EBA/CP/2026/06

09/04/2026

Consultation Paper on

Draft revised Guidelines

on limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework under Article 395(2) and (2a) of Regulation (EU) No 575/2013

Contents

1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 09.07.2026. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

Under Article 395(2a) of Regulation (EU) No 575/2013 (CRR), the EBA is mandated, after consulting ESMA, to update the "Guidelines on limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework under Article 395(2) of Regulation (EU) No 575/2013" (EBA/GL/2015/20) (Guidelines). The purpose of the Guidelines is to set out supervisory expectations on how institutions should manage and monitor their exposures to shadow banking entities (SBE), ensuring that risks arising from such exposures are properly identified, measured, limited and controlled within the institutions' internal processes.

The global financial crisis revealed previously unrecognised interconnections which can transmit risks from the shadow banking system to the regulated banking system, putting the stability of the entire financial system at risk.

From a microprudential perspective, SBE, i.e. entities that carry out activities outside the regulated framework and thus are generally not subject to the same standards of prudential regulation as institutions, do not provide safeguards to investors in the event of failure, and do not have access to central bank liquidity. Where SBE undertake bank-like activities, exposures to such entities may therefore pose heightened risks, warranting strong internal controls, appropriate limits and prudent management within institutions.

From a macroprudential perspective, institutions' exposures to SBE can raise concerns related to regulatory arbitrage and the migration of bank-like activities outside the regulated sector. SBE engaging in bank-like activities may be more vulnerable to runs or liquidity stress and are often highly interconnected with the banking system. These characteristics can amplify risk transmission and give rise to broader financial stability concerns when exposures are not adequately monitored and managed.

To minimise the risks posed to institutions arising from their exposures to SBE, the guidelines lay down requirements and supervisory expectations for institutions to establish limits, as part of their internal processes, on their individual exposures to SBE (alleviating primarily the microprudential concerns expressed above) and on their aggregate exposure to SBE (alleviating macroprudential concerns).

Following the adoption of Commission Delegated Regulation (EU) 2023/2779 (Delegated Regulation), amending Regulation (EU) No 575/2013, the criteria for identifying SBE pursuant to Article 394(4), the definition of shadow banking entities provided in Article 4(1), point (155) of the CRR and related exclusions are now maximum harmonized. To ensure consistency with this framework, the related elements previously included in the Guidelines have been deleted.

The updated Guidelines align their scope and definitions with the CRR and the Delegated Regulation, ensuring a harmonised framework. Institutions and supervisors now rely on a single set of binding criteria for identifying SBE, while the Guidelines specify expectations on governance, risk management and internal limits. The fallback approach, whereby exposures to SBE are subject to the general large exposures' regime under Article 395 of the CRR when institutions cannot meet the requirements of the principal approach, is also maintained. This supports consistent application of the shadow banking related large exposures requirements across the EU and helps institutions to manage risks from shadow banking activities effectively.

Next steps

Feedback from the consultation will be carefully assessed and used to refine the Guidelines. In parallel, the EBA will draw on this input for its analytical work on the report to the European Commission on institutions' exposures to SBE (in accordance with Article 395(2a), fourth subparagraph), in line with the sequencing and timelines set out in the EBA work programme 2026. This approach ensures that the Guidelines are coherent, proportionate and aligned with the broader policy framework without pre-empting future legislative policy decisions.

The public consultation is focussed on the changes introduced to the Guidelines and the practical experiences since its first application.

3. Background and rationale

3.1 General background

1. Shadow banking can complement traditional banking by expanding valuable access to credit in support of economic activity or by supporting market liquidity, maturity transformation and risk sharing, thereby supporting growth in the real economy. For example, various types of non-bank funds have stepped in (often as intermediaries for insurance companies and pension funds) to provide long-term credit to the private sector while banks have been repairing their balance sheets and retrenching from certain activities[1]. Research also suggests that shadow banking often enhances the efficiency of the financial sector by enabling better risk sharing and maturity transformation and by deepening market liquidity[2].

2. However, the global financial crisis has revealed previously unrecognised interconnections with the shadow banking system which put the stability of the financial system at risk. These include a heavy reliance on short-term wholesale funding and a general lack of transparency, which masked the increasing amounts of leverage, maturity and liquidity transformation in the run-up to the crisis, and in turn increased the vulnerability of shadow banking entities to runs. The subsequent fire sale of assets by such entities helped spread the stress to the traditional banking system.

3. Since the global financial crisis, many international regulatory initiatives relating to shadow banking have been adopted and some are still currently in progress. For example, in April 2011 the Financial Stability Board (FSB) published Recommendations to Strengthen Oversight and Regulation of Shadow Banking[3] and more recently in July 2025 the FSB set out nine policy recommendations to mitigate financial stability risks from NBFI leverage[4]. In April 2014 the Basel Committee on Banking Supervision (BCBS) published a revised supervisory framework for measuring and controlling large exposures, which includes exposures

[1] See IMF Global Financial Stability Report, April 2014, available here: IMF Global Financial Stability Report (GFSR) -- April 2014 -- Table of Contents

[2] Claessens, Stijn, Zoltan Pozsar, Lev Ratnovski and Manmohan Singh, December 2012, 'Shadow Banking: Economics and Policy', IMF Staff Discussion Note SDN/12/12, International Monetary Fund, Washington, DC.

