EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Guide to licence applications

September 2026

Contents

Foreword

Since 4 November 2014, the European Central Bank (ECB) has been exclusively competent to grant and withdraw licences for all credit institutions established in the EU Member States participating in the Single Supervisory Mechanism (SSM).[1] This competence is exercised by way of an assessment conducted together with the national competent authorities (NCAs).

This Guide to licence applications applies to all applications for a licence to become a credit institution under the Capital Requirements Regulation (CRR)[2], including, but not limited to, initial authorisations for credit institutions, bridge bank applications and licence extensions. One of the Guide's primary objectives is to promote awareness and make the legislative framework, the assessment criteria and the processes for establishing credit institutions more transparent and easier to understand. It also aims to ensure greater consistency in the licensing of credit institutions across SSM jurisdictions. When assessing licensing applications, the NCAs and the ECB will consider the projected institution's size, complexity, business model and risk profile.

This Guide is designed as a practical tool to support stakeholders involved in licence applications, helping them to navigate and align applications effectively with the currently applicable regulatory framework, including EU regulations or directives and national laws, as well as the technical standards and guidelines issued by the European Banking Authority (EBA). It also provides insights drawn from the practical experience gained since the inception of the SSM. The Guide does not lay down legally binding requirements and does not replace the relevant legal requirements under either Union or national law. In addition, it should not be construed as introducing new rules or requirements compared with current Union or national law.

This Guide replaces the previous Guide to licence applications, which was published in 2019. It will be regularly reviewed to account for (i) ongoing developments in the supervisory practices regarding authorisations, (ii) international and European regulatory developments, and (iii) new interpretations of the Capital Requirements Directive (CRD)[3] by the Court of Justice of the European Union.

Unless specifically indicated in the text, the Guide uses the same terminology as the CRR, the CRD and the European Banking Authority Guidelines on a common assessment methodology for granting authorisation as a credit institution under Article 8(5) of Directive 2013/36/EU (EBA/GL/2021/12) (EBA CAM)[4].

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1 In this document, the terms "licence" and "authorisation" are used interchangeably, as are the terms "bank" and "credit institution".

2 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176. 27.6.2013, p. 1).

3 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

4 Link to the EBA CAM.

1 Legal framework for the assessment of licensing applications under the Single Supervisory Mechanism

1.1 SSM Regulation and SSM Framework Regulation

Under Article 4(1), point (a) of the SSM Regulation[5], the ECB is exclusively competent for granting authorisation to take up the business of a credit institution. Article 6(4) and Article 14 of the SSM Regulation provide for this competence to apply to both significant institutions directly supervised by the ECB and less significant institutions directly supervised by NCAs.

The SSM Framework Regulation[6] (Articles 73 to 79) sets out the practical arrangements for assessing applications, focusing on the respective roles of the relevant NCA and the ECB in the assessment process.

1.2 Union and national law

Under Article 4(3) of the SSM Regulation, for the purposes of carrying out its supervisory tasks, the ECB must apply all relevant Union law and, where this law is composed of directives, the national legislation transposing those directives. Authorisation requirements are mainly covered in Article 8 of the CRD (and in Article 8a of the CRD in the case of credit institutions referred to in Article 4(1), point (1)(b) of the CRR), as well as in Articles 10 to 14 of the CRD.

These articles are minimum harmonisation provisions, meaning that additional authorisation requirements may be set under national law. Consequently, when taking authorisation decisions within the framework of the SSM, the ECB applies the authorisation requirements laid down in the national legislation transposing the relevant CRD provisions.

The ECB applies all relevant Union acts adopted by the European Commission on the basis of the standards developed by the EBA. In particular, it applies the regulatory technical standards (RTS) on the information applicants need to provide to competent authorities when applying for authorisation as credit institutions

5 Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

6 Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).

(Commission Delegated Regulation on Licensing)[7], and the implementing technical standards (ITS) related to the templates for providing such information (Commission Implementing Regulation on Licensing)[8]. Together with a comprehensive list of information to be provided in applications for authorisation, the technical standards contain a form to be used for licence applications, as well as the relevant submission procedures and requirements.[9]

Investment firms

Where the applicant is a Class 1 investment firm[10], the ECB applies the EBA RTS specifying the information to be provided for the authorisation of investment firms as credit institutions.[11]

1.3 EBA Guidelines on a common assessment methodology

The ECB complies with and applies the EBA's Guidelines on a common assessment methodology (CAM), These Guidelines are to be used by the competent authorities throughout the Union for the purposes of granting authorisation as a credit institution and they explain the authorisation requirements set out in Articles 10 to 14 of the CRD.[12]

7 Commission Delegated Regulation (EU) 2022/2580 of 17 June 2022 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be provided in the application for the authorisation as a credit institution and specifying the obstacles which may prevent the effective exercise of supervisory functions of competent authorities (OJ L 335, 29.12.2022, p. 64).

