
PEER REVIEW FOLLOW-UP REPORT ON PRUDENTIAL ASSESSMENT OF THE ACQUISITION OF QUALIFYING HOLDINGS

EBA/REP/2024/04

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Executive summary

1. This report is a follow-up to the EBA 2021 [peer review report](#)¹ on the application of the Joint ESAs Guidelines on the prudential assessment of the acquisition of qualifying holdings that define common procedures and assessment methodology of the assessment criteria set out in Articles 22 and 23 CRD on the acquisition or increase of direct or indirect qualifying holdings in a credit institution (CI).
2. Follow-up reviews are carried out two years after the conclusion of the initial peer review in order to assess progress made by the competent authorities (CAs) to remedy deficiencies previously identified.
 - The 2021 Report covered 30 CAs: all 27 of the EU Member States, the ECB-SSM and 2 EEA countries.

The outcome of the 2021 Report is summarised in the table in Annex 1.

3. Out of the 30 participants in the 2021 Report, 17 CAs (BG, CY, CZ, DE, DK, EE, EL, FI, FR, IT, LU, NL, PL, PT, RO, SE and SK) reported a lower than ‘**fully applied**’ score in the 2021 Report. Those CAs were found to not fully apply at least one of the eight areas reviewed in light of the original two-year peer review reference period (2019 and 2020).
4. The table below summarises the results of the follow-up exercise, i.e. areas in which improvements were made / achieved by CAs as well as areas where not enough progress could be identified to warrant a change in the respective 2021 assessment.

	Q1: Application of acting in concert	Q2: Application of significant influence	Q3: Indirect acquisition of qualifying holdings	Q4: Notification and assessment of proposed acquisition	Q5: Reputation of proposed acquirer	Q6: Financial soundness of proposed acquirer	Q7.1: Suspicion of ML/TF by PA: proposed acquirer	Q7.2: Suspicion of ML/TF by PA: source of funds
BG	=	=				=		
CY		↑						
CZ			=			↑↑		
DE					=	↑↑		
DK	=	=		=	=	=	=	↑↑
EE			=					
FI							↑	

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https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1018492/EB_A%20Peer%20Review%20Report%20on%20ESAs%20Guidelines%20on%20Qualifying%20Holdings.pdf

FR				=				
GR								↑
IT			↑					
LU								↑
NL	↑			=			↑	
PL			=					
PT						↑		
RO	↑↑	=	↑		↑	↑	↑	↑↑
SE	=		↑			↑		
SK		↑						

Legend:

Not reviewed	Not reviewed as fully applied in initial peer review.
Fully applied	All assessment criteria are now met without significant deficiencies.
Largely applied	Some of the assessment criteria are now met with some deficiencies, which do not raise any concerns about the overall effectiveness of the competent authority, and no material risks are left unaddressed.
Partially applied	Some of the assessment criteria are now met with deficiencies affecting the overall effectiveness of the competent authority, resulting in a situation where some material risks are left unaddressed.
Not applied	The assessment criteria are now not met at all or to an important degree, resulting in a significant deficiency in the application of the provision.
↑	Grade has been increased by one band (e.g. partially applied to largely applied)
↑↑	Grade has been increased by two bands (e.g. partially applied to fully applied)
=	No change in grade

- All CAs have overall taken the need to respond to the assessment of the initial peer review seriously and most have adopted measures to remedy the deficiencies identified. This is reflected in the scoring of 16 CAs being upgraded from **'largely applied'** or **'partially applied'** to **'fully applied'** and 4 CAs being upgraded from **'not applied'** or **'partially applied'** to **'largely applied'**.
- Particular improvements were identifiable in the areas of assessment of the financial soundness of proposed acquirers and of suspicions of money laundering/terrorist financing issues.

7. While a significant number of '**largely applied**' ratings remain unchanged, CAs had still made progress in the areas concerned (principally acting in concert, significant influence). In many cases, while improvements in the supervisory framework had been made the CAs in question could not provide concrete examples showing the application of the acting in concert criteria and so for this reason the benchmark could not be assessed to be fully applied. On the other hand, two out of three CAs (FR and NL) were found not to have made any progress on the timings of notifications and assessments of proposed acquisitions.

8. With regard to the three unchanged '**partially applied**' ratings in the context of indirect acquisitions of qualifying holdings (Q4), the PRC recommends that the multiplication criteria should be applied in the future by those CAs, as laid out in the ESAs GL, in order to improve supervisory convergence within the Union on this particular aspect.

List of abbreviations

2021 Report	EBA Report on the peer review of Joint ESAs Guidelines on the prudential assessment of the acquisition of qualifying holdings (JC/GL/2016/01)
AML/CTF	Anti-money laundering and countering the financing of terrorism
AoR	Acknowledgement of receipt
CA	Competent authority
CI	Credit institution
CRD	Capital Requirements Directive (Directive 2013/36/EU)
CRDVI Proposal	European Commission's proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU (COM/2021/663 final) of 27 October 2021
EBA	European Banking Authority
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
ESA	European Supervisory Authority
ESAs GL	Joint Guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector (JC/GL/2016/01)
ESMA	European Securities and Markets Authority
FAQ	Frequently asked questions
Follow-up Report	Peer review follow-up report on prudential assessment of the acquisition of qualifying holdings
FTE	Full time equivalent
GL	Guidelines
ML/TF	Money laundering and terrorist financing
MS	Member State
N/A	Not applicable
PA	Proposed acquirer
PR	Peer review
PRC	Peer Review Committee
QH	Qualifying holding
SAQ	Self-assessment questionnaire
UBO	Ultimate beneficial owner

1. Background and methodology

1.1 Background

9. This report is a follow-up to the EBA 2021 [peer review report](#)² ('2021 Report') on the application of the Joint ESAs Guidelines on the prudential assessment of the acquisition of qualifying holdings ('ESAs GL')³ that define common procedures and assessment methodology of the assessment criteria set out in Articles 22 and 23 CRD on the acquisition or increase of direct or indirect qualifying holdings in a credit institution (CI).
10. As a result of the analysis, the Peer Review Committee (PRC) concluded that the ESAs GL are generally largely or fully applied by CAs and that they have significantly contributed to the convergence of assessment practices for the proposed acquisition or increase of qualifying holdings across the EU. However, areas were also identified where CAs showed deficiencies in their practices and where remedial actions should be put in place to improve regulatory and supervisory convergence.
11. This report has been developed in accordance with Article 23 of the EBA Decision of 28 April 2020 establishing a framework for Ad-Hoc Peer Review Committees ([EBA/DC/2020/326](#)), which requires that a follow-up review be carried out two years after the conclusion of the peer review in order to assess if any progress has been made by the CAs to remedy the deficiencies identified in the application of the peer-reviewed regulatory framework. An overview of the scope and of the assessments performed in the 2021 Report is outlined below and summarised in the table in Annex 1.
12. In terms of scope, the 2021 Report covered eight selected areas:
- application of acting in concert;
 - application of significant influence;
 - indirect acquisition of qualifying holdings;
 - notification and assessment of the proposed acquisition;
 - reputation of the proposed acquirer;
 - financial soundness of the proposed acquirer;
 - suspicion of ML/TF by the proposed acquirer;
 - suspicion of ML/TF by the proposed acquirer's source of funds.
13. The 2021 Report covered the competent authorities (CAs) of all of the 27 EU Member States, the ECB-SSM and two EEA countries for the authorisation and supervision of credit institutions

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https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1018492/EBA%20Peer%20Review%20Report%20on%20ESAs%20Guidelines%20on%20Qualifying%20Holdings.pdf

³ [JC/GL/2016/01 available at https://www.eba.europa.eu/regulation-and-policy/other-topics/joint-guidelines-for-the-prudential-assessment-of-acquisitions-of-qualifying-holdings](https://www.eba.europa.eu/regulation-and-policy/other-topics/joint-guidelines-for-the-prudential-assessment-of-acquisitions-of-qualifying-holdings)

(CIs). Out of the 30 participants in the 2021 Report, 17 CAs (BG, CY, CZ, DE, DK, EE, EL, FI, FR, IT, LU, NL, PL, PT, RO, SE and SK) were found not to be fully applying at least one of the areas reviewed in the course of the two-year peer review reference period (2019 and 2020). The overview table from the 2021 Report can be found in Annex 1.

