2015;</p> <p>(c) 60 % to 100 % for the period from 1 January 2016 to 31 December 2016;</p> <p>(d) 80 % to 100 % for the period from 1 January 2017 to 31 December 2017.</p> <p>2. By way of derogation from paragraph 1, for the items referred in point (c) of Article 36(1) that existed prior to ..., the applicable percentage for the purpose of point (c) of Article 469(1) shall fall within the following ranges:</p> <p>(a) 0 % to 100 % for the period from 1 January 2014 to 2 January 2015;</p> <p>(b) 10 % to 100 % for the period from 2 January 2015 to 2 January 2016;</p> <p>(c) 20 % to 100 % for the period from 2 January 2016 to 2 January 2017;</p> <p>(d) 30 % to 100 % for the period from 2 January 2017 to 2 January 2018;</p> <p>(e) 40 % to 100 % for the period from 2 January 2018 to 2 January 2019;</p> <p>(f) 50 % to 100 % for the period from 2 January 2019 to 2 January 2020;</p> <p>(g) 60 % to 100 % for the period from 2 January 2020 to 2 January 2021;</p> <p>(h) 70 % to 100 % for the period from 2 January 2021</p>	Transitional Own Funds	General	<p>Applicable percentage for deductions under a)i, ii, iii) and iv) are as follows;</p> <p>2014; 20% 2015; 40% 2016; 60% 2017;80%</p> <p>The derogation for the items referred to in point (c) of Article 36(1) that existed prior to 31 December 2013 is applied, the applicable percentage for the phase-in by year being 0% in 2014, 10% in 2015 90% in 2023 (10 percentage points increase p.a.).</p>	The phase-in rates are applied to all new deductions against each of CET1, Tier 1 and total Own Funds. Items currently deducted from Core Tier 1 under Pillar 1 or Pillar 2 will not benefit from phase-in against CET1.

	<p>to 2 January 2022; (i) 80 % to 100 % for the period from 2 January 2022 to 2 January 2023; (j) 90 % to 100 % for the period from 2 January 2023 to 2 January 2024.</p> <p>3. Competent authorities shall determine and publish an applicable percentage in the ranges specified in paragraphs 1 and 2 for each of the following deductions:</p> <p>(a) the individual deductions required pursuant to points (a) to (h) of Article 36(1), excluding deferred tax assets that rely on future profitability and arise from temporary differences;</p> <p>(b) the aggregate amount of deferred tax assets that rely on future profitability and arise from temporary differences and the items referred to in point (i) of Article 36(1) that is required to be deducted pursuant to Article 48;</p> <p>(c) each deduction required pursuant to points (b) to (d) of Article 56;</p> <p>(d) each deduction required pursuant to points (b) to (d) of Article 66.</p>				
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<p>Article 479(4) (rate of minority interest de-recognition from CET1)</p>	<p>Competent authorities shall determine and publish the applicable percentage in the ranges specified in paragraph 3;</p>	<p>Transitional Own Funds</p>	<p>General</p>	<p>Applicable percentage for the recognition in consolidated CET 1 capital of instruments and items that do not qualify in minority interests as follows; 2014; 80% 2015; 60% 2016; 40% 2017; 20%</p>	
<p>Article 480(3) (De-recognition in consolidated own funds of minority interests and qualifying Additional Tier 1 and Tier 2 capital)</p>	<p>3. Competent authorities shall determine and publish the value of the applicable factor in the ranges specified in paragraph 2.</p>	<p>Transitional Own Funds</p>	<p>General</p>	<p>Applicable factor for the recognition in consolidated own funds of minority interests and qualifying AT 1 and Tier 2 capital as follows; 2014; 20% 2015; 40% 2016; 60% 2017; 80%</p>	<p>Where subsidiary capital is eligible for inclusion in consolidated own funds, it can be included in consolidated CET1/Tier 1/Tier 2 subject to the excess attributable to third parties being phased in as a deduction from 1 January 2014.</p>

