



EUROPEAN CENTRAL BANK
EUROSYSTEM

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GUIDELINE (EU) 2022/[XX] OF THE EUROPEAN CENTRAL BANK

of 25 March 2022

**amending Guideline (EU) 2017/697 of the European Central Bank on the exercise of options and
discretions available in Union law by national competent authorities in relation to less
significant institutions**

(ECB/2022/12)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

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

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions¹, and in particular Article 6(1) and Article 6(5)(a) and (c) thereof,

Whereas:

- (1) On 4 April 2017 the European Central Bank (ECB) adopted Guideline (EU) No 2017/697 of the European Central Bank (ECB/2017/9)² (hereinafter the 'O&D Guideline'), in which it established general policies for the exercise of certain options and discretions available in Union law by national competent authorities in relation to less significant institutions. Legislation introduced since the adoption of the O&D Guideline has amended or deleted some of the options and discretions provided in Union law that were included in the O&D Guideline. Therefore, certain consequential amendments to the O&D Guideline are necessary.
- (2) As regards the outflow rates to be applied to stable retail deposits, certain factors have impeded the practical application of the discretion addressed in Article 13 of Regulation (EU) 2016/445 of the European Central Bank (ECB/2016/4)³ and Article 7 of the O&D Guideline whereby competent authorities may authorise institutions to apply a 3% outflow rate to stable retail deposits covered by a deposit guarantee scheme (DGS), subject to the prior approval of the European Commission in

¹ OJ L 287, 29.10.2013, p. 63.

² Guideline (EU) 2017/697 of the European Central Bank of 4 April 2017 on the exercise of the options and discretions available in Union law by national competent authorities in relation to less significant institutions (ECB/2017/9) (OJ L 101, 13.4.2017, p. 156).

³ Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4) (OJ L 78, 24.3.2016, p. 60).

accordance with Article 24(4) and (5) of Commission Delegated Regulation (EU) 2015/61⁴. Further evidence and analysis are necessary in order to demonstrate that the run-off rates for stable retail deposits covered by a DGS as referred to in Article 24(5) of Delegated Regulation (EU) 2015/61 would be below 3% during any stress period experienced consistent with the scenarios referred to in Article 5 of Delegated Regulation (EU) 2015/61. In the absence of such evidence and analysis, the general policy authorising the application of a 3% outflow rate should be removed from Regulation (EU) 2016/445 and thus from the O&D Guideline.

- (3) The option granted to competent authorities under Article 12(1)(c)(i) of Delegated Regulation (EU) 2015/61 on the identification of major stock indices for the purposes of identifying the shares that may qualify as Level 2B assets in the liquidity coverage ratio should be exercised consistently for significant and less significant institutions. The discretion intends to make sure that credit institutions only include in their liquidity buffer those shares that are included in indices for which market liquidity of the underlying shares can be assumed. Since neither the significance nor the size of a credit institution directly impacts the market liquidity of the underlying shares in the relevant indices, it would not be appropriate to apply a differentiated treatment for significant and less significant institutions.
- (4) The discretion granted to competent authorities under Article 12(3) of Delegated Regulation (EU) 2015/61 to derogate from points (ii) and (iii) of paragraph 1(b) of the same Article in the case of credit institutions which in accordance with their statutes of incorporation are unable for reasons of religious observance to hold interest bearing assets should be exercised consistently for significant and less significant institutions, so as to harmonise the criteria to identify Level 2B assets with regard to corporate debt securities.
- (5) The discretion granted to competent authorities under Article 428p(10) of Regulation (EU) No 575/2013 of the European Parliament and of the Council⁵ in connection with the net stable funding ratio (NSFR) requirement, according to which competent authorities may determine the required stable funding factors to be applied to off-balance-sheet exposures that are not referred to elsewhere in Chapter 4 of Title IV of Part Six of that Regulation, should be exercised in a consistent manner for both significant and less significant institutions. The policy in relation to significant institutions links the required stable funding factors in the NSFR to the outflow rates applied in the liquidity coverage ratio (LCR), while leaving flexibility for the ECB to determine different required stable funding factors. This approach strikes a balance, for the sake of simplicity and prudence, between aligning the factors to be applied in the calculation of the NSFR with the factors determined for the purposes of the LCR, while still allowing for a different treatment in cases where this linking would not properly reflect the associated funding risk. It is not necessary or appropriate to deviate from that approach in relation to less significant institutions, as the methodology for applying required stable funding factors to these off-balance-sheet exposures should not, in principle, vary across credit institutions. For the