14. Furthermore, the 2021 Report drew attention to areas for potential regulatory improvement of the Level 1 text and of the ESAs GL, with a view to providing additional guidance and fostering convergence of practices.
15. In particular, it was brought to the fore that ‘Guidelines do not provide sufficient guidance for a proportionate and efficient assessment of complex transactions with numerous acquirers (direct, indirect, acting in concert) and in case of special acquirers, such as private equity funds, which may include several partners each to be assessed’.
16. The 2021 Report also focused on CAs’ challenges in meeting the time limits to perform the assessment. In particular, the report noted that the findings of the peer review showed that the ESAs GL requirement for a simple formal check of the documents and information submitted with the notification increased the prompt communication of CAs with the applicants. In addition, it also noted that whilst a large majority of CAs referred to sending the acknowledgment of receipt of a complete notification within two working days of receiving it, many were not able to meet that strict deadline, in particular in the case of complex acquisitions. Similarly, challenges were met with as regards the effective respect of the 60 working days assessment timeline set out in Article 22 CRD, in particular for complex acquisitions. In the light of this, it was the PRC’s understanding that an increase of headcount in some CAs and an increase in the use of IT solutions could also be a remedy to shorten the overall timeframe for the assessment of the application. Still, the PRC acknowledges that complex acquisitions, with numerous simultaneous notifications, raise specific challenges that may need to be separately addressed.
17. With regard to the fifth assessment criterion on ML/TF risk, the PRC acknowledged that the high-level guidance laid down in the ESAs GL may lead to divergences amongst CAs in the scope and intensity of the assessment. However, the PRC noted that the entry into force of the EBA Guidelines on cooperation and information exchange between prudential supervisors, ML/TF supervisors and financial intelligence units⁴ will be an important tool in the assessment process. The 2021 Report also reiterated the recommendation for amendments to the Level 1 text already raised by the EBA in the Report on the future AML/CTF framework in the EU⁵.

⁴ [EBA Guidelines on cooperation and information exchange between prudential supervisors, ML/TF supervisors and financial intelligence units](#)

⁵ EBA/REP/2020/25, page 45. Recommendations are laid down on three aspects: i) the need to have common understanding of ‘reasonable grounds’ to suspect that ML/TF may be committed or that the risk thereof could be increased; ii) on the power to refuse an application; and iii) on the need for flexibility on the time periods to complete the assessment. The Report is available at https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2020/931093/EBA%20Report%20on%20the%20future%20of%20AML%20CTF%20framework%20in%20the%20EU.pdf

18. In light of the above, the EBA PRC suggested improvements to the ESAs GL in the following areas:
- review and enhancement of guidance on the fifth assessment criterion relating to ML/TF risk;
 - additional guidance on the assessment of large and complex acquisitions, including by – but not limited to – special acquirers like private equity funds, with multiple direct and indirect acquirers or acquirers acting in concert, in order to achieve a more proportionate and efficient assessment. It is also acknowledged that complex transactions with numerous direct and indirect acquirers raise specific challenges for CAs, in particular as to the compliance with the strict time limit of two working days set out by Article 22(2) CRD for the assessment of the completeness of the notification;
 - review of the guidance on the application of the principle of proportionality;
 - review and improvement of the guidance on the content of documents and information to be provided with an application, in order to speed up the pre-application phase, e.g. in respect of the expectations for the content and assessment of the business plan.
19. The publication of the 2021 Report has had an impact on legislative choices, in particular on the upcoming review of the CRD by the CRDVI Proposal.
20. Namely, as regards the assessment of the fifth assessment criterion, cooperation with the AML supervisor in the assessment of the ML/TF risk is being expressly envisaged by the CRDVI Proposal, which refers to the possibility of the AML supervisor's objection to the acquisition and the consideration to be given to the objection by the prudential supervisor.
21. The challenges raised by several CAs with the assessment of the completeness of the application within two working days of its receipt are being addressed by the CRDVI Proposal, by extending to ten working days the stringent two working day time limit envisaged in Article 22(2) CRD.
22. As regards the review and additional guidance on and harmonisation of the information and documents to be submitted with the notification by the PA, the CRDVI Proposal envisages mandating the EBA with the development of Regulatory Technical Standards for the specification of the information and documents to be included in the notification submitted to the competent authority pursuant to Article 22 CRD.
23. The EBA and the PRC welcome the attention paid by the European Commission and by the EU legislators to the regulatory shortcomings identified in the Report and the legislative remedies considered for inclusion in the CRDVI Proposal.
24. The EBA will wait for the completion of the legislative negotiations and of the conferred mandates prior to assessing any further need to update the ESAs GL to provide additional guidance on specific aspects.

1.2 Methodology and process followed in the development of the Follow-up Report

25. In terms of methodology, the follow-up peer review was performed by a Peer Review Committee (PRC) of EBA and CA staff (see Annex 1 for the composition). The follow-up peer review focuses on the findings identified in the 2021 Report and was launched through a dedicated set of questions sent to each CA which in the 2021 Report was rated with a lower than 'fully applied' score in any of the eight areas identified (see paragraph 5 above).
26. As also noted in the 2021 Report, all Euro area countries participate automatically in the ECB-SSM. Bulgaria, as part of the follow-up review, joined the ECB-SSM through its 'close cooperation' supervisory mechanism in October 2020. As of that date, the ECB-SSM has become exclusively competent to assess the proposed acquisition or increase in qualifying holdings (QHs) in credit institutions (CIs). That shift of competence has been taken into account in the current follow-up peer review. The ECB, however, was not part of the follow-up review as it had been rated as fully applied in the original 2021 Report.
27. Prior to launching the follow-up exercise, EBA staff contacted the CAs from three countries which had been partaking in the original Peer Review Committee (PRC) from the 2021 exercise: FR, LT and PL. While not being able to replicate the exact same composition in terms of persons, all three CAs were able to provide a PRC member for the follow-up exercise.
28. In order to evaluate the progress made since the original 2021 Report, the PRC developed a follow-up questionnaire, with specific individual questions, for each of the eight selected areas, having regard to the CAs' responses to the original Self-assessment questionnaire (SAQ) which contributed to a lower than 'fully applied' score in the context of the 2021 Report.
29. The questionnaires were sent to the CAs on 20th April 2023, leaving eight working days, until 2 May 2023, to reply. The answers provided by the CAs have been analysed by the PRC, with the aim to check if there were any remaining shortcomings / unclear points or whether all questions raised had been adequately addressed.
30. After the analysis of the written answers received, bilateral interviews were conducted with 16 CAs from 16 May 2023 to 15 June 2023 for further clarifications on specific aspects.
31. Summaries of the interviews have been subsequently shared by the PRC with each CA in order to ensure that the PRC and the CA were aligned on the content and outcome of the interviews and provide an additional opportunity for clarification where needed.
32. Thereafter, the PRC drafted the Follow-up Report, which was shared with those CAs which were part of the follow-up review for comments, as well as submitted to the EBA's Management Board and Board of Supervisors for approval consecutively, before being published on the EBA's website.

2. Review of the follow-up measures

2.1 Application of acting in concert

2.1.1 Overview

33. With regard to the notion of acting in concert, the 2021 Report highlighted some divergences as a consequence of the existence of national definitions of such notions and of other differences in approach, as regards, for example, the role to be attributed to the ultimate beneficial owner under the steer and control of how the group entities behave.
34. The 2021 Report identified BG, DK, NL, RO and SE with a lower than ‘fully applied’ score in areas of acting in concert.

2.1.2 Follow-up responses

a. Bulgaria

35. BG was scored ‘largely applied’ on this criterion in the 2021 Report. Since the CA reported that, for the specific sub-question Q1.4, it had not come across any such particular cases in the reference period covered by the peer review, it was not possible for the PRC to actually assess practical compliance.
36. During the exchanges for the Follow-up Report, BG referred that two cases relating to acting in concert had been assessed since the 2021 Report. However, neither of them related to acquisitions of a capital qualifying holding without voting rights.
37. Considering that the objective of the peer review is the assessment of the supervisory practices adopted in the application of the ESAs GL, the limited number of practical cases since the finalisation of the 2021 Report does not allow to actually test such supervisory practices.
38. Consequently, BG’s 2021 Report score of ‘largely applied’ should be maintained with regard to the application of the ESAs GL on this point.

b. Denmark

39. DK was scored ‘largely applied’ on this criterion in the 2021 Report since the CA had replied ‘No’ to Q1.5, clarifying that the application of the notion of acting in concert in practical cases would depend on a (factual) case-by-case analysis, pointing also to the distinction between continuous influence (integrating acting in concert) and ‘shareholder activism’ (not falling within acting in concert).

40. During the exchanges for the Follow-up Report, DK provided the information that i) the internal manual section on acting in concert has been updated in conformity with section 4.3. of the ESAs GL and that ii) no case of acting in concert had been identified after the 2021 Report.
41. Based on the above, whilst the PRC appreciates the effort to make the internal manual consistent with the ESAs GL, the assessment of 'largely applied' assigned to DK in 2021 should remain unchanged for lack of actual cases and related supervisory practices.

c. Netherlands

42. NL was scored 'largely applied' on this criterion in the 2021 Report since the CA had responded negatively to Q1.4, noting that acting in concert needs to rely on the possibility to jointly influence the institution and therefore can only be conceived in relation to acquisition of qualifying holdings with voting rights attached.
43. During the exchanges for the Follow-up Report, NL expressed the view, reflected in national law, that acting in concert does not apply in cases of acquisition of capital holdings without voting rights and that no such case has come to the CA's attention.
44. Based on the above, NL's 2021 assessment of 'largely applied' should be upgraded to 'fully applied'.

d. Romania

45. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. As a consequence, for the purpose of the 2021 Report RO was scored as 'partially applied' for this particular aspect.
46. According to the implementing national regulation, acting in concert may be envisaged regardless of the possibility of exercising the voting rights related to the held shares. During the exchanges for the Follow-up Report, RO described in detail the different scenarios and steps to be taken to assess acting in concert. In the follow-up, RO provided an example of an ongoing case showing the actual application of the necessary steps to assess and establish acting in concert in practice.
47. Based on the above, the PRC is of the view that RO's 2021 assessment of 'partially applied' should be upgraded to 'fully applied' based on the progress made with the implementation of the ESAs GL and the information provided during the follow-up interviews.

e. Sweden

48. SE was rated 'largely applied' on this criterion in the 2021 Report, considering that, in relation to Q1.5, the CA responded that it does not apply the notion of acting in concert to the situation where existing shareholders of the target institution agree to vote jointly in the upcoming general meeting for the appointment of members of the management body.

