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Regulatory Blog

By PwC Deutschland | 21. Juli 2025

The new framework for third-country-branches (TCBs) is finally taking shape

EBA launched consultations on RTS and Guidelines on third-country branches under the Capital Requirements Directive (CRD) concerning booking arrangements, capital endowment and supervisory colleges.

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One of the more important changes resulting from the latest revision to the Capital Requirements Directive (CRD6) is the treatment of third-country banks' market access to the European Union, limiting both the ability to provide services cross-border (Art. 21c CRD) as well as establishing a harmonised framework for the supervision of third country branches (Art. 47 to 48r CRD).

While the rules of CRD6 are by now well-known and many banks have already started projects to ensure compliance with the new requirements (and the ECB has already communicated some of its expectations in this regard), some details are still missing. First and foremost, implementation of CRD6 into the national law of most EU member states is still ongoing and for some jurisdictions, no draft has been published yet at the time of writing of this blogpost. Secondly, as usual the CRD6 mandates the European Banking Authority (EBA) to develop a number of Level-2 texts to provide further details. These have been included in the EBA's roadmap as part of Phase 2 (deadline up to two years after entry into force) and Phase 3 (deadline up to three years after entry into force). On July 10th, the EBA has now published three consultation papers out of the 20 mandates listed in the roadmap, covering the following topics:

- RTS on cooperation and colleges of supervisors
- RTS on booking arrangements
- Guideline on instruments that serve as capital endowment

This blogpost will take a closer look at the three of them.

Cooperation and colleges of supervisors – draft CP 2025/15

Based on the well-established mechanism for cooperation and supervisory colleges of banks, the draft RTS provides details on the following topics:

1. Ensuring a level playing field by providing clear criteria for the establishment of colleges and allocation of responsibilities to the competent authorities
2. Coordination and cooperation requirements to ensure efficient supervision of TCBs
3. Information exchange between the competent authorities
4. Planning and coordination of supervisory activities

Booking arrangements – draft CP 2025/16

The whole concept of prudential supervision of third-country branches is based on the concept of booking assets and liabilities originated by the TCB. Without such booking requirements, no meaningful assessment of capital endowment, liquidity risk and similar aspects would be possible. Hence, Art. 48h CRD requires TCBs to maintain "a registry book […] to keep track and keep a comprehensive and precise record of all assets and liabilities booked or originated […] and manage those assets and liabilities autonomously within the third-country branch".

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In its draft RTS, the EBA specifies that TCBs need to record all assets, liabilities and off-balance sheet positions that arise from transactions conducted by the TCB, regardless of whether they stem from regulated or unregulated business and regardless of whether the positions would give rise to recognition of assets or liabilities according to the accounting framework (“booked”) or are initiated by the TCB and later transferred to another entity (“originated”). Speaking of accounting frameworks, the draft RTS specifies further that TCBs need to apply IFRS or national accounting standards, regardless of whether such a requirement exists in corporate law or not, as the basis for their bookkeeping.

Finally, the draft RTS specifies which information needs to be recorded by TCBs to ensure that all necessary and sufficient data on the risks generated by them are available (including information on products, counterparties, collateral as well as quantitative and qualitative information on risks).

Capital endowment – draft CP 2025/17

Prudential supervision of TCBs under CRD6 relies on the concept of looking at the risks stemming from the TCBs’ activities, treating the TCB like a separate operational unit. This is evident from the RTS on booking arrangements and consequently also requires TCBs to maintain a capital endowment sufficient to cover the risks of the TCBs’ activities, i.e. that shall be available for use in the case of resolution of the TCB and for the purposes of the winding-up of the TCB in accordance with national law (Art. 48e CRD).

The CRD6 specifies the following as instruments eligible for the capital endowment:

1. Cash and cash assimilated instruments
2. Debt securities issued by central governments or central banks of EU member states
3. Any other instrument available for unrestricted and immediate use to cover risks or losses as soon as they occur

The draft Guidelines now specify in more detail the last one of these types of instruments, based on issuer and credit risk SA risk weight (e.g. debt securities guaranteed by EU central governments, debt securities issued or guaranteed by MDBs, regional governments or public sector entities that would receive a 0% risk weight). The GL further require that these instruments must be listed on a recognized exchange and must not be issued by a related entity. In addition, operational requirements are established, providing additional details on the escrow account in which the instruments are to be held, the interplay between the capital endowment and the liquidity requirements established by CRD6 and the governance framework required to ensure compliance with the capital endowment requirement.

Conclusion and next steps

The EBA’s consultation papers are a major step towards providing more details on the future framework for TCB supervision. The impact is hard to gauge in general as it depends very much on the current, non-harmonised state of TCB supervision. But still, it can be expected that the specified booking arrangement in particular could have a major impact on those entities not already subject to accounting requirements,

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especially if they have no experience with IFRS or national GAAP of their respective member state.

However, the three consultation papers represent only a first step with many more to follow, expected to provide details also on reporting requirements, internal governance of TCBs and a specific SREP approach applicable to them.

If you are interested in learning more about CRD6's impact on EU market access or the requirements applicable to third-country branches going forward, please do reach out to us and we would be happy to assist you.

Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more in our "**Services and Offerings**" section.

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Schlagwörter

Bankenaufsicht (Europäische und Internationale Organisationen), Capital Requirements Directive (CRD VI), Risk Management Banking, Single Supervisory Mechanism (SSM)

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