<p>Article 481(1)-(5) Additional filters and deductions)</p>	<p>1. By way of derogation from Articles 32 to 36, 56 and 66, during the period from 1 January 2014 to 31 December 2017, institutions shall make adjustments to include in or deduct from Common Equity Tier 1 items, Tier 1 items, Tier 2 items or own funds items the applicable percentage of filters or deductions required under national transposition measures for Articles 57, 61, 63, 63a, 64 and 66 of Directive 2006/48/EC, and for Articles 13 and 16 of Directive 2006/49/EC, and which are not required in accordance with Part Two of this Regulation.</p> <p>2. By way of derogation from Article 36(1)(i) and Article 49(1) , during the period from the 1 January 2014 to 31 December 2014, competent authorities may require or permit institutions to apply the methods referred to in Article 49(1) where the requirements laid down in point (b) of Article 49(1) are not met, rather than the deduction required pursuant to Article 36(1). In such cases, the proportion of holdings of the own funds instruments of a financial sector entity in which the parent undertaking has a significant investment that is not required to be deducted in accordance with Article 49(1) shall be determined by the applicable percentage referred to in paragraph 4 of this Article. The amount that is not deducted shall be subject to the requirements of Article 49(4), as applicable.</p> <p>3. For the purposes of paragraph 1, the applicable percentage shall fall within the following ranges: (a) 0 % to 80 % for the period from 1 January 2014 to 31 December 2014; (b) 0 % to 60 % for the period from 1 January 2015 to 31 December 2015; (c) 0 % to 40 % for the period from 1 January 2016 to 31 December 2016;</p>	<p>Transitional Own Funds</p>	<p>General</p>	<p>Additional filters and deductions will be removed at the following rates p.a. to end- 2017; 2014; 80% 2015; 60% 2016; 40% 2017;20% The derogation in 2) will not be applied.</p>	<p>1. Irish financial institutions were notified by letter (dated 18 February 2009) of the current capital treatment required for Defined Benefit pension schemes and are required to:</p> <ul style="list-style-type: none"> • Reverse out the accounting surplus or deficit on the defined benefit scheme; • If the plan is in deficit, the Central Bank must apply a “prudential filter” deduction to Tier 1 Own Funds by deducting three years supplementary contributions. • In addition to the above, the Institution must also include an add-on for Pension Risk under its Pillar II calculation if the bank has identified that capital must be held in respect of Pension Risk. The add-on must be for at least the amount of the bank’s Minimum Funding Requirement. The current Pillar I treatment must be phased out from 2014 onwards. As such, where a plan is in deficit, its full recognition in CET1 required by 01 Jan. 2018 should be phased in according to the percentages indicated for the next four years. The current Tier 1 deduction and Pillar 2 treatment for this aspect of pension risk should be adjusted appropriately as CET1 recognition is phased in.
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	<p>(d) 0 % to 20 % for the period from 1 January 2017 to 31 December 2017.</p> <p>4. For the purpose of paragraph 2, the applicable percentage shall fall between 0 % and 50 % for the period from 1 January 2014 to 31 December 2014.</p> <p>5. For each filter or deduction referred to in paragraphs 1 and 2, competent authorities shall determine and publish the applicable percentages in the ranges specified in paragraphs 3 and 4.</p>				
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<p>Article 486(5)-(6)(Limits for grandfathering of items within Common Equity Tier 1, Additional Tier 1 and Tier 2 items)</p>	<p>5. For the purposes of this Article, the applicable percentages referred to in paragraphs 2 to 4 shall fall within the following ranges: (a) 60 % to 80 % during the period from 1 January 2014 to 31 December 2014; (b) 40 % to 70 % during the period from 1 January 2015 to 31 December 2015; (c) 20 % to 60 % during the period from 1 January 2016 to 31 December 2016; (d) 0 % to 50 % during the period from 1 January 2017 to 31 December 2017; (e) 0 % to 40 % during the period from 1 January 2018 to 31 December 2018; (f) 0 % to 30 % during the period from 1 January 2019 to 31 December 2019; (g) 0 % to 20 % during the period from 1 January 2020 to 31 December 2020; (h) 0 % to 10 % during the period from 1 January 2021 to 31 December 2021.</p> <p>6. Competent authorities shall determine and publish the applicable percentages in the ranges specified in paragraph 5.</p>	<p>Transitional Own Funds</p>	<p>General</p>	<p>Applicable percentages for determining the limits for grandfathering of items within CET1, AT1 and Tier 2 are as follows; 2014; 80% 2015; 70% 2016; 60% 2017; 50% 2018; 40% 2019; 30% 2020; 20% 2021; 10%</p>	<p>Recognition as indicated should be applied as of 1 January of each year rather than on a straight-line basis during the year.</p>
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<p>Article 496(1) (Own funds requirements for covered bonds)</p>	<p>1. Until 31 December 2017, competent authorities may waive in full or in part the 10 % limit for senior units issued by French Fonds Communs de Créances or by securitisation entities which are equivalent to French Fonds Communs de Créances laid down in points (d) and (f) of Article 129(1), provided that both of the following conditions are fulfilled: (a) the securitised residential property or commercial immovable property exposures were originated by a member of the same consolidated group of which the issuer of the covered bonds is a member, or by an entity affiliated to the same central body to which the issuer of the covered bonds is affiliated, where that common group membership or affiliation shall be determined at the time the senior units are made collateral for covered bonds; (b) a member of the same consolidated group of which the issuer of the covered bonds is a member, or an entity affiliated to the same central body to which the issuer of the covered bonds is affiliated, retains the whole first loss tranche supporting those senior units.</p>	<p>Transitional Own Funds</p>	<p>General</p>	<p>No</p>	
<p>Article 499(3) (Leverage)</p>	<p>3. By way of derogation from Article 429(2), during the period from 1 January 2014 to 31 December 2017 competent authorities may permit institutions to calculate the end-of-quarter leverage ratio where they consider that institutions may not have data of sufficiently good quality to calculate a leverage ratio that is an arithmetic mean of the monthly leverage ratios over a quarter.</p>	<p>Leverage/Transitional</p>	<p>General</p>	<p>Yes</p>	<p>The Central Bank intends to exercise this discretion.</p>
<p>Article 500(5)</p>	<p>The competent authorities may, after consulting EBA, waive the application of point (b) of paragraph 1(b) to institutions provided that all the requirements for the IRB Approach set out in Part Three, Title II, Chapter 3, Section 6 or the qualifying criteria for the use of the Advanced Measurement Approach set out in Part Three, Title III, Chapter 4, as</p>	<p>Transitional/ Basel I Floor</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to exercise this discretion on a case-by-case basis.</p>

	applicable, are met				
Article 520(3)-(4) (Amendment of Regulation (EU) No 648/2011)	<p>3. A CCP shall undertake the calculation required by paragraph 2 at least quarterly or more frequently where required by the competent authorities of those of its clearing members which are institutions.</p> <p>4. EBA shall develop draft implementing technical standards to specify the following for the purpose of paragraph 3:</p> <p>(a) the frequency and dates of the calculation laid down in paragraph 2;</p> <p>(b) the situations in which the competent authority of an institution acting as a clearing member may require higher frequencies of calculation and reporting than those referred to in point (a).</p> <p>EBA shall submit those draft implementing technical standards to the Commission by 1 January 2014. 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.</p>	EMIR Amendment	Case by Case	Yes	Subject to EBA RTS by 1 Jan. 2014 which will specify the situations in which the competent authority of an institution acting as a clearing member may require higher frequencies of calculation and reporting than those referred to in point (a).

