



Brussels, 17.5.2022  
C(2022) 3103 final

**COMMISSION DELEGATED REGULATION (EU) .../...**

**of 17.5.2022**

**supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on emerging markets and advanced economies**

(Text with EEA relevance)

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE DELEGATED ACT**

Articles 325ap(3) of Regulation (EU) No 575/2013 ('the Regulation') empower the Commission to adopt, following submission of draft regulatory technical standards by the European Banking Authority (EBA) in accordance with Articles 10 to 14 of Regulation No (EU) 1093/2010, delegated acts specifying what constitutes an advanced economy for the purpose of identifying the risk weights for equity risk under the alternative standardised approach referred to in Article 325(3)(a) of the Regulation.

In accordance with Article 10(1) of Regulation No (EU) 1093/2010 establishing the EBA, the Commission shall decide within three months of receipt of the draft technical standards whether to endorse the drafts submitted. The Commission may also endorse the draft standards in part only, or with amendments, where the Union's interests so require, having regard to the specific procedure laid down in those Articles.

### **2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT**

In accordance with the third subparagraph of Article 10(1) of Regulation No (EU) 1093/2010, the EBA has carried out a public consultation on the draft technical standards submitted to the Commission. A consultation paper was published on the EBA internet site on 7 April 2021 and the public consultation closed on 2 July 2021. Moreover, the EBA invited the EBA's Banking Stakeholder Group set up in accordance with Article 37 of Regulation (EU) No 1093/2010 to provide advice on them. Together with the draft technical standards, the EBA has submitted an explanation on how the outcome of these consultations has been taken into account in the development of the final draft technical standards submitted to the Commission.

Together with the draft technical standards, and in accordance with the third subparagraph of Article 10(1) of Regulation No (EU) 1093/2010, the EBA has submitted its Impact Assessment, including its analysis of the costs and benefits, related to the draft technical standards submitted to the Commission. This analysis is available at <https://www.eba.europa.eu/regulation-and-policy/market-risk/regulatory-technical-standards-emerging-markets-and-advanced-economies> pages 11 - 13 of the Final Draft Regulatory Technical Standards.

### **3. LEGAL ELEMENTS OF THE DELEGATED ACT**

These technical standards identify the countries that are considered advanced economies for the purpose of identifying the appropriate risk weight to capture equity risk under the market risk framework. The final draft technical standards specify that all the Member States of the Union, including the overseas countries and territories which have special relations with Denmark, France or the Netherlands, and the States, other than the Member States, which are parties to the Agreement on the European Economic Area, constitute an advanced economy. Those states are complemented by an additional list, coinciding to that agreed in the international standards, specifying other countries considered advanced economies.

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012<sup>1</sup>, and in particular Article 325ap(3), third subparagraph, thereof,

Whereas:

- (1) The market risk own funds requirements under the alternative standardised approach set out in Article 325c to Article 325ay of Regulation (EU) No 575/2013 require, for the calculation of the own funds requirement under the sensitivities-based method set out in Article 325d to Article 325k, the application of the risk weights for equity risk specified in Table 8 of Article 325ap of that Regulation pursuant to the delegated act referred to in Article 461a. Since markets constituting advanced economies and emerging markets are mutually exclusive categories, it should be clarified that all markets not constituting advanced economies should be regarded as emerging markets.
- (2) When determining which markets constitute advanced economies and which ones constitute emerging markets, it is necessary, on the one hand, to ensure a level playing field and, on the other hand, to establish a risk-based approach. In that respect, specifying the list of countries that constitute advanced economies is deemed the most appropriate solution in light of the approach followed by the Basel Committee on Banking Supervision (BCBS) and the need to achieve a common implementation of the calculation methodology of the related market risk requirements in all Member States. While BCBS international standards should be taken into consideration, it should be specified that markets of the Member States that are less volatile than the markets recognised as advanced economies in accordance with those international standards constitute advanced rather than emerging market economies. Furthermore, the determination of advanced and emerging market economies should have due regard to the establishment of an internal market in the Union, the presence of the European Economic Area, and the specificities related to overseas countries and territories of some Member States.
- (3) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.

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<sup>1</sup> OJ L 176, 27.6.2013, p. 1.

- (4) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits, and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council<sup>2</sup>,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

##### *Advanced economies and emerging markets*

1. For the purposes of specifying risk weights for the sensitivities to equity and equity repo rate risk factors in accordance with Article 325ap of Regulation (EU) No 575/2013, the following countries shall constitute advanced economies :
  - (a) Member States of the European Union;
  - (b) the overseas countries and territories which have special relations with Denmark, France or the Netherlands, including Faeroe Islands and those listed in Annex II to the Treaty on the Functioning of the European Union;
  - (c) the following third countries:
    - (i) third countries, which are parties to the Agreement on the European Economic Area;
    - (ii) Australia;
    - (iii) Canada;
    - (iv) Hong Kong;
    - (v) Japan;
    - (vi) Mexico;
    - (vii) New Zealand;
    - (viii) Singapore;
    - (ix) Switzerland;
    - (x) the United Kingdom;
    - (xi) the United States.
2. For the purposes of specifying risk weights for the sensitivities to equity and equity repo rate risk factors under Article 325ap of Regulation (EU) No 575/2013, countries not listed in paragraph 1 of this Article shall constitute emerging markets.

#### *Article 2*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

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<sup>2</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17.5.2022

*For the Commission*  
*The President*  
*Ursula VON DER LEYEN*