[3] The FSB's recommendations are available here: FSB published Recommendations to Strengthen Oversight and Regulation of Shadow Banking - Financial Stability Board .

[4] The FSB report Leverage in Nonbank Financial Intermediation:https://www.fsb.org/2025/07/leverage-in-nonbank-financial-intermediation-final-report/

to SBE[5] and more recently in July 2025, the BCBS published a report on interconnections between banks and non-bank financial intermediaries[6].

4. At the EU level, the Commission adopted a regulation aimed at increasing transparency of certain transactions outside the regulated banking sector[7]. Also, SBE are defined in Article 4(1)(155) CRR and further specified in Delegated Regulation (EU) 2023/2779, laying down the criteria for the identification of SBE referred to in Article 394(4) CRR[8]. Additionally, work has been undertaken to analyse the scope of the perimeter of credit institutions in the EU, the results of which are set out in the EBA's Opinion and Report on the perimeter of credit institutions[9], and also to enhance Pillar 3 disclosures and the CRR3 reporting framework. Work is also under way on accounting and regulatory approaches to consolidation. Furthermore, the ECB recently published an article[10] on this topic as part of the Financial Stability Review in November 2025.

3.1.1 Concerns regarding SBE

5. Whilst some activities carried out by SBE can have beneficial effects as regards the financing of the real economy and fostering growth, they also generate specific risks from a prudential viewpoint that may warrant regulatory attention.

   - *Run risk and/or liquidity problems*: SBE are potentially vulnerable to runs (withdrawal of deposit-like assets due to panic, early redemptions due to a confidence crisis) and/or liquidity problems (liquidation of assets at fire sale prices), stemming from credit exposures, high leverage, and liquidity and maturity mismatches between assets and liabilities. These risks are usually exacerbated because SBE do not have sectoral liquidity backstops and are generally subject to less robust and comprehensive prudential standards and supervision.

   - *Interconnectivity and spillovers*: SBE tend to be highly correlated and interconnected with the regulated banking sector due to ownership linkages and explicit and implicit credit commitments and as direct counterparties. In times of stress this can, directly or indirectly, generate systemic risks through contagion effects both between SBE and

[5] 'Supervisory framework for measuring and controlling large exposures - final standard', Basel Committee on Banking Supervision, Bank for International Settlements, April 2014.

[6] BCBS report on interconnections between banks and non-bank financial intermediaries: https://www.bis.org/press/p250710.htm

[7] Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012

[8] Commission Delegated Regulation (EU) 2023/2779 of 6 September 2023 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for the identification of shadow banking entities referred to in Article 394(2) of Regulation (EU) No 575/2013

[9] The EBA's Opinion and Report are available here: EBA publishes an Opinion on the perimeter of credit institutions | European Banking Authority

[10] Systemic risks in linkages between banks and the non-bank financial sector

between such entities and the regulated banking sector, leading to a flight to quality and fire sales of assets.

- *Excessive leverage and procyclicality:* The maturity mismatch and liquidity risks are exacerbated by SBE ability to engage in highly leveraged or otherwise risky financial activities. Highly leveraged structures are more likely to become insolvent in the case of unexpected negative events due to inadequate loss-absorbing capacity, abrupt deleveraging and inability to roll over financing needs. The crystallisation of such events can trigger a confidence crisis in the regulated banking sector, leading to severe impairment of funding sources.

- *Opaqueness and complexity*: The opaque and complex nature of governance and ownership structures of SBE and their relationships with the regulated banking sector constitute vulnerabilities, since, during periods of stress, investors tend to retrench and flee to safe, high-quality and liquid assets. The inherent agency problem, caused by the separation of financial intermediation activities across multiple SBE, also contributes to vulnerabilities in the financial system. Furthermore, there is a lack of disclosure (regarding collateral, assets or value thereof), as such entities are generally unregulated or subject to less robust prudential regulation.

3.1.2 Rationale for limiting institutions' exposure to SBE

6. Potential risks could arise from institutions' exposures to SBE from both a microprudential and a macroprudential perspective.

7. A general concern is that institutions' exposures to SBE undertaking bank-like activity may also lead to regulatory arbitrage concerns and worries that core banking activity may migrate systematically away from the regulated sector 'into the shadows'. A range of regulations are now in place to address some of the arbitrage risks relating to SBE that were observed during the financial crisis. For example, the risk weights on various forms of shadow banking exposures were increased. Nonetheless, as the regulatory regime for institutions tightens, the pressure for bank-like activity to be carried out elsewhere in the financial system increases.