Appendix B (Part II) – Pre-existing Competent Authority Discretions and Options in CRR

Regulation Reference	Text of Article	Area	Nature	Exercise	Comment
<p>Article 7 (Derogation from the application of prudential requirements on an individual basis)</p>	<p>Competent authorities may waive the application of Article 6(1) to any subsidiary of an institution, where both the subsidiary and the institution are subject to authorisation and supervision by the Member State concerned, and the subsidiary is included in the supervision on a consolidated basis of the institution which is the parent undertaking, and all of the following conditions are satisfied, in order to ensure that own funds are distributed adequately between the parent undertaking and the subsidiary:</p> <p>(a) there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities by its parent undertaking;</p> <p>(b) either the parent undertaking satisfies the competent authority regarding the prudent management of the subsidiary and has declared, with the permission of the competent authority, that it guarantees the commitments entered into by the subsidiary, or the risks in the subsidiary are of negligible interest;</p> <p>(c) the risk evaluation, measurement and control procedures of the parent undertaking cover the subsidiary;</p> <p>(d) the parent undertaking holds more than 50 % of the voting rights attached to shares in the capital of the subsidiary or has the right to appoint or remove a majority of the members of the management body of the subsidiary.</p> <p>2. Competent authorities may exercise the option provided for in paragraph 1 where the parent undertaking is a financial holding company or a mixed financial holding company set up in the same Member State as the institution, provided that it is subject to the same supervision as that exercised over institutions, and in particular to the standards laid down in Article 11(1).</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>No</p>	<p>This discretion has not been exercised in the past and the Central Bank is not intending to alter its approach.</p>

	<p>3. Competent authorities may waive the application of Article 6(1) to a parent institution in a Member State where that institution is subject to authorisation and supervision by the Member State concerned, and it is included in the supervision on a consolidated basis, and all the following conditions are satisfied, in order to ensure that own funds are distributed adequately among the parent undertaking and the subsidiaries:</p> <p>(a) there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities to the parent institution in a Member State;</p> <p>(b) the risk evaluation, measurement and control procedures relevant for consolidated supervision cover the parent institution in a Member State.</p> <p>The competent authority which makes use of this paragraph shall inform the competent authorities of all other Member States.</p>				
<p>Article 10 (Waiver for credit institutions permanently affiliated to a central body)</p>	<p>1. Competent authorities may, in accordance with national law, partially or fully waive the application of the requirements set out in Parts Two to Eight to one or more credit institutions situated in the same Member State and which are permanently affiliated to a central body which supervises them and which is established in the same Member State, if the following conditions are met:</p> <p>(a) the commitments of the central body and affiliated institutions are joint and several liabilities or the commitments of its affiliated institutions are entirely guaranteed by the central body;</p> <p>(b) the solvency and liquidity of the central body and of all the affiliated institutions are monitored as a whole on the basis of consolidated accounts of these institutions;</p> <p>(c) the management of the central body is empowered to issue instructions to the management of the affiliated institutions.</p> <p>Member States may maintain and make use of existing national legislation regarding the application of the waiver referred to in the first subparagraph as long as it does not conflict with this Regulation or Directive 2013/36/EU.</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>No</p>	<p>The Central Bank does not intend to exercise this discretion as it considers that no such 'central bodies' exist in Ireland.</p>

	<p>2. Where the competent authorities are satisfied that the conditions set out in paragraph 1 are met, and where the liabilities or commitments of the central body are entirely guaranteed by the affiliated institutions, the competent authorities may waive the application of Parts Two to Eight to the central body on an individual basis.</p>				
<p>Article 15 (Derogation from the application of own funds requirements on a consolidated basis for groups of investment firms)</p>	<p>Derogation to the application of own funds requirements on a consolidated basis for groups of investment firms</p> <p>1. The consolidating supervisor may waive, on a case-by-case basis, the application of Part Three of this Regulation and Title VII, Chapter 4 of Directive 2013/36/EU on a consolidated basis provided that the following conditions exist:</p> <p>(a) each EU investment firm in the group uses the alternative calculation of total risk exposure amount referred to in Article 95(2) or 96(2);</p> <p>(b) all investment firms in the group fall within the categories in Articles 95(1) or 96(1);</p> <p>(c) each EU investment firm in the group meets the requirements imposed in Article 95 or 96 on an individual basis and at the same time deducts from its Common Equity Tier 1 items any contingent liability in favour of investment firms, financial institutions, asset management companies and ancillary services undertakings, which would otherwise be consolidated;</p> <p>(d) any financial holding company which is the parent financial holding company in a Member State of any investment firm in the group holds at least enough capital, defined here as the sum of the items referred to in Articles 26(1), 51(1) and 62(1), to cover the sum of the following:</p> <p>(i) the sum of the full book value of any holdings, subordinated claims and instruments referred to in Article 36(1)(h) and (i), Article 56(1)(c) and (d), and Article 66(1)(c) and (d) in investment firms, financial institutions, asset management companies and ancillary services undertakings which would otherwise be consolidated; and</p>	<p>Investment Firms</p>	<p>Case-by-case</p>	<p>Yes</p>	<p>The Central Bank intends to continue to exercise this discretion on a case-by-case basis subject to prior written approval from the Central Bank.</p>

