

## EBF Position Paper

### Revised EBA Guidelines on limits on exposures to Shadow Banking Entities (SBE)

**Consultation:** EBA consultation on revised Guidelines on limits on exposures to shadow banking entities under the CRR (EBA, 9 April 2026, EBA/CP/2026/06).

The EBF welcomes the EBA's revision of the Guidelines and, in particular, its simplification objective, that the proposal mainly meets. The Guidelines are now substantially shorter, they cross-refer exclusively to the CRR and Commission Delegated Regulation (EU) 2023/2779, they cut stand-alone definitions, and they move the capital basis from eligible capital to Tier 1 capital. Together these changes remove the duplications and inconsistencies of the current text and make the framework clearer to apply. We support this direction and encourage the EBA to hold on to it.

Alongside the welcomed changes, the proposal contains elements that sit uneasily with the simplification objective and, in our view, work against it. Rather than easing the application of the framework, they would in substance widen its scope and add to institutions' operational burden : a result at odds with the EBA's stated simplification agenda. On this basis, the EBF asks the EBA to take account of the following points.

- 1. Retain the 0.25% materiality threshold, preferably by inscribing it into EU law.** In our view, the deletion of the 0.25% immateriality threshold is mandated neither by Commission Delegated Regulation (EU) 2023/2779 nor by the amendments the CRR 3 introduced with regard to SBEs. The Delegated Regulation contains only a new definition of "shadow banking entities"; it does not define "exposures to shadow banking entities", which are defined exclusively in the Guidelines and solely for the purposes of the Guidelines. The threshold therefore operates entirely within the Guidelines, and nothing in the Delegated Regulation or in CRR 3 requires its removal. The EBA confirmed this continuity in its Final Report on the draft RTS on criteria for the identification of shadow banking entities under Article 394(4) CRR of 23 May 2022 (p. 51), stating that the threshold set out in EBA/GL/2015/20 would continue to apply for the purpose of setting internal limits under Article 395(2) CRR.

The original rationale for the threshold also still holds. In its Final Report on the 2015 Guidelines of 14 December 2015 (para. 30, pp. 12–13), the EBA explained that the 0.25% threshold reduces the burden of applying the Guidelines by allowing institutions to disregard immaterial exposures unlikely to pose risks deserving special attention, and that the accompanying data collection showed such sub-threshold exposures to represent around 97% of the total number of exposures across the sample. Neither the Delegated Regulation nor CRR 3 has altered this underlying situation. Removing the threshold would accordingly raise operational burden sharply forcing SBEs checks even on overdrafts and credit-card lines that carry no risk relevance, with no supervisory gain. Financial institutions indeed estimate the number of entities to screen each month could rise up to tenfold. The deletion should therefore be reversed.

Our preferred solution is to *generalise* the threshold by anchoring it in the CRR or in Delegated Regulation (EU) 2023/2779, so that it applies consistently across the limit framework, reporting and disclosure; Article 430(6) CRR gives the EBA the discretion to design the new reporting requirement accordingly. Should elevation

to EU law not be feasible in this cycle, the threshold should at least be retained within the Guidelines.

- 2. Preserve the fallback approach alongside the principal approach.** The fallback approach, a 25% Tier 1 portfolio cap, limits aggregate SBE risk conservatively and ties limits to risk-bearing capacity. It is the proportionality valve of the framework: institutions with immaterial portfolios, or facing genuine data gaps (leverage, interconnectedness, third-country supervisory standards), rely on it because the principal approach's data demands would otherwise be disproportionate. Both methods must be retained.
- 3. Introduce no binding individual or aggregate limits under Pillar 1.** Hard Pillar 1 caps would displace institutions' own risk management, which already subjects every counterparty to risk-appropriate analysis and is closely monitored by internal audit, external auditors and supervisors. They cannot reflect the heterogeneity of SBEs. A hedge fund and a money market fund carry very different risk, a distinction only a Pillar 2 approach can capture. They would also constrain EU banks' lending capacity, shift business to non-EU institutions, and curtail specific activities out of proportion to actual risk, for example in trade finance with non-equivalent third countries. The CRR 3 mandate in Article 395(2) asks the EBA to assess the appropriateness of such limits by December 2027; it does not prejudice their introduction.
- 4. Introduce an Official reference list for the application of the SBE criterion based on the Basel Core Principles (BCP):** The SBE identification criterion established by the RTS for entities incorporated in third countries is based on compliance with the Basel Core Principles for Effective Banking Supervision (BCP), specifically where "the entity has been authorised and is supervised by a third-country supervisory authority in accordance with the Basel Core Principles for effective banking supervision". We strongly recommend that the EBA establish, publish and regularly update an official list of third countries deemed compliant with the BCP for the purposes of SBE identification. The list should comprehensively cover banking systems worldwide, ensuring that institutions with different international footprints are subject to a level playing field and preventing unintended asymmetries resulting solely from differences in their geographical presence. The availability of such a reference list would be essential to ensure a consistent, harmonised and operationally effective application of the framework across all institutions within the Union.

The EBF shares the EBA's ambition to make the Guidelines simpler and more coherent, and much of the revision achieves exactly that. To keep the package true to that ambition, the simplification should not be paired with measures that quietly widen scope and add burden. Retaining the materiality threshold, ideally by inscribing it into the CRR or the Delegated Regulation, preserving both the principal and fallback approaches, and refraining from binding Pillar 1 limits would keep the framework proportionate, risk-oriented and workable, while leaving the EBA full room to revisit aggregate or individual limits on the evidence base of its 2027 assessment. On that basis, the EBF stands ready to engage constructively with the EBA as the Guidelines are being finalised.