8. From a microprudential perspective, banking activities such as maturity and liquidity transformation are inherently risky. For this reason, institutions are subject to robust prudential regulation, must participate in Deposit Guarantee Schemes and generally have access to central bank liquidity facilities. SBE are per definition unregulated or not subject to the same standards of prudential regulation as core regulated entities such as institutions, do not provide protection to investors' investment from these entities' failures and do not have access to central banks' liquidity facilities. To the extent that SBE carry out banking activities, exposures to such entities are therefore inherently risky - and thus specific limits for individual and aggregate exposures are warranted.

9. Macro prudentially, institutions' exposures to SBE could be of concern for different reasons. Here the focus is on the role that institutions' funding of bank-like activity amongst

SBE may play in increasing systemic risk across the financial system. One concern is that institutions' funding of large amounts of bank-like activity amongst SBE may result in an amplification of the credit cycle. Such a concern may arise from the observation that the flow of funds into such entities tends to be volatile. Moreover, the sharp accelerations of credit flows (and implicit exposures) into these entities can result in volatile (and potentially unsustainable) credit flows into the real economy. A limit on institutions' aggregate exposures to SBE could play a role in reducing the volatility of such flows.

10. Notwithstanding these microprudential and macroprudential risks, the EBA recognises that banking activities by SBE can play a valuable role in providing alternative sources of funding to the real economy. Excessively reducing the availability of institutions' funding to these entities could therefore interfere with the flow of funds into the real economy. Moreover, the regulatory bodies, in the EU and at the global level, are still in the process of assessing the balance of risks and benefits that institutions' funding to different types of shadow banking entities represents. It is therefore considered not appropriate to use the guidelines to introduce a quantitative limit to institutions' exposures to these entities at the individual or aggregate exposure level. Instead, the proposed intervention is designed to place the responsibility on the banking sector to demonstrate that the risks highlighted above are being managed effectively, in particular by improving, where necessary, the due diligence carried out before taking lending decisions, for instance to identify if the counterparty is carrying out credit intermediation and its regulatory status (see also sub-section 3.1.1, Concerns regarding SBE).

11. The internal limits should be set using criteria which are laid down in the guidelines. The rationale for this approach ('the principal approach') is to make sure institutions have sufficient information about their counterparties in the shadow banking sector to make an informed assessment of their risk exposures to SBE as a whole as well as of any individual exposure to SBE. It shall be noted that there is no necessary sequence for the setting of limits: i.e. institutions have to set both aggregate and individual limits, in any order.

12. Institutions that cannot use the principal approach for setting the internal limits as a result of their inability to take into account all the criteria, due to either an insufficient level of information about their exposures to SBE or the lack of effective processes to use that information, shall use an alternative approach ('the fallback approach') involving setting an aggregate limit to all or some of their exposures to SBE. Where institutions can meet the requirements regarding effective processes and control mechanisms or oversight by their management board as set out in Section 4 of the guidelines, but cannot gather sufficient information to enable them to set appropriate limits as outlined in Section 5 of the guidelines, the fallback approach should only be applied to the exposures to SBE for which the institutions are not able to gather sufficient information. The principal approach should be applied to the remaining exposures to SBE.

13. The main purpose of the fallback approach is to create certainty about the possibility of setting a limit for any institution; in particular, some institutions may not be able to apply all the relevant criteria to use the principal approach. In that sense, the limit in the fallback approach can be seen as a way to ensure that these institutions apply a sufficiently tight limit to their exposures to SBE, for which institutions are not able to collect sufficient information that would enable them to understand and manage the risks of these exposures. The fallback approach can also work as an incentive for these institutions to improve their processes and control mechanisms concerning their exposures to SBE to be able to apply the criteria under the 'principal approach' to all of their exposures to SBE.

14. The proposed approach in these Guidelines requires institutions to set risk tolerance levels for exposures to SBE within their overall business model and risk management framework, under the supervision of the competent authority. In this regard, it is recognised that some institutions may have a higher risk appetite for these types of exposures, and this can be accommodated within the guidelines once risks arising from these exposures are identified and appropriately mitigated. Given this, these Guidelines are a first step to address the potential risks stemming from exposures to SBE.

15. Under this approach, competent authorities will retain the ability to take supervisory measures to address any risks arising from exposures to SBE, as appropriate, and in particular to assess and challenge the internal limits and risk mitigation plans set by institutions.

16. The competent authorities' assessment will be guided by the SREP under Article 97 of Directive 2013/36/EU and in particular the technical criteria for the supervisory review and evaluation of exposure to and management of concentration risk by institutions under Article 98 of the same directive. Where it is deemed appropriate, consideration shall be given to the assignment of potential Pillar 2 requirements on specific institutions and, where necessary, competent authorities may also impose additional requirements under Article 104 of Directive 2013/36/EU where the risks arising from excessive exposures SBE are not appropriately mitigated. The guidelines aim to provide a more structured basis for supervisors to make such Pillar 2 judgements within the supervisory review process in relation to exposures to SBE.