⁴ Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11, 17.1.2015, p. 1).

⁵ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

same reason, the discretion granted to competent authorities pursuant to Article 428aq(10) of Regulation (EU) No 575/2013 in connection with the NSFR calculated according to the simplified approach should be exercised in a similar manner.

- (6) The discretion granted to competent authorities under Article 428q(2) of Regulation (EU) No 575/2013 whereby they determine the term of encumbrance in relation to segregated assets in accordance with the underlying exposure of those assets should be exercised in the same way for significant and less significant institutions. Assets that have been segregated and which are not freely disposable should be considered as encumbered for a period corresponding to the term of the liabilities to the institutions' customers to whom that segregation requirement relates, and therefore be properly funded during that period. This rationale applies regardless of the size of the institution concerned. The discretion granted to competent authorities pursuant to Article 428ar(2) of Regulation (EU) No 575/2013 in connection with the NSFR calculated according to the simplified approach should be exercised in a similar manner for the same reasons outlined above and also because there is no prudential rationale which would justify a difference of approach with respect to the NSFR calculated according to the simplified approach. The provisions implementing the options and discretions in relation to the exemption of intragroup exposures from the application of the large exposure limits set out in Article 400(2) of Regulation (EU) No 575/2013 in this Guideline should be amended and exercised consistently for significant and less significant institutions. Since the adoption of Regulation (EU) 2016/445 (ECB/2016/4) the level of the ECB's prudential concern about credit institutions' booking practices involving entities established in third countries has increased. The scope of this option should therefore be limited to intragroup exposures to entities established within the Union, with the effect that intragroup exposures to entities in third countries may be exempted from the relevant large exposures limits only after a prior case-by-case supervisory assessment.
- (7) In addition, the O&D Guideline should be amended to allow that, in addition to the full exemption currently available, credit institutions that comply with the relevant criteria by observing a quantitative limit on the value of the relevant exposures are able to make use of a partial exemption. Such extended application of the discretion should contribute to the maintenance of a level playing field for credit institutions in the participating Member States, as well as limit concentration risks arising from specific exposures and ensure that the same minimum standards are applied across the Single Supervisory Mechanism.
- (8) Therefore, Guideline (EU) 2017/679(ECB/2017/9) should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments

Guideline (EU) 2017/697 (ECB/2017/9) is amended as follows:

1. Article 5 is deleted;

2. Article 6 is replaced by the following:

'Article 6

Article 400(2) of Regulation (EU) No 575/2013: exemptions

NCA shall exercise the option with regard to exemptions provided for in Article 400(2) of Regulation (EU) No 575/2013 in relation to less significant institutions in accordance with this Article and the Annexes.