49. During the exchanges for the Follow-up Report, SE provided the information that, with regard to Q1.5 specifically, no such cases had been encountered since the 2021 Report. However, SE confirmed that it assesses acting in concert on a case-by-case basis in all cases and that it checks if the application states that there is a common interest / shareholder agreement / spouse-family relationship or other interests. When considering cases of cooperation between shareholders in relation to the appointment of members of the management body, SE reported that it acts in accordance with national legislation and with the criteria set out in section 4.8 of the ESAs GL.
50. Based on the above, SE's 2021 assessment of 'largely applied' should remain unchanged for lack of actual cases and related supervisory practices.

2.1.3 Follow-up ratings and conclusions

51. Based on the outcome(s) of the exchanges with the above CAs for purposes of the Follow-up Report, out of the five CAs three remained rated 'largely applied', considering that no significant changes to the reasons underlying the 2021 rating could be identified, especially due to the lack of actual practical examples of application or related supervisory practices. One CA was upgraded from 'partially applied' to 'fully applied' given it had implemented the ESAs GL into its supervisory practices at the end of 2020 (i.e. after the peer review reference period) and provided concrete application examples, and one other CA was also upgraded from 'largely applied' to 'fully applied'.

2.2 Application of significant influence

2.2.1 Overview

52. The 2021 Report identified BG, CY, DK, RO and SK with a lower than 'fully applied' score in the area of the application of significant influence.

2.2.2 Follow-up responses

a. Bulgaria

53. BG was scored 'largely applied' on this criterion in the 2021 Report, considering the CA did not provide an answer to Q2.1 and did not encounter any relevant case during the reference period⁶.
54. During the follow-up exercise, BG provided the information that, in order to assess whether significant influence could be exercised, several factors are taken into account in accordance with the non-exhaustive list laid down in the ESAs GL, including, for example:

⁶ BG reported cases where the proposed acquirer intended to acquire less than 10% of the capital or voting rights in the target credit institution but the proposed acquisition made it possible to exercise significant influence.

- whether the proposed acquirer (PA) is a relative of an existing shareholder/s in the target undertaking;
- whether the PA has received a loan from the target undertaking;
- the position of the PA within the target's group structure;
- whether the PA participates in operating and financial strategy decisions of the target undertaking.

Following the 2021 Report, BG did not come across any case relating to the exercise of significant influence.

55. Given the lack of concrete examples, BG's 2021 assessment of 'largely applied' on this aspect should be maintained.

b. Cyprus

56. CY was rated 'largely applied' on this criterion in the 2021 Report, given that the CA had not come across any relevant cases on significant influence during the original peer review reference period.

57. During the follow-up exercise, CY reported a subsequent case where it was assessed whether a PA of less than 10% of capital and voting rights would exercise significant influence over the target. The factors considered for reaching a conclusion included, inter alia, whether the person would be involved in the management of the target and the relationship with the other members/shareholders of the target.

58. CY also reported improvements in the CA's organisational structure with the setting up of a dedicated QH team since February 2022.

59. Based on the above, CY's 2021 assessment of 'largely applied' should be upgraded to 'fully applied'.

c. Denmark

60. DK was rated 'largely applied' on this criterion in the 2021 Report, given that, whilst the CA reported that it assesses situations where the proposed acquisition or increase in QHs may result in significant influence, it also specified that its internal supervisory manual is less specific than the guidance provided by the ESAs GL.

61. During the follow-up exercise, DK explained that the internal manual had been updated after the publication of the 2021 Report, in February 2022, adding a specific section in compliance with ESAs GL section 5 on significant influence. DK also reported that, following the publication of the 2021 Report, the ESAs GL had been annexed to the internal manual, though for application in more complex cases.

62. The PRC notes that the ESAs GL themselves provide proportionality criteria to adjust the intensity of the prudential assessment where less intense scrutiny may be justified. For this

reason, the PRC is of the view that a two-tier regulatory and supervisory system where the ESAs GL annexed to the internal manual are relevant for more complex cases only is not in line with the ESAs GL and that such a distinction in the internal guidance should be removed. The PRC also notes that DK reported no practical cases relevant to the assessment of significant influence during the follow-up period.

63. Based on the above, DK's 2021 assessment of 'largely applied' should remain unchanged.

d. Romania (RO)

64. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. As a consequence, for the purpose of the 2021 Report, RO was scored 'largely applied' on the significant influence criterion.

65. During the follow-up exercise, RO explained that the methodology laid down in the ESAs GL relating to the assessment of significant influence was implemented into the national regulation, which – in line with the ESAs GL – contains a non-exhaustive list of factors to determine whether the proposed acquisition would allow the PA to exercise significant influence over the management of a CI. In order to assess whether significant influence can be exercised, RO considers several factors, including the CI's shareholder structure, the expected level of involvement of the PA in the management of the CI, the existence of important and regular transactions between the PA and the CI (e.g. contracts concluded) as well as the relationship of each member or shareholder with the CI.

66. However, no concrete examples could be provided for the actual application of these steps in practice.

67. The PRC is of the view that progress has been made by RO in relation to implementation of the ESAs GL and that RO provided further information during the follow-up interviews. Nonetheless, RO's 2021 assessment of 'largely applied' should remain unchanged for lack of actual cases and related supervisory practices.

e. Slovakia

68. SK responded in the 2021 Report that it does not assess whether significant influence may be exercised where the 10% threshold is not crossed and significant influence is not envisaged to be exercised. As a consequence, SK was rated 'partially applied'.

69. Following the publication of the 2021 Report, SK's national law was amended to enable the CA to undertake a more comprehensive assessment of the proposed acquisition or increase of qualifying holdings, including with regard to the exercise of significant influence. For complex acquisitions, the assessment is more thorough and is usually preceded by pre-notification contacts to discuss the potential case with a view to identifying any relevant information, including evidence of potential exercise of significant influence.

70. SK reported one practical case after the 2021 Report where the exercise of significant influence has been assessed, concluding that the case did not give rise to such a situation.
71. Based on the above, SK's 2021 assessment of 'partially applied' should be upgraded to 'largely applied' as the PRC acknowledges that progress has been made with regard to the completion of the implementation of the ESAs GL into national law and in the light of the actual assessment practice referred to during the follow-up interviews. However, the CA could not illustrate any case of concrete assessment of significant influence.

2.2.3 Follow-up ratings and conclusions

72. Based on the outcome(s) of the exchanges for the Follow-up Report, out of the five CAs three remained rated 'largely applied', mostly due to the fact that no significant changes/improvements with regard to the reasons for the 2021 rating could be identified. One CA was upgraded from 'largely applied' to 'fully applied' and one CA was upgraded from 'partially applied' to 'largely applied'.

2.3 Indirect acquisition of qualifying holdings

2.3.1 Overview

73. The 2021 Report identified CZ, EE, IT, PL, RO and SE with a lower than 'fully applied' score in the area of the indirect acquisition of qualifying holdings.

2.3.2 Follow-up responses

a. Czech Republic (CZ)

74. CZ was rated 'partially applied' in the 2021 Report given the failure to apply the multiplication criterion (Q3.2) complementary to the control criterion for the purposes of identifying the indirect holders of qualifying holdings.
75. CZ explained in the follow-up exercise that the multiplication criterion is still not applied as a supervisory practice and no changes are envisaged unless required by law, as the CA does not consider its application effective.
76. Based on the above CZ's 2021 assessment of 'partially applied' on this criterion should remain unchanged.

b. Estonia (EE)

77. EE was rated 'partially applied' in the 2021 Report given the failure to apply the multiplication criterion (Q3.2) complementary to the control criterion for the purposes of identifying the indirect holders of qualifying holdings.

78. The multiplication criterion may only be introduced via changes to the national law rather than simply to the supervisory practices, and there currently are no plans for amendments to the law in force. At any rate EE also considers that the application of the multiplication criterion would increase the workload and the complexity of the assessments.

79. Based on the above EE's 2021 assessment of 'partially applied' should remain unchanged.

c. Italy (IT)

80. IT was scored 'largely applied' on this criterion, since in the reference period of the peer review the multiplication criterion (Q3.2) had not been implemented yet in the national legal framework. However, IT reported that it had applied the multiplication criterion on some occasions, based on specific requests by the ECB.

81. During the follow-up exercise, IT referred to the fact that in the meantime the multiplication criterion has been introduced in the Italian Banking Law⁷ and further provisions for the proper application of the multiplication criterion have been included in the Banca d'Italia Regulation⁸. Therefore, the multiplication criterion is fully applicable in Italy.