17. Against this background, there is a clear need to address the combination of the chosen approach within the guidelines with the parallel option for supervisors to apply existing Pillar 2 measures in certain cases allowing for the right balance between allowing institutions to set their risk appetite for exposures to SBE and ensuring that their exposure does not result in excessive risk to the financial system.

18. The EBA Guidelines have been amended to reflect changes introduced by Delegated Regulation (EU) 2023/2779 and further specify the requirements introduced by Article 395(2a) of Regulation (EU) 575/2013 as amended by Regulation (EU) 2024/1623.

3.1.3 Legal mandate and analysis

19. The EBA has the mandate under Article 395(2) of Regulation (EU) No 575/2013 (CRR) to issue guidelines to set limits on institutions' exposures to shadow banking entities.

20. The EBA has been further mandated in Article 395(2a) of the CRR with two additional mandates which can be decomposed into two sequential parts establishing a clear path for the EBA work on SBE. First, the update of these Guidelines by January 2027 to ensure alignment with the existing regulatory framework and reflect prudential considerations on SBEs exposures. Second, the analytical report to the Commission by December 2027 to provide an evidence-based approach to assess whether tighter or aggregate limits are warranted. Sequencing will therefore be structured to ensure both deliverables are met with the analytical report on SBE providing the policy foundation for possible regulatory changes in the future.

21. The EBA Guidelines on limits concerning exposures to SBE, first issued in 2015, set out guidance for institutions' risk management and limits with respect to exposures to entities providing banking activities outside the regulated framework. Building on these guidelines, and when further mandated by Article 394(4) of CRR2 to operationalise institutions' reporting obligations of their 10 largest exposures to SBE on a consolidated basis as foreseen in Article 394(2) of CRR, the EBA then delivered draft Regulatory Technical Standards (RTS) on the criteria for the identification of SBE in 2022 (EBA/RTS/2022/06) that were adopted as Delegated Regulation thereby introducing a legally binding framework that clarifies the criteria for identifying SBE, defines banking activities and services, and sets out conditions for the treatment of third-country entities.

22. The current update of the 2015 Guidelines aims to ensure alignment with this regulatory framework while maintaining the complementary provisions that remain relevant for supervisory and risk management purposes. In particular, in fulfilling this mandate EBA strives to ensure:

    a. full consistency with the RTS content, particularly as regards definitions, the scope of application, and the treatment of third-country entities, ensuring that the Guidelines fully reflect the regulatory binding provisions of the regulation.

    b. remove obsolete parts that are now covered by the Delegated Regulation, such as the previous indicative lists of banking activities and services, examples of non-regulated entities, and other scoping clarifications that have become redundant.

c. retain and update complementary provisions on governance, internal risk-management processes, and supervisory practices, including the setting of internal limits, monitoring of concentrations, and reporting arrangements, to promote supervisory convergence across Member States.

23. Consistent with points (a) to (c) above, this update consists of removing obsolete provisions that are now part of the regulation, while retaining those elements that remain complementary. With the proposed harmonisation of the definition of SBE, i.e. the deletion of the SBE definition from the Guidelines, the materiality threshold of 0.25% of the institution's eligible capital that was part of the definition (but not taken up in the Delegated Regulation) is now also removed from the Guidelines. This ensures that the Guidelines remain consistent with the legal framework that now requires the reporting and disclosure of the aggregate SBE exposure (Articles 394 para. 2 last sentence and 449b CRR).

24. In updating the Guidelines, the EBA is also required to take due account of the contribution of SBE to the Saving and Investment Union and to consider the possible implications that any amendments – including additional limits – could have on institutions' business models and on financial stability. This does not imply necessarily systemic risk but rather recognises that institutions business models and exposures to SBE are diverse and may perform functions that support market liquidity or credit intermediation. Since altering the limits may have distributional or structural effects, it is important to thoroughly evaluate these impacts before making any policy decisions. As any change of the limits may have distributional or structural effects that warrant careful assessment before policy action. This analytical dimension directly links the update of the Guidelines to the mandate for the analytical report on SBE to be delivered to the Commission by December 2027, underscoring the need for coherence and coordination between these two deliverables. Accordingly, when updating the Guidelines, the EBA thus refrains from introducing additional limits at this stage and will rather take such a decision based on a focussed data analysis carried out under the mandate of the still to be prepared SBE report and the guidance received from the Commission thereafter. The consultation aims to gather information on the practical experiences with the current SBE framework to underpin the work on the SBE report.

25. The EBA report on SBE under Article 395(2a) CRR is expected to combine a policy assessment with a data-driven analysis of institutions' exposures to SBE. In substance, it is expected to combine a quantitative assessment of the magnitude and distribution of these exposures with a qualitative evaluation of the risks they may pose to institutions and to the wider financial system. The analysis will consider a range of prudential and structural indicators, such as the size and concentration of exposures, potential losses in stress scenarios, the nature of the underlying activities performed by SBE, their interconnections with the regulated banking system, and the degree of regulatory oversight to which they are subject. The aim will be to identify potential risk transmission channels (including leverage, credit, liquidity, and reputational linkages) that may justify maintaining, refining or expanding the current prudential limits framework.