8 Commission Implementing Regulation (EU) 2022/2581 of 20 June 2022 laying down implementing technical standards for the application of Directive 2013/36/EU of the European Parliament and of the Council with regard to provision of information in applications for authorisation of a credit institution (OJ L 335, 29.12.2022, p. 86).

9 It should be noted that in some but not all Member States, supervised entities and third parties can use the SSM Portal to submit information related to authorisation applications.

10 Class 1 investment firms are undertakings that meet the definition set out in Article 4(1), point (1)(b) of the CRR. They are distinct from Class 2 and 3 investment firms, which are regulated mainly by Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019, p. 1) (Investment Firms Regulation – IFR); and Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5.12.2019, p. 64) (Investment Firms Directive – IFD).

11 Commission Delegated Regulation (EU) 2022/2579 of 10 June 2022 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be provided by an undertaking in the application for authorisation in accordance with Article 8a of that Directive (OJ L 335, 29.12.2022, p. 61).

12 For additional details please refer to the compliance table providing an overview of the competent authorities complying with the Guidelines on a common assessment methodology for granting authorisation as a credit institution under Article 8(5) of Directive 2013/36/EU.

2 General licensing principles

2.1 Gatekeeper

From a prudential supervision perspective, the aim of the licensing requirement is to prevent entities that would not be safe and sound, or that could pose a threat to the stability of the financial system, from entering the banking market in the first place. When granting authorisations to credit institutions, the ECB acts as gatekeeper. Its task is to ensure that entrants to the banking market are robust and comply with national and Union legal requirements. To this end, the ECB assessment focuses on applicant credit institutions' capital levels, their programme of operations, business model and structural organisation, as well as the suitability of their managers and relevant shareholders.

2.2 Open and complete communication

A licence application marks the start of (or a significant change in) the life cycle of a credit institution and thus in the communication between the credit institution and the supervisor. Supervisors request that each applicant prepare their application accurately and completely while openly and swiftly sharing information to help supervisors reach an informed decision. The provision of incomplete notifications or a failure on the part of applicants to sufficiently address additional information requests may result in delays. Supervisors will communicate regularly with the applicant throughout the process.

2.3 Consistency

After European banking supervision began in 2014, it became clear that there were differences among EU Member States in the way the licensing framework was interpreted and how it was applied in the assessment of licence applications. Since the establishment of the SSM, and therefore European banking supervision, the ECB and NCAs have played a key role in ensuring greater consistency in the licensing of credit institutions across SSM jurisdictions.

This Guide specifically deals with applications for a new or an extended authorisation.

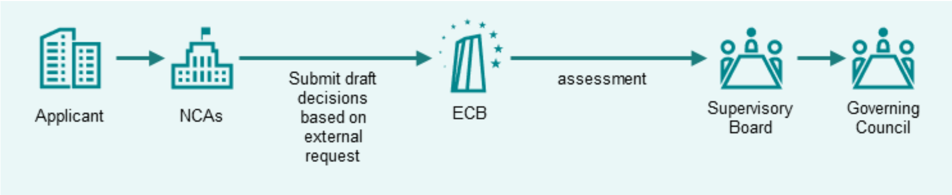
2.4 Case-by-case assessment and proportionality

For any licence application, all relevant circumstances should be considered. This includes considerations of proportionality in line with the criteria set out in Section 4.1(i) of the EBA CAM. Accordingly, competent authorities will assess the scope and depth of the information required in line with the applicable laws. For example, applications involving novel or complex activities will require more information than applications solely involving standard or well-established activities.

3 Procedure

Under the SSM framework, the procedure for granting or extending a banking licence is what is known as a "common procedure".[13] The entry point for all applications is the national supervisor of the country where the new bank is or will be established as provided for in Article 14(1) of the SSM Regulation, irrespective of whether the significance criteria are met. The relevant national supervisor and the ECB cooperate closely throughout the whole procedure, with the ECB taking the final decision.[14] Where the national competent authority of a Member State whose currency is not the euro has established close cooperation with the ECB, the licence decision is taken by the national competent authority following instructions from the ECB.[15]

Figure 1
The authorisation process



3.1 Applicable timelines

There are three main phases for each licence application:

- pre-application phase;
- application phase;
- issuance of decision.

Article 15 of the CRD provides guidance on the maximum time that the competent authority can take to grant or refuse a licence application (a decision to grant or refuse authorisation must be taken within 12 months of the receipt of the application). However, not all Member States have transposed the CRD into their national law in the same way. As a result, the start of the countdown period or timeline for a licence application can differ across Member States, as can the maximum assessment period, which may be shorter than the maximum of 12 months set out in Article 15 of the CRD. In some Member States, the timeline starts when the NCA receives the application, even if it is incomplete.[16] In others, the timeline is not initiated until the application is considered complete by the supervisor.[17] Likewise, the use of suspension periods in the timeline can differ

13 "Common procedures" refer to joint processes in which the NCA receives the application, followed by an assessment carried out by both the NCA and the ECB. The ECB takes the final, binding decision. From the outset, the ECB and NCA work closely together to ensure a consistent, efficient, and thorough approach.