82. Based on the above, IT's 2021 assessment of 'largely applied' should be upgraded to 'fully applied'.

d. Poland (PL)

83. PL was rated 'partially applied' in the 2021 Report given the failure to apply the multiplication criterion (Q3.2) complementary to the control criterion for the purposes of identifying the indirect holders of qualifying holdings.

84. During the follow-up exercise, PL provided the information that there currently is no plan to introduce the multiplication criterion (or in the near future) as initial policy reservations remain. Among other things, PL also underscored that the introduction of the multiplication criterion would require the amendment of all relevant pieces of financial legislation relating to the proposed acquisition of qualifying holdings.

85. Based on the above, PL's 2021 assessment of 'partially applied' should remain unchanged.

e. Romania (RO)

86. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. Therefore, for the purpose of the 2021 Report, RO was scored 'partially applied' on the application of the multiplication criterion.

⁷ <https://www.bancaditalia.it/compiti/vigilanza/intermediari/Testo-Unico-Bancario.pdf>, (Legislative Decree no. 385/1993, Articles 19ff, and namely Article 22 relating to the identification of indirect acquirers)

⁸ <https://www.bancaditalia.it/compiti/vigilanza/normativa/archivio-norme/disposizioni/assetto-propr-banche/index.html>

87. During the follow-up exercise RO explained that the multiplication criterion from the ESAs GL was transposed into the national regulation and RO described the steps/workflow envisaged to be applied for the application of the criterion. However, no concrete examples could be provided to show the actual application of these steps in practice.
88. Based on the above, RO's 2021 assessment of 'partially applied' should be upgraded to 'largely applied'.

f. Sweden (SE)

89. In the 2021 Report, SE reported that it applies the multiplication criterion (Q3.2) on a supplementary rather than a complementary basis, i.e. only where the control criterion does not yield a positive result. As a consequence, SE was scored 'largely applied'.
90. During the follow-up exercise, SE provided the information that the multiplication criterion is now always used when assessing indirect shareholders, so both criteria (multiplication and control) are applied in parallel. SE described the steps and process envisaged when applying the multiplication criterion and illustrated this with a concrete example.
91. Given that the multiplication criterion is now fully implemented by SE, SE's assessment of 'largely applied' should be upgraded to 'fully applied'.

2.3.3 Follow-up ratings and conclusions

92. Based on the outcome(s) of the exchanges for the Follow-up Report, out of the six CAs three remained rated 'partially applied' due to the fact that no changes with regard to the reasons for the 2021 rating could be identified. One CA was upgraded from 'partially applied' to 'largely applied' and two CAs were upgraded from 'largely applied' to 'fully applied'.

2.4 Notification and assessment of proposed acquisition

2.4.1 Overview

93. The 2021 Report identified DK, FR and NL with a lower than 'fully applied' score in the area of the notification and assessment of proposed acquisitions.

2.4.2 Follow-up responses

a. Denmark (DK)

94. DK was rated 'largely applied' on this aspect in the 2021 Report, given that the CA reported that it applies the internal supervisory manual requiring less information than the ESAs GL. In particular the CA reported that it requests a strategic development plan only where the PA intends to acquire control of the target undertaking (i.e. 50% or more) (Q4.6), contrary to the

ESAs GL requiring the submission of a strategic plan whenever the proposed acquisition would result in a qualifying holding of 20% or more, and up to 50% (section 11 of the ESAs GL).

95. During the follow-up exercise, DK provided the information that, while there is no detailed description of this aspect in its internal manual, the manual nonetheless refers to the ESAs GL (which are included as an annex). DK reported also that it checks if a strategic development plan is included in the application where the proposed acquisition would result in a qualifying holding in the target undertaking of 20% up to 50% and that it has updated the respective application form regarding acquisitions and increases of QHs in this regard.
96. Although progress has been made compared to 2021, DK's 2021 assessment of 'largely applied' should be maintained.

b. France (FR)

97. FR was rated 'largely applied' on this aspect in the 2021 Report. The main issues emerged in relation to the communication of the acknowledgment of receipt within two working days, in particular in the case of incomplete notification.
98. Related to this, with regard to Q4.3, i.e. the compilation and communication to the PA of the list of missing information in the case of receipt of an incomplete notification, FR provided the information that this exercise generally takes more than two working days. With regard to Q4.1 and Q4.2, FR reported that pre-notification contacts are encouraged in the case of significant or complex acquisitions and observed that making this a mandatory practice would unnecessarily increase the workload.
99. FR confirmed in the follow-up exercise that, with respect to Q4.3, it does not send the acknowledgement of receipt within two working days in the case of incomplete notifications but sends such an acknowledgement together with the list of the missing information, which may take from 12 working days to one month.
100. Prior to the official notification, FR usually holds pre-notification discussions with the applicants. The assessment is then carried out upon receipt of the actual notification. The overall prudential assessment, including the pre-notification phase and the actual assessment period of the complete notification, takes on average from six months to one year for complex acquisitions, and from three to four months for cases of medium complexity; conversely the assessment of the simple cases is carried out in a timeframe in line with legislative requirements.
101. Given that there have not been any substantial changes compared to 2021, FR's assessment of 'largely applied' should be maintained.

c. Netherlands (NL)

102. NL was scored 'largely applied' on this aspect in the 2021 Report. With regard to Q4.1 and Q4.2, NL provided the information that pre-notification contacts are encouraged in the case of significant or complex acquisitions and observed that making this a mandatory practice would,

however, unnecessarily increase the workload. The main issues emerged in relation to the communication of the acknowledgment of receipt within two working days, in particular in the case of incomplete notification.

103. Regarding Q4.3, NL reported the practice of sending an automatic confirmation of receipt through its digital portal, which does not specify whether the notification is complete or not. The assessment of the completeness or incompleteness usually takes more than two working days. NL explained that, in order to respect the two working days deadline, when the acknowledgment of receipt is sent it retroactively acknowledges the start of the 60 working days period for the prudential assessment from the third working day following assessment of completeness.
104. NL explained during the follow-up exercise that no changes had been made to that practice so far. As regards incomplete notifications, NL referred to the fact that the applicants are generally informed within two working days if applications are complete or within the reasonable timeframe stipulated in Dutch national law in the case of incomplete applications.
105. NL acknowledged the challenges and mentioned that pre-notification procedures are encouraged in the case of complex acquisitions.
106. Having regard to section 9.2 of the ESAs GL requiring the acknowledgement of receipt to be sent within two working days, including where the notification is incomplete, NL's 2021 assessment of 'largely applied' should be maintained.

2.4.3 Follow-up ratings and conclusions

107. Based on the outcome of the exchanges for the Follow-up Report, out of the three CAs concerned under this point all three CAs remained rated 'largely applied', due to the fact that no or little changes could be identified to the reasons underlying the 2021 rating.

2.5 First assessment criterion – reputation of proposed acquirer

2.5.1 Overview

108. The 2021 Report identified DE, DK and RO with a lower than 'fully applied' score in the area of assessing the reputation of the PA.

2.5.2 Follow-up responses

a. Denmark (DK)

109. DK was scored 'partially applied' on this aspect in the 2021 Report because the CA neither required official certificates issued by a public authority to assess criminal records (Q5.2) nor assessed the professional competence of the proposed PA (Q5.6). In addition, the PRC noted

that DK referred to its internal handbook, which was an abridged and simplified version of the ESAs GL.

110. During the follow-up exercise, DK explained that its internal manual states that the PA's assessment has to cover fitness and propriety, and it referred to the internal manual regarding fit and proper applications. With regard to applications for proposed acquisition of QHs, DK requires the submission of criminal records and assesses whether the PA can be considered to be fit. DK specified that the assessment of fitness is, however, proportional, and that the scrutiny is more intense where the PA obtains control of the target company, compared to acquisitions of smaller stakes of qualified holdings (e.g. 10%) in the target company.
111. The PRC notes that the ESAs GL are clear that the assessment of the integrity may not be subject to proportionality (see sections 8.3 and 10.2 of the ESAs GL) and lay down a list of documents in Annex I to be submitted by the PA to allow the assessment of integrity. Only professional competence, as part of the assessment of the first criterion on reputation, may be subject to proportionality as specified in the ESAs GL.
112. In the light of this, and having regard to the DK supervisory practice, the PRC is of the view that the internal manual and supervisory practices still fall short of full compliance with the ESAs GL and that insufficient progress has been achieved to upgrade the 2021 assessment of the reputation criterion from 'partially applied' to 'largely applied'. DK's assessment on this aspect of 'partially applied' should be maintained.

b. Germany (DE)

113. DE was scored 'largely applied' on this aspect in the 2021 Report, since it reported that it does not assess the PA's professional competence (Q5.6).
114. During the follow-up exercise, DE explained that all PAs are obliged to submit their professional curriculum vitae (CV) as per German regulation. The regulation, however, focuses on good repute rather than on the professional competence. Lack of professional competence is not in itself a sufficient ground to oppose a proposed acquisition. DE also illustrated that, in case of doubt about professional competence, other elements are taken into account including whether the PA intends to be part of the senior management. DE also specified that for financial investors the professional competence is assumed and does not constitute a blocking element.
115. The PRC notes that according to the ESAs GL professional competence is one of the two key elements (together with the PA's integrity) for the assessment of the first criterion on reputation of the PA (section 10.1 of the ESAs GL). In addition, the ESAs GL lay down a proportionate approach towards the assessment of professional competence, having regard to whether the PA is a natural or legal person, the business activity, and the envisaged influence that will be exercised in the target undertaking. The PRC is therefore of the view that the ESAs GL take a balanced and proportionate approach towards the assessment of professional competence without excluding the aspect outright from the scope of assessment.

