

**Table: Options and National Discretion (ONDs) for National Competent Authorities
implemented by French and German NCA decisions**

Article	Provision	Policy recommendation	Implementation in France	Implementation in Germany
CRR art. 7(3)	waiver from compliance with prudential requirements at solo level for subsidiaries	Competent authorities may waive the application of the prudential requirements (own funds, capital requirements, large exposures, transferred credit risk, disclosure) to subsidiaries if all CRR conditions are met. The policy recommendation is to exercise (ie grant the waiver), on the basis of the proposed specifications.	Case by case option, with specific criteria	Case by case option, with specific criteria Section 2a KWG
CRR art. 7(1)(2)	waiver from compliance with prudential requirements at solo level for parents	Competent authorities may waive the application of the prudential requirements (own funds, capital requirements, large exposures, transferred credit risk, disclosure) to subsidiaries if all CRR conditions are met. The policy recommendation is to exercise (ie grant the waiver), on the basis of the proposed specifications.	Case by case option, with specific criteria	Case by case option, with specific criteria Section 2a KWG
CRR art. 8(1) and 8(2) and LCR DA art. 2(4)	Liquidity requirements waiver at solo level	The competent authorities may waive in full or in part the application of liquidity requirements to an institution and to all or some of its subsidiaries in the same Member State and supervise them as a single liquidity sub-	Case by case option, with specific criteria	no available data

		group so long as they fulfil CRR conditions. The policy recommendation is to exercise (ie grant the waiver), on the basis of the proposed specifications.		
CRR Art. 8(4) and LCR DA Art. 2(4)	liquidity requirements waiver for IPS (Institutional protection scheme)	Competent authorities may apply Article 8 (1) 8(2) and 8 (3) to institutions which are members of the same institutional protection scheme referred to in Article 113(7)(b) and to other institutions linked by a relationship referred to in Article 113(6). The policy recommendation is to exercise (ie grant the waiver), on the basis of the proposed specifications.	Not applied, no IPS in France	NA
CRR art 18(2)	Methods of consolidation (proportional consolidation)	This is an option to apply proportional consolidation of subsidiaries instead of full consolidation, provided the liability of the parent undertaking is limited to its share of capital of the subsidiary and the other shareholders must and can meet their liabilities. The policy recommendation is to not exercise the option.	Exercised on a case by case decision (few cases)	Case by case option not exercised yet
CRR art 18(5)	Methods for consolidation (other participations or capital ties)	Competent authorities may decide whether and how consolidation shall be carried out for cases not specified by articles 18(1) to 18(4), including whether the equity method - which solely reflects the subsidiaries' situation by	Exercised on case by case	NA

		adjusting the accounting value of the investment- shall be used. The policy recommendation is to exercise the option.		
CRR art 49(1)	Non-deduction of insurance holdings in case of conglomerate	In the case of financial conglomerates, competent authorities may permit institutions not to deduct the holdings of own funds instruments of an insurance in which the parent institution has a significant investment, provided that a number of conditions are met. The policy recommendation is to exercise the option.	Discretion exercised and authorizations granted	Discretion exercised and authorizations granted
CRR art 49(2)	Capital (Requirement for deduction where consolidation is applied)	For the purposes of calculating own funds on an individual basis and sub-consolidated basis, institutions subject to supervision on a consolidated basis shall not deduct holdings of own funds instruments issued by financial sector entities included in the scope of consolidated supervision, unless the competent authorities determine that those deductions are required for specific purposes, in particular structural separation of banking activities and resolution planning. The policy recommendation is to exercise the option.	Discretion exercised and discretion in practice relevant	No available data
CRR art 49(3)	Deduction where institutional protection schemes are applied	Competent authorities may, for the purposes of calculating own funds on an individual or sub-	Countries without any IPS in place	Countries with IPS in place

		consolidated basis credit institutions which are part of an institutional protection scheme not to deduct holdings of own funds instruments in other institutions falling within the same protection scheme, following CRR conditions. The policy recommendation is to exercise the option.		
CRR art 83(1)	AT1 and T2 instruments issued by SPE	AT1 and T2 instruments issued by a Special Purpose Entity (SPE) may be included in the qualifying AT1 or T2 capital only when certain conditions are met. One of those is that the only asset of the SPE is its investment in the own funds of the parent or a subsidiary thereof. Competent Authorities may waive this condition if the other assets owned by the SPE are minimal and insignificant. The policy recommendation is to exercise the option.	NA	Not exercised
CRR art 84(5)	Minority interest waiver for certain parent financial holdings	Competent authorities may waive the limited recognition of minority interest foreseen by Article 84(1) CRR for those parent financial holding companies or parent mixed financial holding companies that: (a) have as principal activity the acquisition of holdings; (b) are subject to prudential supervision on a consolidated basis; (c) consolidate a subsidiary institution in which they have	Case by case with low probability to grant it	Case by case