- (a) The exposures listed in Article 400(2)(a) of Regulation (EU) No 575/2013 shall be exempted from the application of Article 395(1) of that Regulation for 80% of the nominal value of the covered bonds, provided that the conditions set out in Article 400(3) of that Regulation are fulfilled.
- (b) The exposures listed in Article 400(2)(b) of Regulation (EU) No 575/2013 shall be exempted from the application of Article 395(1) of that Regulation for 80% of their exposure value, provided that the conditions set out in Article 400(3) of that Regulation are fulfilled.
- (c) The exposures listed in Article 400(2)(c) of Regulation (EU) No 575/2013 incurred by a credit institution to the undertakings referred to therein, in so far as those undertakings are established in the Union, shall be exempted from the application of Article 395(1) of that Regulation, provided that the conditions set out in Article 400(3) of that Regulation, as further specified in Annex I to this Guideline, are fulfilled, and insofar as those undertakings are covered by the same supervision on a consolidated basis in accordance with Regulation (EU) No 575/2013, Directive 2002/87/EC of the European Parliament and of the Council(*), or with equivalent standards in force in a third country, as further specified in Annex I to this Guideline.
- (d) The exposures listed in Article 400(2)(d) of Regulation (EU) No 575/2013 shall be exempted from the application of Article 395(1) of that Regulation, provided that the conditions set out in Article 400(3) of that Regulation, as further specified in Annex II to this Guideline, are fulfilled.
- (e) The exposures listed in Article 400(2)(e) to (l) of Regulation (EU) No 575/2013 shall be exempted in full, or in the case of Article 400(2)(i) shall be exempted up to the maximum allowed amount, from the application of Article 395(1) of that Regulation, provided that the conditions set out in Article 400(3) of that Regulation are fulfilled.
- (f) NCA shall require less significant institutions to assess whether the conditions specified in Article 400(3) of Regulation (EU) No 575/2013 and in the relevant Annex of this Guideline applicable to the specific exposure, are fulfilled. An NCA may verify this assessment at any time and request credit institutions to submit the documentation referred to in the relevant Annex for this purpose.
- (g) This Article shall only apply where the relevant Member State has not exercised the option under Article 493(3) of Regulation (EU) No 575/2013 to grant a full or partial exemption for the specific exposure.

(*) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council (OJ L 35, 11.2.2003, p. 1).;

3. Article 7 is deleted;
4. In Section IV, after the heading 'Liquidity', the following headings and Articles 7a to 7f are inserted:

Article 7a

Article 12(1)(c)(i) of Delegated Regulation (EU) 2015/61: liquidity coverage ratio - identification of Member State or third country major stock indices

NCA shall consider that the following indices qualify as major stock indices for the purpose of determining the scope of shares that could qualify as Level 2B assets pursuant to Article 12(1)(c) of Commission Delegated Regulation (EU) 2015/61(*):

- (i) the indices listed in Annex I to Commission Implementing Regulation (EU) 2016/1646(**);
- (ii) any major stock index, not included under point (i), in a Member State or in a third country, identified as such for the purposes of this point by the competent authority of the relevant Member State or third country public authority;
- (iii) any major stock index, not included under points (i) or (ii), which comprises leading companies in the relevant jurisdiction.

Article 7b

Article 12(3) of Delegated Regulation (EU) 2015/61: liquidity coverage ratio - level 2B assets

1. NCA shall allow less significant institutions that in accordance with their statutes of incorporation are unable for reasons of religious observance to hold interest bearing assets to include corporate debt securities as level 2B liquid assets in accordance with the conditions laid down in Article 12(1)(b) of Delegated Regulation (EU) 2015/61.
2. NCA may periodically review the requirement referred to in paragraph 1 and allow an exemption from Article 12(1)(b)(ii) and (iii) of Delegated Regulation (EU) 2015/61, where the conditions laid down in Article 12(3) of that Delegated Regulation have been met.

Article 7c

Article 428p(10) of Regulation (EU) No 575/2013:

NSFR - required stable funding factors for off-balance-sheet exposures

Unless the NCA determines different required stable funding factors, for the off-balance-sheet exposures in the scope of Article 428p(10) of Regulation (EU) No 575/2013 NCA shall require less

significant institutions to apply to off-balance-sheet exposures not referred to in Chapter 4 of Title IV of Part Six of Regulation (EU) No 575/2013 required stable funding factors that correspond to the outflow rates that they apply to related products and services in the context of Article 23 of Delegated Regulation (EU) 2015/61 in the liquidity coverage requirement.