26. Beyond assessing the need for new limits, the analysis should also help to identify structural linkages between the banking sector and non-bank credit intermediation, and to inform the broader debate on the role of SBE within the Savings and Investment Union.

3.1.4 Relation to other parts of the EU Single rulebook

27. The Guidelines should be applied independently from and in addition to the general large exposures framework as defined in Part Four of Regulation (EU) No 575/2013, including the Commission Delegated Regulation (EU) 2024/1728 of 6 December 2023 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying in which circumstances the conditions for identifying groups of connected clients are met and the guidelines on the identification of groups of connected clients under Article 4(1)(39) of Regulation (EU) No 575/2013.

28. The Guidelines also apply in parallel with Commission Delegated Regulation (EU) No 1187/2014 of 2 October 2014. This regulation applies to all exposures through transactions with underlying assets, thus also including exposures that are within the scope of the Guidelines.

29. The Guidelines should also be read in conjunction with supervisory powers under the Supervisory Review and Evaluation Process (SREP) of Pillar 2.

4. Guidelines

EBA/GL/2015/rev1

DD Month YYYY

Draft (revised) Guidelines on

Limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework under Article 395(2) of Regulation (EU) No 575/2013

Revisions made to EBA Guidelines on limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework under Article 395(2) CRR (EBA/GL/2015/20) are shown in track changes.

1. Compliance and reporting obligations

Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010.[11] In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the Guidelines.

2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) Regulation (EU) 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes).

Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by [dd.mm.yyyy].

4. In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website with the reference 'EBA/GL/2015/20rev1'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to EBA.

5. Notifications will be published on the EBA website, in line with Article 16(3) of Regulation (EU) No 1093/2010.

[11] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p.12 ELI: http://data.europa.eu/eli/reg/2010/1093/oj).

2. Subject matter, scope and definitions

Subject matter

6. These guidelines specify further the methodology that should be used by institutions, as part of their internal processes and policies, for addressing and managing concentration risk arising from exposures to shadow banking entities. In particular, these guidelines specify criteria for setting an appropriate aggregate limit on exposures to shadow banking entities which carry out banking activities outside a regulated framework, as well as individual limits on exposures to such entities.

Scope of application

7. These guidelines fulfil the mandate given to the EBA under Article 395(2) and (2a) of Regulation (EU) No 575/2013.[12] Article 395(2a) has been introduced by Regulation (EU) 2024/1623 amending Regulation (EU) No 575/2013[13].

~~7.~~8. These guidelines build in particular on Articles 73 and 74 of Directive 2013/36/EU,[14] which require institutions to have sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed, as well as effective processes to identify, manage, monitor and report such risks and adequate internal control mechanisms; and Articles 97 and 103 of Directive 2013/36/EU, which establish that competent authorities must review the arrangements, strategies, processes and mechanisms implemented by institutions to comply with Regulation (EU) No 575/2013 and Directive 2013/36/EU, and evaluate the risks to which the institutions are or might be exposed, and that they may apply the supervisory review and evaluation process (SREP) to institutions which are or might be exposed to similar risks or pose similar risks to the financial system.

[12] 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 (OJ L 321, 30.11.2013, p. 6, ELI: http://data.europa.eu/eli/reg/2013/575/oj).

[13] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (*OJ L, 2024/1623, 19.6.2024* ELI: http://data.europa.eu/eli/reg/2024/1623/oj)

[14] 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 (OJ L 176, 27.6.2013, p. 338 ELI: http://data.europa.eu/eli/dir/2013/36/oj).

9. These guidelines apply to exposures to shadow banking entities as defined ~~below~~in Article 4(1)(155) of Regulation (EU) No 575/2013 and further set out in Commission Delegated Regulation (EU) 2023/2779[15] which supplements Regulation (EU) No 575/2013 and specify criteria for identifying shadow banking entities under Article 394(2) of Regulation (EU) No 575/2013.

~~8.~~10. These guidelines apply to institutions to which Part Four of Regulation (EU) No 575/2013 (Large Exposures) applies, in accordance with the level of application set out in Part I, Title II, of that Regulation.

Addressees

~~9.~~11. These Guidelines are addressed to competent authorities as defined in point (i) of Article 4(2) of Regulation (EU) No 1093/2010 and to financial institutions as defined in Article 4(1) of Regulation No 1093/2010 that are either institutions for the purposes of the application of Directive 2013/36/EU as defined in point 3 of Article 3(1) of Directive 2013/36/EU also having regard to Article 3 (3) of that Directive or investment firms subject to Title VII of Directive 2013/36/EU in application of Article 1(2) and (5) of Regulation (EU) 2019/2033[16] ('institutions').