116. In the light of the above and considering the absence of changes in DE supervisory practices on this aspect, DE's 2021 assessment of 'largely applied' should be maintained.

c. Romania (RO)

117. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. Consequently, for the purpose of the 2021 Report, RO was scored 'largely applied' on the assessment of the reputation of the PA.

118. RO provided the information during the follow-up exercise that, according to Article 26 of its implementing national regulation, the assessment of professional competence is part of the assessment of the PA's reputation. RO also provided a concrete example of a case subsequent to the 2021 Report where the scrutiny of the professional competence of a PA within the assessment of reputation was one of the grounds for the opposition to the proposed acquisition.

119. Based on the above, the PRC is of the view that RO's 2021 assessment of 'largely applied' should be upgraded to 'fully applied'.

2.5.1 Follow-up ratings and conclusions

120. Based on the outcome(s) of the exchanges for the Follow-up Report, out of the three CAs concerned under this point one remained rated 'largely applied', due to the fact that no change with regard to the reasons for the 2021 rating could be identified. One CA was upgraded from 'largely applied' to 'fully applied' given that significant changes were implemented in national practices consistently with the ESAs GL after the 2021 Report and the CA could provide a concrete case where it applied this part of the GL. In respect of one CA, supervisory practices as regards the assessment of reputation have been considered not in line with the ESAs GL, in particular for the application of proportionality to the assessment of integrity, therefore the score 'partially applied' has been confirmed by the PRC.

2.6 Third assessment criterion – financial soundness of proposed acquirer

2.6.1 Overview

121. The 2021 Report identified BG, CZ, DK, DE, PT, RO and SE with a lower than 'fully applied' score in the area of assessing the financial soundness of the PA(s).

2.6.2 Follow-up responses

a. Bulgaria (BG)

122. BG was rated 'largely applied' on this criterion in the 2021 Report, since the CA reported that it does not request express financial commitments in the case of acquisitions that would

result in the control of the target, arguing that the availability and intention to provide additional own funds (Q6.5) can also be inferred from:

- documents such as multi-year capital and funding plans, including dividend distribution policy;
- certain circumstances such as the PA's intention to maintain their holding for a substantial period of time; or
- where the acquisition is part of a long-term strategic investment move which involves additional investment in the target by the PA.

123. As to the assessment of the financial soundness criterion, BG explained during the follow-up exercise that financial commitments are decided upon on a case-by-case basis, distinguishing between natural and legal persons.

124. BG reported an ongoing case of intra-group restructuring in which each legal entity in the chain was asked about their financial position.

125. Although progress has been made to enhance the consistency of the regulatory framework with the ESAs GL, and practical cases could be reported to show a number of supervisory practices applied by the CA, BG's assessment of 'largely applied' should be maintained as Q6.1, Q6.2 and Q6.3 cannot be answered affirmatively, which was defined as a requirement in the 2021 Report to be rated 'fully applied'.

b. Czech Republic (CZ)

126. CZ was rated 'partially applied' on this criterion in the 2021 Report, due to the fact that financial soundness is always assessed in the same manner with no calibration depending on the size of the holding acquired (Q6.3). Additionally, the CA reported that it does not request specific financial commitments from the proposed acquirer where the acquisition results in the control of the target undertaking or the target becoming a subsidiary (Q6.4).

127. CZ explained during the follow-up exercise that the assessment is conducted on a case-by-case basis and taking into account risk-based proportionality criteria (e.g. the size of the acquisition, the size of the target and of the acquirer), regardless of precise thresholds. CZ reported that it assesses whether the financial soundness of the PA is commensurate with the size of the qualifying holding and whether the PA has sufficient funds to support the target institution in the case of financial difficulties. In terms of financial commitments, it is requested that all shareholders holding a qualifying holding have sufficient funds to support the target in case of need.

128. With regard to concrete cases, CZ reported a case where the PA was eventually assessed to be not financially sound for a large acquisition.

129. Based on the above, CZ's 2021 assessment of 'partially applied' should be upgraded to 'fully applied'. CZ provided additional information showing improvements in the process described in

the 2021 Report and the application of actual practice in a concrete example, and clarified its information request and assessment of financial soundness of the proposed acquirer.

c. Denmark (DK)

130. DK was rated 'largely applied' on this aspect in the 2021 Report given that the CA stated that it did not request specific financial commitments from the PA where the acquisition resulted in the control of the target undertaking or the target becoming a subsidiary (Q6.4). The CA's internal supervisory manual also required less information on financial soundness than is stipulated in the ESAs GL.

131. During the follow-up exercise, DK explained the practices for the assessment of the PA's financial soundness, including among other things the use of the results of internal stress tests of the acquiring institutions in order to evaluate the impact of the acquisition on their capital and to verify whether the PA has sufficient funds for the acquisition. The CA illustrated a case where the acquisition was envisaged to be financed via a financing agreement. This entailed a thorough assessment of the financing agreement and the supervisory request to make some changes.

132. Based on the above, DK's 2021 assessment of 'largely applied' should be maintained. Although progress has been made the information provided does not justify a more substantial upgrade as, for example, explanations on the assessment of a private person in this context are not given.

d. Germany (DE)

133. DE was rated 'partially applied' on this criterion in the 2021 Report, given that the CA stated that financial soundness is always assessed in the same manner, i.e. without calibration (Q6.3), and that, depending on the needs of the target, a general statement as to the willingness of the PA to provide financial support to the target in the case of financial stress may suffice. If in a stress scenario there is a financial need, a written commitment from the controlling shareholder to provide further funds is required; if the business plan shows an acute need, an injection of additional capital will be required (Q6.5).

134. DE explained during the follow-up exercise that the assessment of financial soundness is calibrated in accordance with proportionality criteria in all cases of proposed acquisition of QHs, as well as reflected in the minimum amount of information to be submitted with the notification. Depending on the size and complexity of the acquisition, the level of information will be increased, and the assessment intensified. Simplification of the assessment may also be considered in accordance with proportionality criteria, also having regard to the PA's ability to maintain the target's sound and prudent management in the foreseeable future.

135. When it comes to PAs from third countries, additional information is required.

136. DE illustrated a concrete case where the analysis of the business plan showed the potential need for additional capital in the future and hence financial commitments were requested.

137. Based on the above, DE's 2021 assessment of 'partially applied' is upgraded to 'fully applied' given that previous issues seem to have been addressed and concrete cases of application of this aspect of the ESAs GL have been illustrated.

e. Portugal (PT)

138. PT was scored 'largely applied' on this criterion in the 2021 Report given that the CA had indicated that it does not always calibrate the intensity of the assessment of financial soundness in relation to the magnitude of the likely influence of the PA on the target undertaking. It considered that the influence of the proposed acquirer is not in itself a decisive factor (but is nevertheless taken into account) (Q6.3). PT also reported that it does not request specific financial commitments from the PA where the acquisition results in the control of the target undertaking or the target becoming a subsidiary (Q6.4).

139. PT emphasised in the follow-up exercise that current procedures had already been in place at the time of the 2021 Report and that the CA fully complies with the ESAs GL. The assessment is calibrated in accordance with proportionality criteria, having regard to the nature of the PA, to the specific features of the proposed acquisition, e.g. the size of the proposed acquisition, and to the envisaged influence of the PA on the target.

140. PT always asks for information on additional financial capacity of the PA beyond the funding needed and requests the PA(s) to sign a declaration of honour to confirm the accuracy of the information provided and that they will support the target financially if needed. This is requested for all natural persons involved as well as any legal entities in the chain.

141. Specific commitments may also be requested depending on the circumstances, in particular when the business plan is assessed to be too optimistic and/or difficult to implement, and a commitment to comply with prudential requirements is needed. PT also specified that the proposed acquisition may be opposed if the PA fails to submit the requested commitment. In general, no specific amounts are required – the focus being on a best effort basis. Financial commitments may take different forms, e.g. a guarantee to inject capital or to refrain from dividend distribution. In a recent case of multiple acquirers, the financial commitment was requested from each of them regardless of whether they were natural or legal persons.