Article 7d

Article 428q(2) of Regulation (EU) No 575/2013:

NSFR – determination of the term of encumbrance for assets that have been segregated

Where assets have been segregated in accordance with Article 11(3) of Regulation (EU) No 648/2012 of the European Parliament and of the Council^(**) and institutions are not able to freely dispose of such assets, NCAs shall require less significant institutions to consider such assets as encumbered for a period corresponding to the term of the liabilities to the institutions' customers to whom that segregation requirement relates.

Article 7e

Article 428aq(10) of Regulation (EU) No 575/2013:

NSFR – required stable funding factors for off-balance-sheet exposures

NCAs shall require less significant institutions for which permission to apply the simplified net stable funding requirement referred to in Chapter 5 of Title IV of Part Six of Regulation (EU) No 575/2013 has been granted, to follow the approach as specified in Article 7c.

Article 7f

Article 428ar(2) of Regulation (EU) No 575/2013:

NSFR – determination of the term of encumbrance for assets that have been segregated

NCAs shall require less significant institutions for which permission to calculate the simplified net stable funding ratio referred to in Chapter 5 of Title IV of Part Six of Regulation (EU) No 575/2013 has been granted, to follow the approach specified in Article 7d.

(*) Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11, 17.1.2015, p. 1).

(**) Commission Implementing Regulation (EU) 2016/1646 of 13 September 2016 laying down implementing technical standards with regard to main indices and recognised exchanges in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (OJ L 245, 14.9.2016, p. 5).

(***) Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1).';

5. Article 8 is deleted;
6. The Annex is amended in accordance with Annex I to this Guideline;
7. Annex II is added in accordance with Annex II to this Guideline.

Article 2

Final provisions

Taking effect and implementation

1. This Guideline shall take effect on the day following that of its publication in the *Official Journal of the European Union*.
2. The NCAs shall comply with this Guideline from 1 October 2022.

Done at Frankfurt am Main, 25 March 2022.

For the Governing Council of the ECB

The President of the ECB

Christine LAGARDE

The Annex to Guideline (EU) 2017/679 (ECB/2017/9) is replaced by the following:

'Annex I

Conditions for assessing an exemption from the large exposure limit, in accordance with Article 400(2)(c) of Regulation (EU) No 575/2013 and Article 6(c) of this Guideline

1. This Annex applies in respect of exemptions from the large exposure limit under Article 6(c) of this Guideline. For the purposes of Article 6(c), third countries listed in Annex I to Commission Implementing Decision 2014/908 (*) are deemed to be equivalent.
2. NCAs shall require less significant institutions to take the following criteria into account when assessing whether an exposure referred to in Article 400(2)(c) of Regulation (EU) No 575/2013 meets the conditions for an exemption from the large exposure limit, in accordance with Article 400(3) of Regulation (EU) No 575/2013.
 - (a) For the purpose of assessing whether the specific nature of the exposure, the counterparty or the relationship between the credit institution and the counterparty eliminate or reduce the risk of the exposure, as provided for in Article 400(3)(a) of Regulation (EU) No 575/2013, less significant institutions must take into account whether:
 - (i) the conditions provided for in Article 113(6)(b), (c) and (e) of Regulation (EU) No 575/2013 are met and in particular whether the counterparty is subject to the same risk evaluation, measurement and control procedures as the credit institution and whether the IT systems are integrated or, at least, fully aligned. In addition, they must take into account whether there are any current or anticipated material practical or legal impediments that would hinder the timely repayment of the exposure by the counterparty to the credit institution, other than in the event of a recovery or resolution situation when the restrictions outlined in Directive 2014/59/EU of the European Parliament and of the Council(**) are required to be implemented;
 - (ii) the intragroup exposures are justified by the group's funding structure and strategy;
 - (iii) the process by which a decision is made to approve an exposure to the intragroup counterparty, and the monitoring and review process applicable to such exposures, at individual level and at consolidated level, where relevant, are similar to those that are applied to third party lending;
 - (iv) the credit institution's risk management procedures, IT system and internal reporting enable it to continuously check and ensure that large exposures to group undertakings are aligned with its risk strategy at legal entity level and at consolidated level, where relevant.
 - (b) For the purpose of assessing whether 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, as provided for in Article 400(3)(b) of Regulation (EU) No 575/2013, less significant institutions must take into account whether:

- (i) the credit institution has robust processes, procedures and controls, at individual level and at consolidated level, where relevant, to ensure that use of the exemption would not result in concentration risk that is outside its risk strategy and against the principles of sound internal liquidity management within the group;
 - (ii) the credit institution has formally considered the concentration risk arising from intragroup exposures as part of its overall risk assessment framework;
 - (iii) the credit institution has a risk control framework, at legal entity level and at consolidated level where relevant, that adequately monitors the proposed exposures;
 - (iv) the concentration risk arising has been or will be clearly identified in the internal capital adequacy assessment process (ICAAP) of the credit institution and will be actively managed. The arrangements, processes and mechanisms to manage the concentration risk will be assessed in the supervisory review and evaluation process;
 - (v) there is evidence that the management of concentration risk is consistent with the group's recovery plan.
3. For the purposes of verifying whether the conditions specified in paragraph 1 and 2 are met, NCAs may request less significant institutions to submit the following documentation.
- (a) A letter signed by the credit institution's legal representative, with approval from the management body, stating that the credit institution complies with all the conditions for an exemption as laid down in Article 400(2)(c) and Article 400(3) of Regulation (EU) No 575/2013.
 - (b) A legal opinion, issued either by an external independent third party or by an internal legal department, and approved by the management body, demonstrating that there are no obstacles that would hinder timely repayment of exposures by a counterparty to the credit institution that arise from either applicable regulations, including fiscal regulations, or binding agreements.
 - (c) A statement signed by the legal representative and approved by the management body stating that:
 - (i) there are no practical impediments that would hinder the timely repayment of exposures by a counterparty to the credit institution;
 - (ii) intragroup exposures are justified by the group's funding structure and strategy;
 - (iii) the process by which a decision is made to approve an exposure to an intragroup counterparty and the monitoring and review process applicable to such exposures, at legal entity level and at consolidated level, are similar to those that are applied to third-party lending;
 - (iv) concentration risk arising from intragroup exposures has been considered as part of the credit institution's overall risk assessment framework.
 - (d) Documentation signed by the legal representative and approved by the management body attesting that the credit institution's risk evaluation, measurement and control procedures are the same as the counterparty's and that the credit institution's risk management procedures, IT system and internal reporting enable the management body to continuously monitor the level of the large exposure and its compatibility with the credit institution's risk strategy at legal

entity level and at consolidated level, where relevant, and with the principles of sound internal liquidity management within the group.

- (e) Documentation showing that the ICAAP clearly identifies the concentration risk arising from the large intragroup exposures and that this risk is actively managed.
- (f) Documentation showing that the management of concentration risk is consistent with the group's recovery plan.

(*) Commission Implementing Decision 2014/908/EU of 12 December 2014 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 359, 16.12.2014, p. 155).

(**) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).'

The following Annex is added to Guideline (EU) 2017/679 (ECB/2017/9):

‘Annex II

Conditions for assessing an exemption from the large exposure limit, in accordance with Article 400(2)(d) of Regulation (EU) No 575/2013 and Article 6(d) of this Guideline