Definitions

~~10.~~12. Unless otherwise specified, terms used and defined in Regulation (EU) No 575/2013, ~~and~~ Delegated Regulation (EU) 2023/2779 which supplements Regulation (EU) No 575/2013 —and Directive 2013/36/EU have the same meaning in these guidelines. ~~In addition, for the purposes of these guidelines, the following definitions apply:~~

[15] Commission Delegated Regulation (EU) 2023/2779 of 6 September 2023 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for the identification of shadow banking entities referred to in Article 394(2) of Regulation (EU) No 575/2013 (*OJ L, 2023/2779, 12.12.2023, ELI:* http://data.europa.eu/eli/reg_del/2023/2779/oj)

[16] Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (*OJ L 314, 5.12.2019, p. 1,* ELI: http://data.europa.eu/eli/reg/2019/2033/oj).

Credit intermediation activities	Bank-like activities involving maturity transformation, liquidity transformation, leverage, credit risk transfer or similar activities. These activities include at least those listed in the following points of Annex 1 of Directive 2013/36/EU: points 1 to 3, 6 to 8, and 10.
Exposures to shadow banking entities	Exposures to individual shadow banking entities pursuant to Part Four of Regulation (EU) No 575/2013 with an exposure value, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403 and exemptions in accordance with Articles 400 and 493(3) of that Regulation, equal to or in excess of 0.25% of the institution's eligible capital as defined in Article 4(1)(71) of Regulation (EU) No 575/2013.
Shadow banking entities	Undertakings that carry out one or more credit intermediation activities and that are not excluded undertakings.
Excluded undertakings	(1) undertakings included in consolidated supervision on the basis of the consolidated situation of an institution as defined in Article 4(1)(47) of Regulation (EU) No 575/2013. (2) undertakings which are supervised on a consolidated basis by a third country competent authority pursuant to the law of a third country which applies prudential and supervisory requirements that are at least equivalent to those applied in the Union. (3) undertakings which are not within the scope of points (1) and (2) but which are: a. credit institutions; b. investment firms;

c. third country credit institutions if the third country applies prudential and supervisory requirements to that institution that are at least equivalent to those applied in the Union;

d. recognised third country investment firms;

e. entities which are financial institutions authorised and supervised by the competent authorities or third country competent authorities and subject to prudential requirements comparable to those applied to institutions in terms of robustness where the institution's exposure(s) to the entity concerned is treated as an exposure to an institution pursuant to Article 119(5) of Regulation (EU) No 575/2013;

f. entities referred to in points (2) to (23) of Article 2(5) of Directive 2013/36/EU;

g. entities referred to in Article 9(2) of Directive 2013/36/EU;

h. insurance holding companies, insurance undertakings, reinsurance undertakings and third country insurance undertakings and thirdcountry reinsurance undertakings where the supervisory regime of the third country concerned is deemed equivalent;

i. undertakings excluded from the scope of Directive 2009/138/EC [17] in accordance with Article 4 of that Directive;

j. institutions for occupational retirement provision within the meaning of point (a) of

[17] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (recast) (OJ L 335, 17.12.2009, p. 1).

Article 6 of Directive 2003/41/EC [18] or subject to prudential and supervisory requirements comparable to those applied to institutions within the meaning of point (a) of Article 6 of Directive 2003/41/EC in terms of robustness;

k. undertakings for collective investment:

i. (within the meaning of Article 1 of Directive 2009/65/EC;[19]

ii. established in third countries where they are authorised under laws which provide that they are subject to supervision considered to be equivalent to that laid down in Directive 2009/65/EC;

iii. within the meaning of Article 4(1)(a) of Directive 2011/61/EU[20] with the exception of:

- undertakings employing leverage on a substantial basis according to Article 111(1) of Commission Delegated Regulation (EU) 231/2013[21] and/or

- undertakings which are allowed to originate loans or purchase third party lending exposures onto their

[18] Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision (OJ L 235, 23.9.2003, p. 10).

[19] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) (OJ L 302, 17.11.2009, p. 32).

[20] Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).

[21] Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.3.2013, p. 1).

~~balance-sheet pursuant to the relevant fund rules or instruments incorporation;~~

~~iv. which are authorised as 'European long-term investment funds' in accordance with Regulation (EU) 2015/760;[22]~~

~~v. within the meaning of Article 3 (1)(b) of Regulation (EU) 346/2013 [23] ('qualifying social entrepreneurship funds');~~

~~vi. within the meaning of Article 3(b) of Regulation (EU) 345/2013 [24] ('qualifying venture capital funds').~~

~~except undertakings that invest in financial assets with a residual maturity not exceeding two years (short-term assets) and have as distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment (money market funds);~~

~~l. central counterparties (CCPs) as defined in point (1) of Article 2 of Regulation (EU) No 648/2012[25] established in the EU and third country CCPs recognised by ESMA pursuant to Article 25 of that Regulation;~~