142. Based on the above, PT's 2021 assessment of 'largely applied' should be upgraded to 'fully applied'. PT provided additional details showing improvements to the assessment methodology described in the 2021 Report as well as a practical example of their application.

f. Romania (RO)

143. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. Consequently, for the purpose of the 2021 Report, RO was scored ‘largely applied’ on the assessment of financial soundness of the PA.
144. In the follow-up exercise RO provided the information that it assesses the financial soundness of the PA(s) having regard to the envisaged business plan.
145. The documentation requested to assess the financial soundness of the PA is set out in Annex No. 10 of the [NBR Regulation No. 12/2020](#)⁹, in accordance with the thresholds of the proposed acquisition of the qualifying holding (up to 20%, between 20% and 50%, and 50% or more, or where the target undertaking becomes a subsidiary of the PA), irrespective of the legal status of the proposed acquirer (natural or legal person). The requirements assessed and the documentation are in line with the GL.
146. RO illustrated a concrete example where, in accordance with the new regulation fully implementing the ESAs GL, including the Annex on information requirements for the assessment of financial soundness, the PA submitted the full documentation aligned with the ESAs GL and was assessed in respect of the capacity to provide financial support to the target institution.
147. Based on the above RO’s 2021 assessment of ‘largely applied’ should be upgraded to ‘fully applied’. RO has by now implemented the ESAs GL into its supervisory practices and provided a practical example of their application.

g. Sweden (SE)

148. SE was scored ‘partially applied’ on this criterion in the 2021 Report, given that the CA stated that it does not request financial commitments from the PA where the acquisition results in the control of the target undertaking or the target becoming a subsidiary (Q6.4). SE limited the requirement requested from the PA to the submission of information about the purpose of the acquisition and the ability to contribute capital to the target company if needed (Q6.5).
149. SE provided the information in the follow-up exercise that the PA illustrated that the assessment of financial soundness is performed on the basis of the mandatory information and documents submitted by the PA, and detailed information regarding how the acquisition will be financed, leading to an assessment of whether the acquirer is deemed to have the financial ability to contribute more capital if needed. Financial commitments may also be requested; no specific amount is stipulated. SE did not have any concrete cases from the follow-up period to report/describe.

⁹ <https://www.bnr.ro/Credit-Institutions-2698.aspx>

150. Based on the above, SE's 2021 assessment of 'partially applied' should be upgraded to 'largely applied', as the additional details provided show improvements in the process described in the 2021 Report.

2.6.3 Follow-up ratings and conclusions

151. Based on the outcome(s) of the exchanges for the Follow-up Report, out of the seven CAs concerned under this point two remained rated 'largely applied', one was upgraded from 'partially applied' to 'largely applied', and three were upgraded from 'largely applied' to 'fully applied'. Two CAs were upgraded from 'partially applied' to 'fully applied'.

2.7 Fifth assessment criterion – suspicion of money laundering or terrorist financing by the proposed acquirer

2.7.1 Overview of the peer review

152. The 2021 Report evaluated how CAs complied with the fifth assessment criterion relating to the suspicion of ML/TF. The original questionnaire included two sets of questions: i) ML/TF risk assessment of the PA and ii) sources of the funds used for the proposed acquisition.

2.7.2 ML/TF risk assessment: proposed acquirer

153. With regard to the first part, the evaluation of the ML/TF risk assessment of the proposed acquirer, DK, FI, NL and RO were rated lower than 'fully applied'.

a. Denmark (DK)

154. DK was scored 'largely applied' on this criterion in the 2021 Report as the CA reported that it conducts only a basic assessment of whether there are any indications of an actual or potential attempt to commit ML/TF or the risk thereof, linking such a standard of review to the lack of resources. Persons with close personal or business links to the PA were only assessed in the case of reasons for suspicion (Q7.1.3).

155. During the follow-up exercise, DK provided the information that there is no uniform internal risk assessment methodology for ML/TF risk, and that significant judgment-based assessment is applied, also having regard to the general guidance laid down in the part of the supervisory internal manual on ML risk assessment.

156. Cooperation and exchange of information with the AML supervisor are undertaken in the case of doubts, i.e. if any 'red flags' are identified. Increased risk indicators are, for example, a PA's establishment in high-risk jurisdictions, a complex or opaque business structure, or if the opinion of the AML department was needed in previous cases.

157. If PAs are already supervised entities, DK always contacts the national supervisor, and checks available business registers and databases for additional information.
158. To identify persons with close personal or business relations with the PA, the CA conducts internal searches and external searches in publicly available information and databases. Risks that may arise from associated persons are assessed only if there are grounds raising suspicion.
159. In cases relating to the assessment of a PA from third countries, depending on the risk assessment the CA may also contact the third-country home authority (as in a recent case not relating to acquisitions in CIs). In that circumstance, the proposed acquisition was opposed since no assurance could be provided that the deficient ML/TF practices of the third country would not be implemented in the target undertaking.
160. Based on the above, the PRC is of the view that DK's 2021 assessment of 'largely applied' should remain as 'largely applied', as the answer to Q7.1.2 is not affirmative and since risks relating to associated persons are evaluated only if there are grounds for suspicion.

b. Finland (FI)

161. FI was scored 'largely applied' on this aspect in the 2021 Report as the CA did not respond to Q7.1.6, given that it did not have the methodology for assessing ML/TF risk in proposed acquisitions.
162. FI provided the information during the follow-up exercise that the AML department is always involved in the assessment of the fifth criterion. In the case of high ML/TF risk, assessment of the acquirer/target is done via a written request for information. In addition, FI shares relevant information within the AML colleges where established.
163. The obliged/supervised entities report annually information regarding their risks and controls concerning ML/TF. FI uses that information to assess risks relating to these entities. Further information relevant for the assessment of individual risks relating to an obliged/supervised entity is also used. Eventually the entities are scored for the ML/TF risks through a scoring system. However, analysis does not exclusively rely on the scoring as it also depends on the reference date of the data: if it is the beginning of the year, interim changes are analysed and compared with previous data as well as new information received. The CA does not solely rely on the risk scoring, but always starts the assessment of ML/TF risks.
164. If foreign entities are involved (which has been the case in the financial sector other than banking recently), cooperation and exchange of information with foreign CAs are also carried out.
165. As regards actual supervisory practices, in a case of a merger between a credit institution and an investment firm the CA carried out a thorough analysis of the investment firm's internal arrangements to carry out KYC checks and to make sure that the credit institution would set out

an adequate process to integrate the investment firm's customers in compliance with ML/TF requirements.

166. Based on the above, the PRC is of the view that FI's 2021 assessment of 'largely applied' should be upgraded to 'fully applied' given that relevant measures have been adopted to lay down the methodology and process for the assessment of the fifth assessment criterion, and that it could provide an example of the sound application of supervisory practices in compliance with the ESAs GL.

c. Netherlands (NL)

167. NL was scored 'largely applied' on this criterion in the 2021 Report, taking into account that, whilst the CA conducts checks and has good internal cooperation practices with the AML supervisor, persons with close personal link(s) to the PA(s) are only checked on ML/TF risks where such persons may exercise (significant) influence or act in concert (Q7.1.3).

168. During the follow-up exercise NL provided a thorough description of the revised and updated overall process followed to assess the fifth criterion. This revision was carried out and the new process developed following the EBA 2021 Report on the peer review of the application of the ESAs GL on QHS adoption of the EBA GL on cooperation between prudential and AML supervisors, and based on the [EBA GL on risk based supervision](#)¹⁰, the [EBA GL on AML/CTF cooperation](#)¹¹ and national law. It includes a risk metric to be used also to identify cases where cooperation with the AML supervisor is necessary. Such a risk scoring metric has been applied in a pilot phase since the beginning of 2023, during which thresholds are being calibrated. Every notification of a proposed acquisition of qualifying holdings is therefore run through this new risk metric and scoring system.

169. The metric allows for the assessment of a group as a whole, as well as for individual PA(s) (and their links). If metric scores are above a certain threshold, the AML and financial intelligence units are consulted and, if it is considered that the PA or the proposed acquisition presents an increased ML/TF risk, further steps are taken, but no practical experience has been gained so far.

170. In practice, the process envisages a first step where the CA checks the information provided against the available information sources, relevant databases and criminal records to make sure the relevant persons are within the scope of assessment. After completion of this first step, the initial assessment is carried out in cooperation with the AML supervisor and financial intelligence unit as necessary.

¹⁰ <https://www.eba.europa.eu/regulation-and-policy/anti-money-laundering-and-e-money/guidelines-on-risk-based-supervision>

¹¹ <https://www.eba.europa.eu/regulation-and-policy/anti-money-laundering-and-counter-terroring-financing-terrorism/guidelines-cooperation-and-information-exchange-between-prudential-supervisors-amlcft-supervisors>

171. Based on the above, the PRC is of the view that NL's 2021 assessment of 'largely applied' should be upgraded to 'fully applied'.

d. Romania (RO)

172. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. Consequently, for the purpose of the 2021 Report, RO was scored 'largely applied' on the ML/TF risk assessment of the PA.

173. During the follow-up exercise, RO provided the information that the national implementation of section 14 of the ESAs GL on QHs is aligned with the ESAs GL.

174. The assessment of ML/TF risks covers the aspects laid down in the ESAs GL and leverages on the principle of close cooperation and exchange of information between prudential and AML supervisors for all proposed acquisitions of QHs.

175. With regard to ML/TF risk associated with persons with close personal or business links to the PA, RO stated that Regulation No. 12/2020¹² specifically defines who they are and their identification relies on the information requested from the PA as part of the notification, e.g. description of the business activities, financial information including credit ratings and publicly available reports on the undertakings controlled or directed by the proposed acquirer, as well as links with politically exposed persons (PEPs). Further information regarding the associated persons may result from queries in available/specific databases, including in cooperation with the AML supervisor.