	<p>(ii) the total amount of any contingent liability in favour of investment firms, financial institutions, asset management companies and ancillary services undertakings which would otherwise be consolidated;</p> <p>(e) the group does not include credit institutions</p> <p>2. The competent authorities may also apply the waiver if the financial holding companies holds a lower amount of own funds than the amount calculated under paragraph 1(d), but no lower than the sum of the own funds requirements imposed on an individual basis to investment firms, financial institutions, asset management companies and ancillary services undertakings which would otherwise be consolidated and the total amount of any contingent liability in favour of investment firms, financial institutions, asset management companies and ancillary services undertakings which would otherwise be consolidated. For the purposes of this paragraph, the own funds requirement for investment undertakings of third countries, financial institutions, asset management companies and ancillary services undertakings is a notional own funds requirement.</p>				
<p>Article 19(2) (Entities excluded from the scope of prudential consolidation)</p>	<p>2. The competent authorities responsible for exercising supervision on a consolidated basis pursuant to Article 111 of Directive 2013/36/EU may on a case-by-case basis decide in the following cases that an institution, financial institution or ancillary services undertaking which is a subsidiary or in which a participation is held need not be included in the consolidation:</p> <p>(a) where the undertaking concerned is situated in a third country where there are legal impediments to the transfer of the necessary information;</p> <p>(b) where the undertaking concerned is of negligible interest only with respect to the objectives of monitoring institutions;</p> <p>(c) where, in the opinion of the competent authorities responsible for exercising supervision on a consolidated basis, the consolidation of the financial situation of the undertaking</p>	<p>Level of Application</p>	<p>Case by Case</p>	<p>Yes</p>	

	concerned would be inappropriate or misleading as far as the objectives of the supervision of credit institutions are concerned.				
Article 79(1)-(2) (Temporary waiver of deduction from own funds)	<p>1. Where an institution holds capital instruments or has granted subordinated loans, as applicable, that qualify as Common Equity Tier 1, Additional Tier 1 or Tier 2 instruments in a financial sector entity temporarily and the competent authority deems those holdings to be for the purposes of a financial assistance operation designed to reorganise and save that entity, the competent authority may waive on a temporary basis the provisions on deduction that would otherwise apply to those instruments.</p> <p>2. EBA shall develop draft regulatory technical standards to specify the concept of temporary for the purposes of paragraph 1 and the conditions according to which a competent authority may deem those temporary holdings to be for the purposes of a financial assistance operation designed to reorganise and save a relevant entity.</p>	Own Funds	Case by Case	Yes	<p>RTS defines "temporary" and the conditions according to which a competent authority may deem those temporary holdings to be for the purposes of a financial assistance operation designed to reorganise and save a relevant entity.</p> <p>The Central Bank intends to retain the flexibility to exercise this discretion on a case-by-case basis.</p>
Article 113(6)-(7) (Calculation of risk weighted exposure amounts)	<p>6. With the exception of exposures giving rise to Common Equity Tier 1, Additional Tier 1 or Tier 2 items, an institution may, subject to the prior approval of the competent authorities, decide not to apply the requirements of paragraph 1 of this Article to the exposures of that institution to a counterparty which is its parent undertaking, its subsidiary, a subsidiary of its parent undertaking or an undertaking linked by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC. Competent authorities are empowered to grant approval if the following conditions are fulfilled:</p> <p>(a) the counterparty is an institution, a financial institution or an ancillary services undertaking subject to appropriate prudential requirements;</p> <p>(b) the counterparty is included in the same consolidation as</p>	Credit Risk	Case by Case	Yes to (6). No to (7).	<p>The Central Bank intends to maintain the flexibility to exercise the discretion in paragraph 6 on a case-by-case basis. The Central Bank is not intending to exercise the discretion in paragraph 7.</p>