~~[22] Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds (OJ L 123, 19.5.2015, p. 98).~~

~~[23] Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).~~

~~[24] Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).~~

~~[25] Regulation (EU) 648/2012 of 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).~~

~~m. electronic money issuers as defined in point (3) of Directive 2009/110/EC;[26]~~

~~n. payment institutions as defined in point (4) of Article 4 of Directive 2007/64/EC;[27]~~

~~o. entities the principal activity of which is to carry out credit intermediation activities for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;~~

~~p. resolution authorities, asset management vehicles and bridge institutions as defined in points (18), (56) and (59) of Article 2(1) of Directive 2014/59/EU[28] and entities wholly or partially owned by one or more public authorities established prior to the 1 January 2016 for the purpose of receiving and holding some or all of the assets, rights and liabilities of one or more institutions in order to preserve or restore the viability, liquidity or solvency of an institution or to stabilise the financial market.~~

3. Implementation

Date of application

~~11.~~13. These guidelines apply from 01/01/2017.

~~[26] Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10.10.2009, p. 7).~~

~~[27] Directive 2007/64/EC of the European Parliament and of the Council of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ L 319, 5.12.2007, p. 1).~~

~~[28] 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).~~

Amendment

~~12.~~14. The EBA Guidelines on limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework under Article 395(2) of Regulation (EU) No 575/2013 are amended with effect from xx/xx/xxxx.

4. Requirements regarding limits to exposures to shadow banking entities

13. Institutions should comply with the general principles referred to in this section, as well as set limits as referred to under Section 5, as applicable.

Effective processes and control mechanisms

14. Institutions should:

a) Identify their individual exposures to shadow banking entities, all potential risks to the institution arising from those exposures, and the potential impact of those risks.

b) Set out an internal framework for the identification, management, control and mitigation of the risks outlined in point a). This framework should include clearly defined analyses to be performed by risk officers regarding the business of a shadow banking entity to which an exposure arises, the potential risks to the institution and the likelihood of contagion stemming from these risks to the entity. Those analyses should be performed under the supervision of the credit risk committee, which should be duly informed of the results.

c) Ensure that risks outlined in letter a) are adequately taken into account within the institution's Internal Capital Adequacy Assessment (ICAAP) and capital planning.

d) Based on the assessment conducted under letter a), set the institution's risk tolerance/risk appetite for exposures to shadow banking entities.

e) Implement a robust process for determining interconnectedness between shadow banking entities, and between shadow banking entities and the institution. This process should in particular address situations where interconnectedness cannot be determined and set out appropriate mitigation techniques to address potential risks stemming from this uncertainty.

f) Have effective procedures and reporting processes to the management body regarding exposures to shadow banking entities within the institution's overall risk management framework.

g) Implement appropriate action plans in the event of a breach of the limits set by the institution in accordance with Section 5.

Oversight by the management body of the institutions

15. When overseeing the application of the principles referred to above as well as the application of limits set out in accordance with the principal approach in Section 5, the institution's management body should, on a regular predetermined basis:

    a) review and approve the institution's risk appetite to exposures to shadow banking entities and the aggregate and individual limits set in line with Section 5;

    b) review and approve the risk management process to manage exposures to shadow banking entities, including analysis of risks arising from those exposures, risk mitigation techniques and potential impact on the institution under stressed scenarios;

    c) review the institution's exposures to shadow banking entities (on an aggregate and individual basis) as a percentage of total exposures and expected and incurred losses;

    d) ensure the setting of the limits referred to in these guidelines is documented, including any changes to them.

16. The institution's management body may delegate the reviews set out in paragraph 15 points a) to d) to senior management.

5. Principal approach for setting limits to exposures to shadow banking entities

Setting an aggregate limit on exposures to shadow banking entities

17. Institutions should set an aggregate limit to their exposures to shadow banking entities relative to their Tier 1~~eligible~~ capital.

18. When setting an aggregate limit to exposures to shadow banking entities, each institution should take into account:

    a) its business model, risk management framework as outlined in paragraph 14b), and risk appetite as outlined in paragraph 14d);

    b) the size of its current exposures to shadow banking entities relative to its total exposures and relative to its total exposure to regulated financial sector entities;

    c) interconnectedness as outlined in paragraph 14e).

Setting individual limits on exposures to shadow banking entities

19. Independently of the aggregate limit, and in addition to it, institutions should set tighter limits on their individual exposures to shadow banking entities. When setting those limits, as part of their internal assessment process, the institutions should take into account:

    a) the regulatory status of the shadow banking entity, in particular whether it is subject to any type of prudential or supervisory requirements;

    b) the financial situation of the shadow banking entity including, but not limited to, its Tier 1 capital position, leverage and liquidity position;

    c) information available about the portfolio of the shadow banking entity, in particular non-performing loans;

    d) available evidence about the adequacy of the credit analysis performed by the shadow banking entity on its portfolio, if applicable;

    e) whether the shadow banking entity will be vulnerable to asset price or credit quality volatility;

f) concentration of credit intermediation activities relative to other business activities of the shadow banking entity;

g) interconnectedness as outlined in paragraph 14 e);

h) any other relevant factors identified by the institution under paragraph 14 a).