176. ML/TF checks are conducted also in respect of the appointment of individuals as members of the management body, including of the target entity in the case of appointment by the proposed acquirer of QHs. Scrutiny includes, among other aspects, checking whether the person is on any UN or EU sanction list, the ML/TF risk of associated persons based on official records, exchange of information and cooperation with the AML supervisor, including of other MS in particular of MS where group entities are established, or of third countries (where possible), and consultation of public information and relevant databases. Where the proposed acquirer is established in a third country or presents elements connected to third countries, RO explained that it relies for its assessment, among other things, on country reports published by international standard setting organisations in the field of ML/TF (FATF (lists), FATF-type regional bodies); lists of international sanctions established by international organisations; lists of jurisdictions that do not effectively meet international standards on fiscal transparency and exchange of information; annual reports of central banks / supervisory authorities in the respective state(s); information collected via exchanges with other CAs and identified risks.

¹² "a) the life partner, according to the law, and the person's children; the children of the person's life partner; dependants and parents of the person or their life partner; b) an entity in which the significant shareholder or his close family member, in the sense previously mentioned, holds at least 10% of the share capital or voting rights or in which the respective persons can exercise a significant influence or in which the respective persons are directors, members of the board of directors or members of the supervisory board."

177. Based on the above, RO's 2021 assessment of 'largely applied' should be upgraded to 'fully applied' as significant improvements to the regulatory framework to ensure convergence of supervisory practice via the implementation of the ESAs GL have been made and RO provided a detailed illustration of the application in a real case of the necessary supervisory practices to assess the suspicion of money laundering or terrorist financing by the proposed acquirer.

2.7.3 ML/TF risk assessment: sources of the funds

178. With regard to the second part, DK, EL, LU and RO had been scored lower than 'fully applied'.

a. Denmark (DK)

179. DK was scored 'not applied' on this criterion in the 2021 Report, since it reported that it does not assess the information on the sources of the funds that would be used to finance the proposed acquisition from a ML/TF perspective (Q7.2.1). DK did not apply this part of the ESAs GL due to lack of resources. It followed that all other questions under this criterion could not be answered either.

180. During the follow-up exercise, DK explained that the CA's internal manual has been updated with the inclusion of the assessment methodology laid down in the ESAs GL. The AML department is contacted only in the case of doubts, i.e. if any 'red flags' are identified. Where PAs are supervised entities themselves, the sources of funds and their channelling are considered by the CA to give rise to lower risk and the assessment is subject to proportionality. Conversely, where PAs are from specific or high-risk jurisdictions, or their business structure is complex, the AML supervisor is usually consulted.

181. Based on the above, DK's 2021 assessment of 'not applied' should be upgraded to 'largely applied'. While the PRC notes that the internal manual has been updated with the assessment methodology for the ML/TF risk criterion, the CA only provided basic descriptions of concrete applications and the actual assessment processes and practices relating to the determination of the legitimate origin of the funds. Furthermore, the PRC notes that the internal manual still distinguishes between ordinary and complex cases, requiring the ESAs GL to be applied only in the latter.

b. Greece (GR)

182. GR was scored 'largely applied' on this criterion in the 2021 Report, since the CA reported that it does not assess whether funds are channelled via a continuous chain of supervised entities, subject to effective supervision by AML/CTF supervisors in EU and equivalent non-EU jurisdictions (Q7.2.2, Q7.2.3).

183. During the follow-up exercise, the CA informed the PRC that in 2022 a new section competent for authorisations and QHs was set up, responsible for credit institutions and other financial institutions. As regards the negative response given to Q7.2.2 and Q7.2.3 of the 2021

Report, the CA explained that the rationale of the response was to draw attention to the difficulties of obtaining information on the transfer of funds via a continuous channel of supervised entities, especially where third countries are involved.

184. The CA illustrated its supervisory practices relating to the assessment of such a criterion via reference to two actual cases. Scrutiny included, among other things, contacts with entities involved in a financing scheme in a third country and cooperation with the AML supervisor which in turn contacted the third-country AML supervisor. In addition, GR reviewed criminal records and traced the source of the funding via transfers, as well as checking information of all parties involved in the transaction.
185. Based on the above, GR's 2021 assessment of 'largely applied' should be upgraded to 'fully applied', given the improvement in supervisory processes and practices in application of the GL requirements in concrete cases.

c. Luxembourg (LU)

186. LU was scored 'largely applied' on this criterion in the 2021 Report since the CA reported that it does not assess whether the funds are transferred via a continuous channel of entities subject to AML/CTF supervision in the EU and in equivalent non-EU jurisdictions (Q7.2.2, Q7.2.3). The CA explained that this answer was motivated by the fact that in the concrete cases submitted to its attention the funds were channelled through institutions subject to AML/CTF supervision in EU countries, and that there was no experience with cases of third countries. However, LU had reported that, should such a case be submitted to its attention, it would be assessed having regard to the adequacy of the AML/CTF supervision in that country. LU also reported that it does not always assess if there is a full paper trail of such a continuous transfer of funds. (Q7.2.5)
187. In the follow-up exercise LU illustrated the steps undertaken and the (additional) sources of information and databases checked to assess this aspect, including EU sanction lists. Depending on the cases, other EU or non-EU competent authorities are also consulted. In particular, as regards the cooperation with the AML supervisor, where the latter is involved in the assessment, a separate AML report is prepared. That report covers:
- the current ML/TF risk assessment of the target according to ongoing ML/TF supervision;
 - ML/TF risk considerations related to the PA, the proposed changes in the business model, the control exercised by the PA (if any) and the origin of their funds used to purchase the holdings and finance the business;
 - the ML/FT-related impact of the acquisition on the business model of the target;
 - the PA is contacted on any remaining questions and/or blocking points;
 - consultation(s) (letters) with other authorities (international or national).

The assessment of the legitimate origin of the funds is assessed in the context of the wider assessment relating to financial soundness, for which the PA submits very detailed financial statements and a detailed description of the business activities.

188. During the follow-up exercise, LU provided an example of the practices followed to assess the source of funds in a case relating to a natural person PA acquirer and which required an increased effort to verify their legitimate sources.

189. As to the assessment of a full paper trail relating to the transfer of funds, LU explained that in practice the case handler in charge verifies that the funds used for an acquisition are channelled with an uninterrupted paper trail through chains of financial institutions, all of which are subject to effective AML/CTF supervision in the EU or in non-EU countries with equivalent AML/CTF regulatory requirements and supervisory practices.

190. Based on the above, LU's 2021 assessment of 'largely applied' should be upgraded to 'fully applied' in the light of the consistency of the process with the ESAs GL and the assessment methodology implemented in practice including in concrete cases.

d. Romania (RO)

191. RO only implemented the ESAs GL into its supervisory practices by adoption of national Regulation no. 12/2020 on 24 December 2020. Consequently, for the purpose of the 2021 Report, the CA was scored 'partially applied' on the ML/TF risk assessment of the funds.

192. In the follow-up exercise RO informed the PRC that implementing Regulation No. 12/2020 fully complies with the ESAs GL including as to the assessment methodology of the sources of funds and their transfer via supervised entities.

193. By way of example RO indicated some of the steps undertaken in practice to assess this criterion, including:

- as regards transfer of funds, checking that the financial institutions through which funds are channelled are effectively supervised for AML/CTF in the EU or in third countries and that the latter is not a high-risk country according to lists published by the European Commission, FATF or other international bodies;
- as to the assessment of the legitimate origin of the funds, requesting and checking tax information, description of the business activities of the PA, and assessment of the consistency of the proposed financing with the value of the proposed acquisition. Where the funds originate from activities carried out abroad, attention is paid to the ML/TF regulatory equivalence and effectiveness of supervision in that country. Enhanced scrutiny is carried out in cases where jurisdictions with terrorist activities are known to operate, and specific attention is paid to the purpose and nature of the business relationship;
- checks that the funds are transferred via an uninterrupted paper trail also function as a support of legitimate origin of the funds.

194. RO noted that in the two cases encountered during the follow-up peer review period, the target and the PA were RO CIs, supervised by RO, and that according to the data in its possession the proposed acquisition did not give rise to ML/TF risks.

195. Based on the above, the PRC is of the view that RO's 2021 assessment of 'partially applied' should be upgraded to 'fully applied', as RO provided evidence of the update of the implementation of the ESAs GL into national supervisory practice via the adoption of Regulation No. 12/2020 and explanations of the envisaged process as well as detailed assessments based on an ongoing case.

2.7.4 Follow-up ratings and conclusions

196. Based on the outcome(s) of the exchanges for the Follow-up Report:

- With regard to the evaluation of the ML/TF risk assessment of the PA, out of the four CAs concerned under this point one remained rated 'largely applied', and three were upgraded from 'largely applied' to 'fully applied'.
- With regard to the evaluation of the source of funds for an ML/TF risk assessment, out of the four CAs concerned under this point one was upgraded from 'not applied' to 'largely applied', one was upgraded from 'partially applied' to 'fully applied' and two were upgraded from 'largely applied' to 'fully applied'.

