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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

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)?

It would be helpful, in our view, if the definition of SBEs were more closely linked to ESVG or NACE codes and to specific lists of shadow banking entities.
In our reporting, for example, we classified money market funds, hedge funds, factoring and leasing companies as shadow banking entities.

However, we subsequently received a rejection of the report from the supervisory authority. We have classified the following ESVG codes as shadow banking entities:

- 1250E Financial leasing corporations
- 1250H Factoring entities
- 1270E Pawnshops engaged in lending

In addition, challenges arise in the identification of these two categories. Thery are defined very broadly.

Therefore, additional definitions or clearer guidance should be provided to ensure better orientation and classification. For example: NACE Code.

- 1250K Other specialised financial corporations
- 1250Z Other financial institutions, unclassified

We therefore request an improvement and update of the sector classifications as well as the ESVG and /or NACE codes.
The current definition leaves considerable room for interpretation, which consequently leads to negative feedback responses or rejection of the report.
A clearly defined list of NACE codes or ESVG codes is also required to ensure technically correct programming and reporting processing.

In this way, differing interpretations of shadow banking entities can be avoided and a rejection of the report can be prevented
A more detailed specification of SBE would be helpful for smaller banks as the identification of SBE still leaves room for interpretation and is very labor-intensive. Especially when there are not large exposures with SBEs the approach causes a lot of effort without a relevant output.

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?

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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.

We encounter difficulties in obtaining the required data because some of this information is not publicly available and we do not have direct access to it, for example in the case of money market funds.
For certain information, we must pay additional fees, for example to law firms or commercial databases that are not freely accessible and charge for providing such information.

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?

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

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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.

First question, why 0,25% of eligible capital instead of Tier 1?
The removal of the threshold may create disproportionate operational burden relative to the prudential benefit obtained from monitoring very small exposures.
In particular, the inclusion of immaterial exposures could increase operational complexity without materially improving risk sensitivity.

A proportionality-based de minimis threshold or simplified treatment for low-risk and low-materiality exposures could therefore be considered.
The aggregated amount of exposures to shadow banking entities should only be reported to the supervisory authority if it exceeds 0.25% of Tier 1 capital.
Where the aggregated amount remains below this threshold, no reporting requirement should apply.
Institutions shall be required to perform the calculation on an ongoing basis and to provide appropriate evidence thereof to the competent supervisory authority upon request.

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.

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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?

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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 ex-plain any potential impacts – positive or negative – on credit provision, market liquidity, or risk sharing, and provide examples or evidence from your institution's experience.

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