6. Fallback approach

17. If institutions are not able to apply the principal approach as set out in Section 5, their aggregate exposures to shadow banking entities should be subject to the limits on large exposures in accordance with Article 395 of Regulation (EU) No 575/2013 (including the use of Article 395(5) of the same Regulation) ('the fallback approach').

18. The fallback approach should be applied in the following way:

    a) If institutions cannot meet the requirements regarding effective processes and control mechanisms or oversight by their management body as set out in Section 4, they should apply the fallback approach to all their exposures to shadow banking entities (i.e. the sum of all their exposures to shadow banking entities).

    b) If institutions can meet the requirements regarding effective processes and control mechanisms or oversight by their management body as set out in Section 4, but cannot gather sufficient information to enable them to set out appropriate limits as set out in Section 5, they should only apply the fallback approach to the exposures to shadow banking entities for which the institutions are not able to gather sufficient information. The principal approach as set out in Section 5 should be applied to the remaining exposures to shadow banking entities.

5. Accompanying documents

1. Draft cost-benefit analysis / impact assessment

Article 395(2a) of CRR3 mandates the EBA to update the Guidelines on Limits on Exposures to Shadow Banking Entities. The purpose of these guidelines is to set out supervisory expectations regarding how institutions should manage and monitor their exposures to shadow banking entities to ensure that the associated risks are adequately identified, measured, and controlled within the institutions' internal risk management frameworks.

As per Article 16(2) of the ESAs regulation (Regulation (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 of the European Parliament and of the Council), any Guidelines developed by the ESAs shall be accompanied by an Impact Assessment (IA) annex which analyses 'the potential related costs and benefits' of the Guidelines. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

The EBA has prepared the IA contained in this consultation paper. The updates to the guidelines primarily concern a change of existing definitions, for example in relation to "credit intermediation activities", "shadow banking entities", "exposures to shadow banking entities", and "excluded undertakings", from the guidelines to the relevant Union legal acts, namely Regulation (EU) No 575/2013, Commission Delegated Regulation (EU) 2023/2779 which supplements Regulation (EU) No 575/2013 and Directive 2013/36/EU. As these changes do not introduce any new requirements or substantially alter existing obligations, they are not expected to have any material impact on stakeholders. Consequently, no additional analytical work was deemed necessary at this stage.

2. Overview of questions for consultation

Q1: Do you experience any difficulties in your identification process of SBEs, especially regarding whether the SBE definition as specified in Commission Delegated Regulation (EU) 2023/2779 is clear enough or do you see room for improvement or need for an update (please explain/provide clear examples)?

Q2: Does the current guidelines' framework for setting internal aggregate and individual limits on exposures to shadow banking entities (as described in the principal and fallback approaches) provide sufficient flexibility and clarity for your institution's risk management practices? Are there specific aspects of the approach that you find challenging or would suggest improving?

Q3: Do you encounter challenges in obtaining sufficient data on SBEs (e.g., leverage, liquidity profile, interconnectedness, portfolio quality) to apply the principal approach? If so, please describe the main obstacles and how they affect your ability to comply with the Guidelines.

Q4: Under what circumstances does your institution apply the fallback approach, and what challenges have you faced in determining when it should apply? Do you see need for further clarification regarding the trigger conditions for the fallback approach?

Q5: Did your institution experience operational challenges in integrating the binding SBE definition of the Delegated Regulation (EU) 2023/2779 into your internal limit framework?

Q6: Being part of the removed SBE definition, the previous threshold of 0.25% of the eligible capital for recognising exposures falling under the EBA/GL/2015/20 is deleted in the draft updated GL. Will there be any impact (costs, time required, etc.) for your institution? Please elaborate.

Q7: How does your institution determine the appropriate risk tolerance level for exposures to shadow banking entities within your overall business model and risk management framework? Which quantitative internal limits – either at the individual or aggregate level – do you apply on exposures to SBEs? Please describe the criteria, methodologies, or governance processes used to set these limits, and share any challenges or best practices you have encountered in their implementation.

Q8: How do the internal aggregate and individual limits on exposures to shadow banking entities interact with the SREP process (as framed by Article 97 and Article 98 of Directive 2013/36/EU) and the competent authorities' assessment under Pillar 2? Are there any aspects of the guidelines or the SREP process that you believe require further clarification or adjustment to ensure effective supervisory review?

Q9: How might the introduction of specific individual or aggregate limits on exposures to shadow banking entities affect your institution's willingness or ability to engage in activities

giving rise to exposures to SBEs (e.g., lending, investment, intermediation, SFTs)? Please explain any potential impacts – positive or negative – on credit provision, market liquidity, or risk sharing, and provide examples or evidence from your institution's experience.