14 Under Article 14(2) of the SSM Regulation, there are specific instances in which the licensing procedure ends with a decision by the NCA. This applies in cases where the NCA issues a negative decision on a licensing application without the intervention of the ECB.

15 Article 7(4) of the SSM Regulation.

16 "start 1" in Figures 2 and 3.

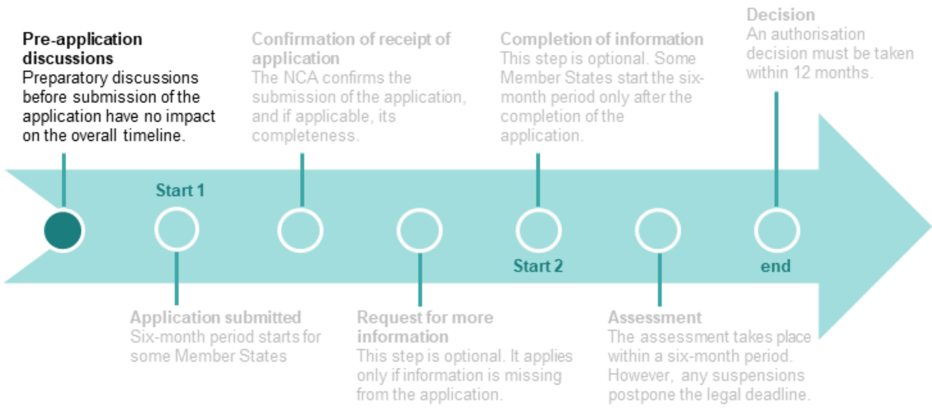
17 "start 2" in Figures 2 and 3.

across Member States. Within these constraints, the following harmonised three-phase approach is applied as far as possible.

3.1.1 Pre-application phase

Supervisors generally engage in discussions with the applicant prior to the formal submission of a licence application in order to (i) explain the process and the information requirements; (ii) identify, for instance, whether a credit institution's licence is the appropriate authorisation for the entity; (iii) review the effective presentation of licensing plans; and (iv) raise any early concerns from a prudential perspective. This practice ensures a smoother process, and experience has shown that engaging early in this way can help reduce the number of additional information requests made by the supervisor to the applicant. It also allows potential sources of concern to be identified at an early stage and provides an opportunity for the applicant to address any issues before submitting the "final application". Additionally, it enables clear milestones to be set, allowing the applicant to plan better for the application process.

Figure 2
Timeline, pre-application phase



The ECB considers it good practice for the right persons from the applicant's side to take part in the pre-application discussions. This means management or senior staff with the capacity to take decisions as well as persons with sufficient operational knowledge to deal with detailed questions. Applicants usually have a clear plan in place and have undertaken the necessary preparatory research and planning to be able to engage in meaningful dialogue with the supervisors on their plans.

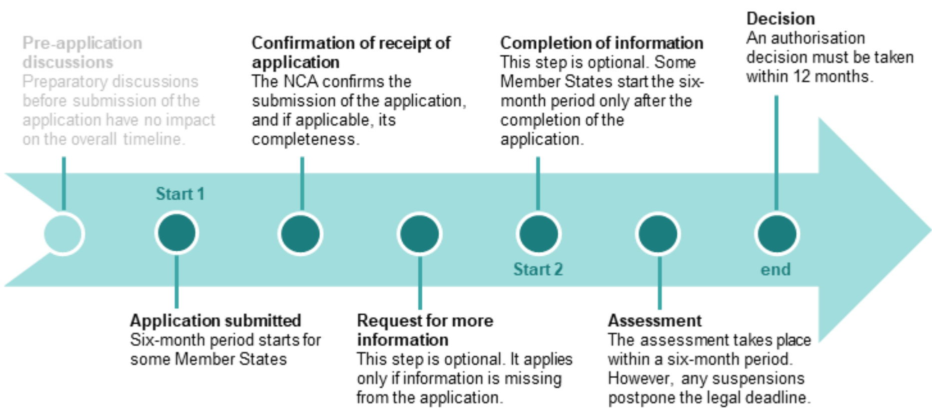
Any feedback provided by the supervisors in this phase does not predetermine the outcome of the application phase and the subsequent decision by the ECB.