	<p>the institution on a full basis; (c) the counterparty is subject to the same risk evaluation, measurement and control procedures as the institution; (d) the counterparty is established in the same Member State as the institution; (e) there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities from the counterparty to the institution. Where the institution, in accordance with this paragraph, is authorised not to apply the requirements of paragraph 1, it may assign a risk weight of 0 %.</p> <p>7. With the exception of exposures giving rise to Common Equity Tier 1, Additional Tier 1 and Tier 2 items, institutions may, subject to the prior permission of the competent authorities, not apply the requirements of paragraph 1 of this Article to exposures to counterparties with which the institution has entered into an institutional protection scheme that is a contractual or statutory liability arrangement which protects those institutions and in particular ensures their liquidity and solvency to avoid bankruptcy where necessary. Competent authorities are empowered to grant permission if the following conditions are fulfilled: (a) the requirements set out in points (a), (d) and (e) of paragraph 6 are met; (b) the arrangements ensure that the institutional protection scheme is able to grant support necessary under its commitment from funds readily available to it; (c) the institutional protection scheme disposes of suitable and uniformly stipulated systems for the monitoring and classification of risk, which gives a complete overview of the risk situations of all the individual members and the institutional protection scheme as a whole, with corresponding possibilities to take influence; those systems shall suitably monitor defaulted exposures in accordance with Article 178(1);EN 27.6.2013 Official Journal of the European Union L</p>				
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	<p>176/75</p> <p>(d) the institutional protection scheme conducts its own risk review which is communicated to the individual members;</p> <p>(e) the institutional protection scheme draws up and publishes on an annual basis, a consolidated report comprising the balance sheet, the profit-and-loss account, the situation report and the risk report, concerning the institutional protection scheme as a whole, or a report comprising the aggregated balance sheet, the aggregated profit-and-loss account, the situation report and the risk report, concerning the institutional protection scheme as a whole;</p> <p>(f) members of the institutional protection scheme are obliged to give advance notice of at least 24 months if they wish to end the institutional protection scheme;</p> <p>(g) the multiple use of elements eligible for the calculation of own funds (hereinafter referred to as 'multiple gearing') as well as any inappropriate creation of own funds between the members of the institutional protection scheme shall be eliminated;</p> <p>(h) the institutional protection scheme shall be based on a broad membership of credit institutions of a predominantly homogeneous business profile;</p> <p>(i) the adequacy of the systems referred to in points (c) and (d) is approved and monitored at regular intervals by the relevant competent authorities.</p> <p>Where the institution, in accordance with this paragraph, decides not to apply the requirements of paragraph 1, it may assign a risk weight of 0 %</p>				
<p>Article 124(2)(Exposures secured by mortgages on immovable property)</p>	<p>Competent authorities may set a higher risk weight or stricter criteria than those set out in Article 125(2) and Article 126(2), where appropriate, on the basis of financial stability considerations.</p>	<p>Credit Risk</p>	<p>General</p>	<p>Yes</p>	<p>The Central Bank intends to continue to restrict the 35% risk weight to a) owner-occupied housing and b) loans with an LTV of up to 75% and to require banks to apply a 100% risk weight to</p>

					exposures secured by commercial real estate. Exercise of the Central Bank's discretion in this area will be subject to notification to the EBA and to the relevant RTS.
Article 143(2)-(3)(Permission to use the IRB Approach)	<p>2. Prior permission to use the IRB Approach, including own estimates of LGD and conversion factors, shall be required for each exposure class and for each rating system and internal models approaches to equity exposures and for each approach to estimating LGDs and conversion factors used.</p> <p>3. Institutions shall obtain the prior permission of the competent authorities for the following:</p> <p>(a) material changes to the range of application of a rating system or an internal models approach to equity exposures that the institution has received permission to use;</p> <p>(b) material changes to a rating system or an internal models approach to equity exposures that the institution has received permission to use.</p> <p>The range of application of a rating system shall comprise all exposures of the relevant type of exposure for which that rating system was developed.</p>	Credit Risk	Case by Case	Yes	Permission subject to RTS to be developed by end-2014.

<p>Article 148(1)-(6)(Conditions for implementing the IRB Approach across different classes of exposure and business units)</p>	<p>1. Institutions and any parent undertaking and its subsidiaries shall implement the IRB Approach for all exposures, unless they have received the permission of the competent authorities to permanently use the Standardised Approach in accordance with Article 150. Subject to the prior permission of the competent authorities, implementation may be carried out sequentially across the different exposure classes referred to in Article 147 within the same business unit, across different business units in the same group or for the use of own estimates of LGDs or conversion factors for the calculation of risk weights for exposures to corporates, institutions, and central governments and central banks. In the case of the retail exposure class referred to in Article 147(5), implementation may be carried out sequentially across the categories of exposures to which the different correlations in Article 154 correspond.</p> <p>2. Competent authorities shall determine the time period over which an institution and any parent undertaking and its subsidiaries shall be required to implement the IRB Approach for all exposures. This time period shall be one that competent authorities consider to be appropriate on the basis of the nature and scale of the activities of the institutions, or any parent undertaking and its subsidiaries, and the number and nature of rating systems to be implemented.</p> <p>3. Institutions shall carry out implementation of the IRB Approach in accordance with conditions determined by the competent authorities. The competent authority shall design those conditions such that they ensure that the flexibility under paragraph 1 is not used selectively for the purposes of achieving reduced own funds requirements in respect of those exposure classes or business units that are yet to be included in the IRB Approach or in the use of own estimates of LGDs and conversion factors.</p>	<p>Credit Risk</p>	<p>Case by Case</p>	<p>Yes</p>	<p>Institutions should indicate and justify requests for temporary exemptions. Such requests must be accompanied by a binding, credible and realisable rollout plan. This will be subject to an EBA RTS, specifying the conditions according to which competent authorities shall determine the appropriate nature and timing of the sequential roll out of the IRB Approach across exposure classes.</p>
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	<p>4. Institutions that have begun to use the IRB Approach only after 1 January 2013 or that have until that date been required by the competent authorities to be able to calculate their capital requirements using the Standardised Approach shall retain their ability to calculate capital requirements using the Standardised Approach for all their exposures during the implementation period until the competent authorities notify them that they are satisfied that the implementation of the IRB Approach will be completed with reasonable certainty.</p> <p>5. An institution that is permitted to use the IRB Approach for any exposure class shall use the IRB Approach for the equity exposure class laid down in point (e) of Article 147(2), except where that institution is permitted to apply the Standardised Approach for equity exposures pursuant to Article 150 and for the other non credit-obligation assets exposure class laid down in point (g) of Article 147(2).</p> <p>6. EBA shall develop draft regulatory technical standards to specify the conditions according to which competent authorities shall determine the appropriate nature and timing of the sequential roll out of the IRB Approach across exposure classes referred to in paragraph 3.</p>				
<p>Article 150 (Conditions for permanent partial use)</p>	<p>Where institutions have received the prior permission of the competent authorities, institutions permitted to use the IRB Approach in the calculation of risk weighted exposure amounts and expected loss amounts for one or more exposure classes may apply the Standardised Approach for the following exposures:</p> <p>(a) the exposure class laid down in Article 147(2)(a), where the number of material counterparties is limited and it would be unduly burdensome for the institution to implement a rating system for these counterparties;</p> <p>(b) the exposure class laid down in Article 147(2)(b), where the number of material counterparties is limited and it would be unduly burdensome for the institution to implement a rating</p>	<p>Credit Risk</p>	<p>Case by Case</p>	<p>Yes, though with the continuing exception of h), i) and j), subject to provisions of EBA RTS</p>	<p>The Central Bank does not consider that (h) and (j) are material in an Irish context while i) carries a 0% risk-weight where exposures are to the ECB (where to the Central Bank, it should be dealt with under a). It should be noted that conditions of application of points (a), (b) and (c) of paragraph 1 will be subject to an EBA RTS.</p>

