

# Draft Regulatory Technical Standards on the reclassification of investment firms as credit institutions in accordance with Article 8a (6)(b) of Directive 2013/36/EU

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WFE response – 17th July, 2021



## Question 2

**“This article is introduced to cover all possible cases envisaged in the definition of credit institution in point (1)(b) of paragraph 4(1) of the CRR (as amended by Article 62 of the IFR). Is there any other case that should be considered in clarifying the calculation methodology?”**

The WFE supports separate regimes for investment firms and credit institutions because of their different risk profiles. Market-based finance, which provides a powerful alternative to credit channels, does not pose the same risk as institutions involved in fractional reserve banking, maturity transformation and other activity that is characteristic of banks, i.e. credit intermediation. We recognise that distinguishing between the two types of institutions may involve finely balanced considerations in some instances, but we believe the inclusion of global assets in the calculation methodology may in fact make EU markets less attractive, contrary to the policy intentions of Capital Markets Union. Moreover, the proposed approach could be complex in practice for competent authorities and the investment firms as well as their parent groups alike to compute assets properly. Further, the proposed approach would also be in contrast to existing rules (e.g. CRD Art 21b 5), which only include the total value of assets of each institution in the Union of a third country-group.

We recommend that the classification regards only the quantum of the EU assets of the institutions in question.