1. NCAs shall require less significant institutions to take the following criteria into account when assessing whether an exposure referred to in Article 400(2)(d) of Regulation (EU) No 575/2013 meets the conditions for an exemption from the large exposure limit, in accordance with Article 400(3) of Regulation (EU) No 575/2013.
 - (a) for the purpose of assessing whether the specific nature of the exposure, the regional or central body or the relationship between the credit institution and the regional or central body eliminate or reduce the risk of the exposure, as provided for in Article 400(3)(a) of Regulation (EU) No 575/2013, less significant institutions must take into account whether:
 - (i) there are any current or anticipated material practical or legal impediments that would hinder the timely repayment of the exposure by the counterparty to the credit institution, other than in the event of a recovery or resolution situation, when the restrictions outlined in Directive 2014/59/EU of the European Parliament and of the Council are required to be implemented;
 - (ii) the proposed exposures are in line with the credit institution's ordinary course of business and its business model or justified by the funding structure of the network;
 - (iii) the process by which a decision is made to approve an exposure to the credit institution's central body, and the monitoring and review process applicable to such exposures, at individual level and at consolidated level, where relevant, are similar to those that are applied to third-party lending;
 - (iv) the credit institution's risk management procedures, IT system and internal reporting enable it to continuously check and ensure that the large exposures to its regional or central body are compatible with its risk strategy;
 - (b) for the purpose of assessing whether 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 of the European Parliament and of the Council(*) as provided for in Article 400(3)(b) of Regulation (EU) No 575/2013, less significant institutions must take into account whether:
 - (i) the credit institution has robust processes, procedures and controls to ensure that use of the exemption would not result in concentration risk which is outside its risk strategy;
 - (ii) the credit institution has formally considered the concentration risk arising from exposures to its regional or central body as part of its overall risk assessment framework;
 - (iii) the credit institution has a risk control framework that adequately monitors the proposed exposures;

- (iv) the concentration risk arising has been or will be clearly identified in the credit institution's internal capital adequacy assessment process (ICAAP) and will be actively managed. The arrangements, processes and mechanisms to manage the concentration risk will be assessed in the supervisory review and evaluation process.
- 2. In addition to the conditions set out in paragraph 1, NCAs shall require less significant institutions to take into account, for the purpose of assessing whether the regional or central body with which the credit institution is associated in a network is responsible for cash-clearing operations, as provided for in Article 400(2)(d) of Regulation (EU) No 575/2013, whether the by-laws or articles of association of the regional or central body explicitly contain such responsibilities, including, but not limited to the following:
 - (a) market funding for the whole network;
 - (b) clearing liquidity within the network, within the scope of Article 10 of Regulation (EU) No 575/2013;
 - (c) providing liquidity to affiliated credit institutions;
 - (d) absorbing excess liquidity of affiliated credit institutions.
- 3. For the purposes of verifying whether the conditions specified in paragraph 1 and 2 are met, NCAs may request less significant institutions to submit the following documentation.
 - (a) a letter signed by the credit institution's legal representative, with approval from the management body, stating that the credit institution complies with all the conditions laid down in Article 400(2)(d) and Article 400(3) of Regulation (EU) No 575/2013 for an exemption to be granted;
 - (b) a legal opinion, issued either by an external independent third party or by an internal legal department, and approved by the management body, demonstrating that there are no obstacles that would hinder the timely repayment of exposures by a regional or central body to the credit institution arising from either applicable regulations, including fiscal regulations, or binding agreements;
 - (c) a statement signed by the legal representative and approved by the management body that:
 - (i) there are no practical impediments to the timely repayment of exposures by a regional or central body to the credit institution;
 - (ii) the regional or central body exposures are justified by the funding structure of the network;
 - (iii) the process by which a decision is made to approve an exposure to a regional or central body and the monitoring and review process applicable to such exposures, at legal entity level and at consolidated level, are similar to those applied to third-party lending;
 - (iv) the concentration risk arising from exposures to the regional or central body has been considered as part of the credit institution's overall risk assessment framework;
 - (d) documentation signed by the legal representative and approved by the management body attesting that the credit institution's risk evaluation, measurement and control procedures are the same as the regional or central body's and that the credit institution's risk management procedures, IT system and internal reporting enable the management body to continuously monitor the level of the large exposure and its compatibility with the credit institution's risk strategy at legal entity level and at consolidated level, where relevant, and with the principles of sound internal liquidity management within the network;

- (e) documentation showing that the ICAAP clearly identifies the concentration risk arising from the large exposures to the regional or central body and that this is actively managed;
- (f) documentation showing that the management of concentration risk is consistent with the network's recovery plan.

(*) 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).¹