	<p>system for these counterparties;</p> <p>(c) exposures in non significant business units as well as exposure classes or types of exposures that are immaterial in terms of size and perceived risk profile;</p> <p>(d) exposures to central governments and central banks of the Member States and their regional governments, local authorities, administrative bodies and public sector entities provided that:</p> <p>(i) there is no difference in risk between the exposures to that central government and central bank and those other exposures because of specific public arrangements; and</p> <p>(ii) exposures to the central government and central bank are assigned a 0 % risk weight under Article 114(2) or (4) or 495(2);</p> <p>(e) exposures of an institution to a counterparty which is its parent undertaking, its subsidiary or a subsidiary of its parent undertaking provided that the counterparty is an institution or a financial holding company, mixed financial holding company, financial institution, asset management company or ancillary services undertaking subject to appropriate prudential requirements or an undertaking linked by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC;</p> <p>(f) exposures between institutions which meet the requirements set out in Article 113(7);</p> <p>(g) equity exposures to entities whose credit obligations are assigned a 0 % risk weight under Chapter 2 including those publicly sponsored entities where a 0 % risk weight can be applied;</p> <p>(h) equity exposures incurred under legislative programmes to promote specified sectors of the economy that provide significant subsidies for the investment to the institution and involve some form of government oversight and restrictions on the equity investments where such exposures may in aggregate be excluded from the IRB Approach only up to a limit of 10 % of own funds;</p> <p>(i) the exposures identified in Article 119(4) meeting the</p>				
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	<p>conditions specified therein; (j) State and State reinsured guarantees referred to in Article 215(2). The competent authorities shall permit the application of Standardised Approach for equity exposures referred to in points (g) and (h) of the first subparagraph which have been permitted for that treatment in other Member States. EBA shall publish on its website and regularly update a list of the exposures referred to in those points to be treated according to the Standardised Approach.</p> <p>2. For the purposes of paragraph 1, the equity exposure class of an institution shall be material if their aggregate value, excluding equity exposures incurred under legislative programmes as referred to in point (h) of paragraph 1, exceeds on average over the preceding year 10 % of the own funds of the institution. Where the number of those equity exposures is less than 10 individual holdings, that threshold shall be 5 % of the own funds of the institution.</p> <p>3. EBA shall develop draft regulatory technical standards to determine the conditions of application of points (a), (b) and (c) of paragraph 1. EBA shall submit those draft regulatory technical standards to the Commission by 31 December 2014. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010.</p> <p>4. EBA shall issue guidelines on the application of point (d) of paragraph 1 in 2018, recommending limits in terms of a percentage of total balance sheet and/or risk weighted assets to be calculated in accordance with the Standardised Approach. Those guidelines shall be adopted in accordance with Article 16 of Regulation (EU) No 1093/2010.</p>				
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Implementation of Competent Authority Discretions and Options in CRD IV and CRR

<p>Article 178(1)(b) (Default of an obligor)</p>	<p>1. A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: (a) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; (b) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries. Competent authorities may replace the 90 days with 180 days for exposures secured by residential property or SME commercial immovable property in the retail exposure class, as well as exposures to public sector entities. The 180 days shall not apply for the purposes of Article 127.</p>	<p>Definition of Default</p>	<p>General</p>	<p>No</p>	<p>The Central Bank considers that 90 days is an appropriate backstop definition of default across all exposure classes.</p>
<p>Article 178(2)(d)</p>	<p>(d) materiality of a credit obligation past due shall be assessed against a threshold, defined by the competent authorities. This threshold shall reflect a level of risk that the competent authority considers to be reasonable;</p>	<p>Credit Risk</p>	<p>General</p>	<p>Yes, once EBA RTS available</p>	<p>EBA is mandated to develop draft regulatory technical standards to specify the conditions according to which a competent authority shall set the threshold referred to in paragraph 2(d) for submission to the European Commission by 31 Dec 2014.</p>
<p>Article 179(1)(f) (Overall Requirements for Estimation)</p>	<p>Where institutions use different estimates for the calculation of risk weights and for internal purposes, it shall be documented and be reasonable. If institutions can demonstrate to their competent authorities that for data that have been collected prior to 1 January 2007 appropriate adjustments have been made to achieve broad equivalence with the definition of default laid down in Article 178 or with loss, competent authorities may permit the institutions some flexibility in the application of the required standards for data.</p>	<p>Credit Risk</p>	<p>Case by Case</p>	<p>Yes</p>	<p>This discretion is important in order not to invalidate historic data sets. EBA shall submit draft regulatory technical standards on this point to the Commission by 31 December 2014.</p>