		only a minority holding by virtue of the control relationship defined in Article 1 of Directive 83/349/EEC; (d) more than 90 % of the consolidated required Common Equity Tier 1 capital arises from the subsidiary institution referred to in point c) calculated on a sub-consolidated basis. It is recommended not to exercise this OND.		
CRR art 89(3)	Qualifying holdings outside the financial sector (holdings exceeding the thresholds)	Competent Authorities can select between either prohibiting, or applying a 1250% risk weight to holdings outside the financial sector beyond individual or aggregate regulatory limits. The policy recommendation is to apply a risk weight of 1250%	Option exercised Decision 2017-C-79	Option exercised Risk-weight: an alternative to apply 1250%, institutions may deduct those excess amounts from CET1 pursuant to Art 90 of the CRR general decree for LSIs
CRR art 116(4)	Credit risk SA (Exposures to public-sector entities)	In exceptional circumstances, exposures to PSEs may be treated as exposures to the central government, regional government or local authority in whose jurisdiction they are established where in the opinion of the competent authorities of this jurisdiction there is no difference in risk between such exposures because of the existence of an appropriate guarantee by the central government, regional government or local authority.	Exercised	Exercised

		The policy recommendation is to exercise the OND.		
CRR art 124(2)	Credit risk SA/IRB (real estate exposures)	Competent authorities may set a higher risk weight or stricter eligibility criteria (than those set out in CRR Art 125(2) and 126(2)) for exposures fully and completely secured by mortgages on residential and commercial immovable property located in their territory, where appropriate, on the basis of financial stability considerations, provided that the risk weights determined by the CRR appear no longer appropriate based on the loss experience of exposures secured by immovable properties and forward looking immovable properties markets developments. The policy recommendation is to exercise the OND.	OND not exercised to date	OND not exercised to date
CRR art 162(1)	Credit risk IRB (Maturity)	Institutions that have not received permission to use own LGDs and own CF regarding exposures to corporates, institutions and central governments and central banks (the so-called “Foundation IRB”), shall use the maturity (M) defined in CRR Art 162(1), i.e. shall assign a M of 0,5 years to exposures arising from repurchase transactions or securities or commodities lending or borrowing transactions and an M of 2,5	NA	Not exercised

		<p>years to all other exposures. The option is for CA to allow these institutions to calculate the maturity (M) for each exposure as set out in CRR Art 162(2), i.e. the approach foreseen for institutions that have received permission to use own LGDs and own CF regarding exposures to corporates, institutions and central governments and central banks (the so-called “Advanced IRB”).</p> <p>It is recommended not to exercise the OND.</p>		
CRR art 178(1)(b)	Credit risk IRBA (Default definition)	<p>In determining the occurrence of a default of an obligor, whereby a condition is that the obligor is past due more than 90 days, competent authorities may replace the 90 days with 180 days for exposures secured by residential or SME commercial real estate in the retail exposures class, as well as exposures to public sector entities.</p> <p>It is recommended not to exercise the OND.</p>	Option exercised under Decision 2013-C-110, but alignment with ECB position on SIs (regulation 2016/445 from 14 March 2016 setting up a unique 90days past due)	OND not exercised
CRR art 178(2)(d)	Credit risk IRBA (Default definition)	<p>In determining the occurrence of a default on an obligor, the materiality of a credit obligation past due shall be assessed against a threshold, defined by the competent authorities. This threshold shall reflect a level of risk that the CAs considers to be reasonable.</p>	Under decision 2013-C-110, replicated under decision 2017-C-79, the materiality of a credit obligation was considered if the threshold of 1 euros except exceptional circumstances which demonstrated that it was not caused by debtors' situation	<p>Past due definition : Option 4 : the sum of the amounts past due more than 90 days (or 180 days if applicable)</p> <p>Structure of the threshold : Option 3: Combination of absolute and relative threshold</p> <p>Differentiation criteria : Option 2: Differentiation of the</p>

		The policy recommendation is to exercise the OND.	Decision 2018-C-84, ACPR amends the default definition according to Commission delegated regulation which shall be applied by credit institutions at the latest on 1 January 2021	threshold for retail and non retail exposures
CRR art 179(1)	Credit risk IRBA (Data quality)	Competent authority may allow institutions some flexibility in the application of required standards for data. It is recommended to exercise the OND.	No information available	OND not exercised
CRR art 225(2)(e)	Credit risk SA&IRB (Volatility adjustments)	For institutions that use the Own Estimates Approach, competent authorities may require an institution to calculate its volatility adjustment using a shorter (than one year) observation period, where in the competent authority's judgement this is justified by a significant upsurge in price volatility. The Own Estimates Approach is currently being considered to be dropped from the Basel Framework. The removal of this approach will directly imply the removal of this OND. The policy recommendation is to maintain the exercise of the OND where such requirements are already in place.	OND not exercised	OND not exercised
CRR art 284(4) and (9)	Counterparty credit risk (exposure value) 2 ONDs	1) Regarding the option to require a higher α than 1.4, the exercise of the option on a case-by-case basis is recommended since α is	Option under (4) exercised Order of 20 February 2007 article 280	Option under (4) exercised on a case by case basis