3. Summary of the ‘Review by peers’ and conclusions

197. The 2021 Report drew attention to national practices relating to the assessment of the proposed acquisition or increase of qualifying holdings that were not in line with the ESAs GL and were ultimately conducive to divergent assessments of the same criteria throughout the Union.
198. The 2021 Report also drew attention to areas of the applicable regime regarding the prudential assessment of the acquisition or increase of QHs in CIs that call for some improvement and additional guidance. Such identified aspects concern:
- the assessment of the fifth criterion on ML/TF risk, including the cooperation with AML supervisors;
 - the compliance with stringent time limits set out in the CRD in particular for the assessment of the completeness of the applications in complex acquisitions;
 - the better articulation of the proportionality principle;
 - the better specification of the information and documents to be submitted with the notification of a proposed acquisition to the competent authority.
199. The EBA notes that the issues brought up by the 2021 Report have been taken into account by the legislators in the review of the CRD (CRDVI). The [version published on 4 December 2023](#) shows that amendments to address the underscored shortcomings have been made. These in particular concern the extension to ten working days for the acknowledgement of receipt of the notification (Article 22(1), first sub-paragraph), the consultation with the AML supervisors for the assessment of the fifth criterion relating to ML/TF risk, and the possibility for AML supervisors to adopt a negative opinion on the proposed acquisition, although such a negative opinion will not be binding on the prudential authority, it will have to be considered. Furthermore, a mandate has been conferred on the EBA for the development of RTS for the specification of the information and documents to be submitted to the competent authority with the notification of the proposed acquisition or increase of qualifying holdings in a credit institution.
200. The current Follow-up Report focuses on the assessment of the improvements implemented by those CAs which reported a lower than ‘fully applied’ score in the 2021 Report so as to improve their national regulatory and supervisory practices with the aim of achieving convergence in line with the EU guidance.
201. As a general remark, the PRC notes that all CAs have overall taken the assessment of the 2021 Report seriously and have generally adopted measures to remedy the deficiencies identified within the 2021 Report. In the light of improvements made in the national regulatory framework and in concrete application practices as referred to by the 17 CAs that took part in

the follow-up exercise, the PRC has been able to upgrade the scoring of 16 CAs from 'largely applied' or 'partially applied' to 'fully applied' and four CAs from 'not applied' or 'partially applied' to 'largely applied'. In more detail, the following results can be displayed:

	PA > FA	LA > FA	PA > LA	NA > LA	LA (nc)	PA (nc)
Q1: Application of acting in concert	1 (RO)	1 (NL)			3 (BG, DK, SE)	
Q2: Application of significant influence		1 (CY)	1 (SK)		3 (BG, DK, RO)	
Q3: Indirect acquisition of QHs		2 (IT, SE)	1 (RO)			3 (CZ, EE, PL)
Q4: Notification and assessment					3 (DK, FR, NL)	
Q5: Reputation of PA		1 (RO)			1 (NL)	1 (DK)
Q6: Financial soundness of PA	2 (CZ, DE)	2 (PT, RO)	1 (SE)		2 (BG, DK)	
Q7.1: Suspicion of ML/TF by PA		3 (FI, NL, RO)			1 (DK)	
Q7.2: Suspicion of ML/TF by PA's source of funds	1 (RO)	2 (GR, LU)		1 (DK)		

FA: fully applied

LA: largely applied

NA: not applied

nc: no change

PA: partially applied

202. In the light of the above, the PRC especially welcomes the progress made on Q6 (Financial soundness of the PA), Q7.1 (Suspicion of ML/TF by PA) and Q7.2 (Suspicion of ML/TF by PA's source of funds)

203. With specific regard to the assessment of the fifth criterion on ML/TF risk (Q7.1 and Q7.2), the PRC welcomes the initiatives of NL and FI in particular to develop a specific process and risk metric to define the escalation procedure for the involvement of the AML supervisor in the assessment. The EBA also notes the relevance of its [Guidelines on cooperation and information exchange between prudential supervisors, AML/CTF supervisors and financial intelligence units](#) and of the EBA [Guidelines on risk based supervision](#).

204. However, as can be gleaned from the tables, the largest block of scores – 13 in total – is made up of 'largely applied' ratings which have not changed compared to the 2021 Report, with the application of acting in concert (Q1), the application of significant influence (Q2) and the

notification and assessment of proposed acquisitions (Q4) representing the bulk of CAs which could not be upgraded on these topics. However, in this context the following needs to be highlighted/differentiated:

- For Q1 and Q2, while progress was made when it comes to the process for most CAs concerned, the issue was that the CAs in question could not provide an actual concrete example showing the application of the acting in concert criteria and hence could not be upgraded;
- For Q4, the situation is slightly different, with two (FR, NL) out of the three CAs not having made any progress on the timings of notifications and assessments of proposed acquisitions.

As previously mentioned, the CRDVI Proposal from the EU legislator contains an extension up to ten working days for the assessment period for the completeness of the notification, so this issue will hopefully improve in the future. The PRC nonetheless recommends trying to adhere to the timeframe currently still applicable.

205. With regard to the three unchanged ‘partially applied’ ratings in the context of indirect acquisitions of QHs (CZ, EE and PL), it has to be noted that the three CAs in questions confirmed their reticence to apply/implement the multiplication criterion, indicating in addition that there are currently no plans to do so. The PRC nonetheless recommends that the multiplication criterion should be applied in the future by those CAs, as laid out in the ESAs GL, in order to improve supervisory convergence within the Union on this particular aspect.
206. While the PRC notes that DK has made progress in the assessment of several criteria, the CA could not be upgraded to ‘fully applied’ in any of the eight selected criteria. In this context, the PRC takes note that the CA reported that some parts of their internal manual have been updated to bring them in line with the ESAs GL. However, the PRC observes that the internal manual and the supervisory practices referred to in the bilateral exchanges still distinguish between ordinary and complex cases, requiring the application of the ESAs GL in the latter. The PRC notes that the ESAs GL include proportionality criteria and have been developed to be applied in all cases (e.g. for Q2, Q6 and Q7.1). The CA committed itself during the follow-up exchanges to making improvements on several issues.
207. The PRC notes that whilst the majority of CAs have a dedicated centralised team in charge of the assessment of the acquisition of qualifying holdings, often in charge also of licensing procedures for credit institutions and other supervised entities, some other CAs consider the assessment of qualifying holdings a supervisory task and assign it to the team in charge of the supervision of the relevant target credit institution. Whilst the EBA is in principle neutral on the internal organisation of the CAs, it underscores the importance for those CAs with a decentralised organisation as to the assessment of qualifying holdings, to ensure an appropriate level of uniformity in the assessment approach, intensity and proportionality of the scrutiny and ad hoc forums for the discussion and exchange of information and experience about complex cases or cases raising specific issues.

4. Annex

ANNEX 1: Overview table of ratings from 2021 Report

	Q1	Q2	Q3	Q4	Q5	Q6	Q7.1	Q7.2
	Application of acting in concert	Application of significant influence	Indirect acquisition of qualifying holdings	Notification and assessment of proposed acquisition	Reputation of proposed acquirer	Financial soundness of proposed acquirer	Suspicion of ML/TF by proposed acquirer: proposed acquirer	Suspicion of ML/TF by proposed acquirer: source of funds
AT	FA	FA	FA	FA	FA	FA	FA	FA
BE	FA	FA	FA	FA	FA	FA	FA	FA
BG	LA	LA	FA	FA	FA	LA	FA	FA
CY	FA	LA	FA	FA	FA	FA	FA	FA
CZ	FA	FA	PA	FA	FA	PA	FA	FA
DE	FA	FA	FA	FA	LA	PA	FA	FA
DK	LA	LA	FA	LA	PA	LA	LA	NA
ECB-SSM	FA	FA	FA	N/A	FA	FA	FA	FA
EE	FA	FA	PA	FA	FA	FA	FA	FA
ES	FA	FA	FA	FA	FA	FA	FA	FA
FI	FA	FA	FA	FA	FA	FA	LA	FA
FR	FA	FA	FA	LA	FA	FA	FA	FA
GR	FA	FA	FA	FA	FA	FA	FA	LA
HR	FA	FA	FA	FA	FA	FA	FA	FA
HU	FA	FA	FA	FA	FA	FA	FA	FA
IE	FA	FA	FA	FA	FA	FA	FA	FA
IS	FA	FA	FA	FA	FA	FA	FA	FA
IT	FA	FA	LA	FA	FA	FA	FA	FA
LIE	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C
LT	FA	FA	FA	FA	FA	FA	FA	FA
LU	FA	FA	FA	FA	FA	FA	FA	LA
LV	FA	FA	FA	FA	FA	FA	FA	FA
MT	FA	FA	FA	FA	FA	FA	FA	FA
NL	LA	FA	FA	LA	FA	FA	LA	FA
NO	FA	FA	FA	FA	FA	FA	FA	FA

PL	FA	FA	PA	FA	FA	FA	FA	FA
PT	FA	FA	FA	FA	FA	LA	FA	FA
RO	PA	LA	PA	FA	LA	LA	LA	PA
SE	LA	FA	LA	FA	FA	PA	FA	FA
SI	FA	FA	FA	FA	FA	FA	FA	FA
SK	FA	PA	FA	FA	FA	FA	FA	FA

Green: fully applied (FA)

Yellow: largely applied (LA)

Orange: partially applied (PA)

Red: not applied (NA)

Pink: not applicable (N/A)

White: non-contributing (NC)



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