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

Article 225(2)(e) (Own estimates of volatility adjustments under the Financial Collateral Comprehensive Method)	the length of the historical observation period institutions use for calculating volatility adjustments shall be at least one year. For institutions that use a weighting scheme or other methods for the historical observation period, the length of the effective observation period shall be at least one year. The competent authorities may also require an institution to calculate its volatility adjustments using a shorter observation period where, in the competent authorities' judgement, this is justified by a significant upsurge in price volatility;	Credit Risk Mitigation	Case by Case	Yes	
Article 243(2)(second subparagraph) (Traditional Securitisation)	Where the possible reduction in risk-weighted exposure amounts, which the originator institution would achieve by this securitisation is not justified by a commensurate transfer of credit risk to third parties, competent authorities may decide on a case-by-case basis that significant credit risk shall not be considered to have been transferred to third parties.	Securitisation	Case by Case	Yes	
Article 244(2)(c) (Synthetic Securitisation)	Where the possible reduction in risk-weighted exposure amounts, which the originator institution would achieve by this securitisation is not justified by a commensurate transfer of credit risk to third parties, competent authorities may decide on a case-by-case basis that significant credit risk shall not be considered to have been transferred to third parties.	Securitisation	Case by Case	Yes	
Article 282(6)(Hedging sets)	For transactions with a non-linear risk profile or for payment legs and transactions with debt instruments as underlying for which the institution cannot determine the delta or the modified amended duration, as the case may be, with an instrument model that the competent authority has approved for the purposes of determining the own funds requirements for market risk, the competent authority shall either determine the size of the risk positions and the applicable CCRMjs conservatively, or require the institution to use of the method set out in Section 3. Netting shall not be recognised (that is, the exposure value shall be determined as if there were a netting set that comprises just an individual transaction).	Market Risk - CCR	General	Yes	While the Central Bank reserves the right to specify an alternative methodology, in the absence of such, the methodology set out in Section 3 should be used.

<p>Article 283(1)-(3) (Permission to use the Internal Model)</p>	<p>1. Provided that the competent authorities are satisfied that the requirement in paragraph 2 have been met by an institution, they shall permit that institution to use the Internal Model Method (IMM) to calculate the exposure value for any of the following transactions: (a) transactions in Article 273(2)(a); (b) transactions in Article 273(2)(b), (c) and (d); (c) transactions in Article 273(2)(a) to (d), Where an institution is permitted to use the IMM to calculate exposure value for any of the transactions mentioned in points (a) to (c) of the first subparagraph, it may also use the IMM for the transactions in Article 273(2)(e). Notwithstanding the third subparagraph of Article 273(1), an institution may choose not to apply this method to exposures that are immaterial in size and risk. In such case, an institution shall apply one of the methods set out in Sections 3 to 5 to these exposures where the relevant requirements for each approach are met.</p> <p>2. Competent authorities shall permit institutions to use IMM for the calculations referred to in paragraph 1 only if the institution has demonstrated that it complies with the requirements set out in this Section, and the competent authorities verified that the systems for the management of CCR maintained by the institution are sound and properly implemented.</p> <p>3. The competent authorities may permit institutions for a limited period to implement the IMM sequentially across different transaction types. During this period of sequential implementation institutions may use the methods set out in Section 3 or Section 5 for transaction type for which they do not use the IMM</p>	<p>Market Risk - CCR</p>	<p>Case by Case</p>	<p>Yes</p>	<p>Exercise subject to prior written approval from the Central Bank.</p>
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<p>Article 284(4) (Exposure Value)</p>	<p>Except for counterparties identified as having Specific Wrong-Way risk that fall within the scope of Article 291(4) and (5), institutions shall calculate the exposure value as the product of alpha (α) times Effective EPE, as follows:</p> <p>where: $\alpha = 1.4$, unless competent authorities require a higher α or permit institutions to use their own estimates in accordance with paragraph 9; Effective EPE shall be calculated by estimating expected exposure (EEt) as the average exposure at future date t, where the average is taken across possible future values of relevant market risk factors. The model shall estimate EE at a series of future dates t1, t2, t3, etc.</p>	<p>Market Risk - CCR</p>	<p>General</p>	<p>Not at present</p>	<p>For the time-being, we regard an alpha of 1.4 to be appropriate, as per the current implementation.</p>
<p>Article 284(9) and (12)</p>	<p>9. Notwithstanding paragraph 4, competent authorities may permit institutions to use their own estimates of alpha, where: (a) alpha shall equal the ratio of internal capital from a full simulation of CCR exposure across counterparties (numerator) and internal capital based on EPE (denominator); (b) in the denominator, EPE shall be used as if it were a fixed outstanding amount. When estimated in accordance with this paragraph, alpha shall be no lower than 1.2.</p> <p>12. In supervising the use of estimates under paragraph 9, competent authorities shall have regard to the significant variation in estimates of alpha that arises from the potential for mis-specification in the models used for the numerator, especially where convexity is present.</p>	<p>Market Risk - CCR</p>	<p>Case by Case</p>	<p>Yes</p>	