		<p>currently the only supervisory means in CCR to compensate for exposure model shortcomings. The policy recommendation is to exercise on a case by case basis.</p> <p>2) Regarding the option to allow the use of own estimates of α, it is recommended to not exercise this OND because of concerns about whether these estimates can be empirically supported; not permitting an α below 1.4 is also the more prudent approach. It is recommended not to exercise the OND.</p>		
CRR art 311(2)	Counterparty credit risk (Central Counterparties)	<p>Alternative calculation of Own funds requirements for exposures to a central counterparty.</p> <p>Where the competent authority considers that the reasons why the CCP has stopped calculating KCCP (capital of central counterparty) are valid, it may permit institutions in its Member State to apply the treatment set out in CRR Art. 310 to their trade exposures and default fund contributions to that CCP. The policy recommendation is to exercise the OND.</p>	Case by case decision : option not yet exercised	Case by case decision : option not yet exercised
CRR art 311(3)	Counterparty credit risk (Central Counterparties)	Competent authority may not to shorten the three months period given to institutions to change the treatment of exposures to a CCP when it becomes known	Case by case decision : option not yet exercised	Case by case decision : option not yet exercised

		that such CCP will no longer comply with the conditions for authorisation and recognition: (i) these should be rare cases, (ii) the operational burden for institutions (namely in terms of changes to IT systems) is already relevant with the 3 months period. It is recommended not to exercise the OND.		
CRR art 315(3)	2 ONDs Operational risk Basic Indicators Approach (Own funds requirement)	Under the Basic Indicator Approach, under certain circumstances (merger, acquisitions or disposal of entities or activities), the competent authorities may permit institutions to amend the calculation of the relevant indicator, which is used to calculate the own funds requirements for operational risk. If deemed necessary, the competent authorities may also require the institutions to do so. The policy recommendation is to exercise both ONDs on a case by case basis.	Exercised (few cases)	Exercised
CRR art. 317(4)	2 ONDs Operational risk SA (Own funds requirements)	Under the Standardised Approach, under certain circumstances (merger, acquisitions or disposal of entities or activities), the competent authorities may permit institutions to amend the calculation of the relevant indicator, which is used to calculate the own funds requirements for operational	Exercised (few cases)	Exercised

		risk. If deemed necessary, the competent authorities may also require the institutions to do so. The policy recommendation is to exercise both ONDs on a case by case basis.		
CRR art 327(2)	Market risk (Netting)	The option is to allow netting between a convertible and an offsetting position in the instrument underlying it. The policy recommendation is to exercise the OND.	OND exercised decision 2017-C-79	OND not exercised
CRR art. 366(4)	Market risk - Internal Models (Back testing and multiplication factors)	Competent authority may not to limit the addend to the multiplication factor to that resulting from overshootings under hypothetical changes. The policy recommendation is to exercise the OND.	Option not exercised	Option exercised
CRR art. 395(1)	Large Exposures	Option to set a lower nominal limit than 150m for large exposures to institutions. It is recommended not to exercise the OND. It is recommended not to exercise this OND.	Option not exercised	Option not exercised
CRR art. 396(1)	Large Exposures (permission to temporarily continue with exceeded LE limit)	Where, in an exceptional case, exposures exceed the large exposures (LE) limit, the Competent Authority may allow a limited period of time until the institution meets again the LE limit. The policy recommendation is to exercise the OND.	Exercised	NA
CRR art 396(1) 2nd subparagraph	Large Exposures (permission to exceed the limit of 100% eligible capital)	Competent authorities may allow, on a case-by-case basis, to exceed the limit of 100% of	Exercised	NA

		the institution's eligible capital (the maximum of EUR 150mln still applies). The policy recommendation is to exercise the OND.		
CRR art. 420(2) and LCR DA art 23(2)	Liquidity (LCR, outflow rate of off-balance sheet items)	The applicable outflow rates will be calibrated following the L-SREP (Short Term Exercise – STE).). The policy recommendation is to exercise the OND.	NA	Option exercised
CRR art. 422(4)	liquidity (LCR, identification of operational deposits)	Competent authority may provide additional guidance on the identification of operational deposits. It is recommended not to exercise this OND.	Option not exercised	One of the only two CA which has decided to exercise the option exercise is planned by circular letter
Article	Provision	Policy recommendation	Implementation in France	Implementation in Germany

Source: 2020, aggregation of data available from ECB, and from annexes II of national Overviews of options and discretions set out in Directive 2013/36/EU and Regulation (EU) No 575/2013 as updated in July 2019. Thanks to Farida Valieva who collected this data.