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

<p>Article 317(4) (Own funds requirement)</p>	<p>Institutions shall calculate the average over three years of the sum referred to in paragraph 2 on the basis of the last three twelve-monthly observations at the end of the financial year. When audited figures are not available, institutions may use business estimates.</p> <p>Where an institution can prove to its competent authority that, due to a merger, an acquisition or a disposal of entities or activities, using a three year average to calculate the relevant indicator would lead to a biased estimation for the own funds requirement for operational risk, the competent authority may permit institutions to amend the calculation in a way that would take into account such events and shall duly inform EBA thereof. In such circumstances, the competent authority may, on its own initiative, also require an institution to amend the calculation.</p> <p>Where an institution has been in operation for less than three years it may use forward-looking business estimates in calculating the relevant indicator, provided that it starts using historical data as soon as it is available.</p>	<p>Op Risk</p>	<p>Case by Case</p>	<p>Yes</p>	
<p>Article 327(2)(Netting)</p>	<p>No netting shall be allowed between a convertible and an offsetting position in the instrument underlying it, unless the competent authorities adopt an approach under which the likelihood of a particular convertible's being converted is taken into account or require an own funds requirement to cover any loss which conversion might entail. Such approaches or own funds requirements shall be notified to EBA. EBA shall monitor the range of practices in this area and shall, in accordance with Article 16 of Regulation (EU) No 1093/2010, issue guidelines.</p>	<p>Market Risk</p>	<p>General</p>	<p>Yes</p>	

Implementation of Competent Authority Discretions and Options in CRD IV and CRR

<p>Article 366(4)-(5) (Regulatory Back-testing and Multiplication Factors)</p>	<p>4. The competent authorities may in individual cases limit the addend to that resulting from overshootings under hypothetical changes, where the number of overshootings under actual changes does not result from deficiencies in the internal model.</p> <p>5. In order to allow competent authorities to monitor the appropriateness of the multiplication factors on an ongoing basis, institutions shall notify promptly, and in any case no later than within five working days, the competent authorities of overshootings that result from their back-testing programme.</p>	<p>Market Risk</p>	<p>Case by Case</p>	<p>Yes</p>	
<p>Article 380(Waiver)</p>	<p>Where a system wide failure of a settlement system, a clearing system or a CCP occurs, competent authorities may waive the own funds requirements calculated as set out in Articles 378 and 379 until the situation is rectified. In this case, the failure of a counterparty to settle a trade shall not be deemed a default for purposes of credit risk.</p>	<p>Settlement Risk</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank intends to retain the flexibility to exercise this discretion to deal with such system-wide failures.</p>
<p>Article 395(1) (Limits to Large Exposures)</p>	<p>1. An institution shall not incur an exposure, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or group of connected clients the value of which exceeds 25 % of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value shall not exceed 25 % of the institution's eligible capital or EUR 150 million, whichever the higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not institutions does not exceed 25 % of the institution's eligible capital.</p> <p>Where the amount of EUR 150 million is higher than 25 % of the institution's eligible capital the value of the exposure, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 shall not exceed a reasonable limit in terms of the institution's eligible capital.</p>	<p>Large Exposures and Investment Firms</p>	<p>Case by Case</p>	<p>Yes</p>	<p>The Central Bank may apply a lower limit of €250k to investment firms on a case by case basis.</p>

	<p>That limit shall be determined by the institution in accordance with the policies and procedures referred to in Article 81 of Directive 2013/36/EU, to address and control concentration risk. This limit shall not exceed 100 % of the institution's eligible capital.</p> <p>Competent authorities may set a lower limit than EUR 150 million and shall inform EBA and the Commission thereof.</p>				
<p>Article 495(1) (Treatment of equity exposures under the IRB approach)</p>	<p>1. Until 31 December 2017, the competent authorities may, by way of derogation from Chapter 3 of Part Three, until 31 December 2017, exempt from the IRB treatment certain categories of equity exposures held by institutions and EU subsidiaries of institutions in that Member State as at 31 December 2007. The competent authority shall publish the categories of equity exposures which benefit from such treatment in accordance with Article 143 of Directive 2013/36/EU.</p> <p>The exempted position shall be measured as the number of shares as at 31 December 2007 and any additional share arising directly as a result of owning those holdings, provided that they do not increase the proportional share of ownership in a portfolio company.</p> <p>If an acquisition increases the proportional share of ownership in a specific holding the part of the holding which constitutes the excess shall not be subject to the exemption. Nor shall the exemption apply to holdings that were originally subject to the exemption, but have been sold and then bought back.</p> <p>Equity exposures subject to this provision shall be subject to the capital requirements calculated in accordance with the Standardised Approach under Part Three, Title II, Chapter 2 and the requirements set out in Title IV of Part Three, as applicable.</p> <p>Competent authorities shall notify the Commission and EBA of the implementation of this paragraph.</p>	<p>Transitional Credit Risk</p>	<p>General</p>	<p>No</p>	<p>The Central Bank does not consider that this exemption is justified on a general basis. If there are specific cases, these can be considered in terms of the roll-out rules for equity exposures.</p>

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