The pre-application phase enables the applicant to evaluate the scope and timeline of the project. The applicant can then decide whether to interrupt the process or to move on to the next phase and submit a formal application to the NCA. As with formal applications (see below), the ECB considers it good practice for pre-applications to be submitted in draft form via the SSM Portal.[18,19,20]

3.1.1.1 Application phase

The entry point is always the NCA. The ECB considers it good practice for the application to be submitted via the SSM Portal (or in accordance with the rules and processes of the relevant NCA). Submitting the application via the SSM Portal has benefits for the applicants. For instance, it enables greater transparency and provides a secure, efficient way of communicating with the supervisor. This allows the application to be processed quickly and efficiently, as well as reducing the administrative burden.

Figure 3
Timeline, application phase



The NCA and the ECB may request additional information from the applicant at any time during the assessment process. It often becomes clear during the application procedure that further details are needed in order to understand and analyse the application. Depending on applicable national law, such requests for further information may lead to the procedure being suspended and the legal deadline being postponed.

18 See the SSM Portal regime of use for supervisory applications.

19 See the quick guide on supervisory applications via the SSM Portal.

20 In certain jurisdictions, applicants may be required to submit notifications or applications through alternative channels in addition to, or instead of, the SSM Portal. This may be due to specific requirements under national administrative law regarding formalities to be observed when interacting with public authorities. Applicants are advised to consult local legal provisions to ensure compliance with jurisdiction-specific obligations of this kind.

The applicant can withdraw the application at any time and inform the NCA accordingly.

If not withdrawn by the applicant, the application ends either with a decision by the NCA to reject the application (in instances where the requirements for licensing under national law cannot be fulfilled) or, if the NCA has submitted a draft proposal to the ECB to grant the authorisation (in which case it will have notified the applicant accordingly), with a decision by the ECB to grant or reject the application based on the ECB's own assessment and the NCA's draft proposal.[21]

Example timeline for a typical licence application:

- Group A decides to create a new subsidiary, "Bank X".
- Group A approaches the NCA of the Member State in which Bank X is to be established and has several preparatory meetings with the NCA, and possibly the ECB, at which the process is explained and the information to be submitted with the application is specified.
- Group A formally submits to the NCA its application for a credit institution authorisation for Bank X.
- The countdown period begins with the initial submission of the application (under Article 15 of the CRD, the competent authority must adopt a decision within six months of receiving a complete application, and in any event no later than 12 months from the date of the initial submission).
- During the assessment phase, the NCA, together with the ECB, finds that some vital pieces of information are missing from the application file. The NCA then makes a formal request to the applicant to submit the missing information. To ensure the timely assessment of the application, applicants should reply to requests for further information as swiftly as possible.
- If provided for by national law, the request for further information leads to the process being suspended, and the timeline is paused.
- Once Group A has submitted the missing information, the process is resumed, and the legal deadline is extended by the number of days of the suspension period, if so provided for by national law.
- Supervisors may request further information (and therefore suspend the process if so provided for by national law) several times over the course of the assessment.
- After the assessment has been performed by the NCA, either (i) the NCA proposes to the ECB that authorisation be granted for Bank X, or (ii) the NCA rejects the application based on its national law and informs the applicant of the rejection.[22] The ECB makes its decision based on its own assessment and on

[21] Article 8 of the CRD, and Article 4(1), point (a) and Article 14 of the SSM Regulation.

[22] See Articles 73 to 78 of the SSM Framework Regulation.

the NCA’s draft proposal for authorisation within the applicable legal deadline, taking any suspension periods into account.[23]

3.2 Synchronisation of parallel procedures

Where the licensing procedure gives rise to related procedures, the ECB will aim to ensure that these are assessed in a synchronised manner.[24] Where several NCAs are involved, the applicant should submit the necessary applications to all relevant NCAs in a timely manner to ensure synchronisation across all jurisdictions. The ECB considers it good practice for applicants to enter into pre-application discussions with supervisors, particularly for complex procedures (see the paragraph on the pre-application phase in Section 3.1 above, “Applicable timelines”). The discussions can help the applicant better understand the procedural requirements and address potential challenges early. This allows for a more coordinated process, especially where multiple jurisdictions are involved.

Investment firms

The licensing procedure for an investment firm which qualifies as a credit institution could also trigger related procedures. While these procedures should in principle be coordinated in the same manner as in the case of licensing procedures for classic credit institutions, it is worth noting that an investment firm’s licensing procedure may be subject to additional specific procedural requirements. For example, upon authorisation as a credit institution, the Markets in Financial Instruments Directive (MiFID)[25] passporting regime ceases to be applicable to the entity, and the CRD passporting regime becomes applicable. Consequently, new passporting notifications are required and, ideally, the timing of the passporting procedures and the decision granting a credit institution licence are synchronised so as to avoid disruptions to operations.

23 The ECB may, on the basis of its own assessment, reject an application and issue a negative decision accordingly.

24 Examples of related procedures that could be triggered by the licensing procedure include passporting, significance assessment, approval or exemption of a (mixed) financial holding company and qualifying holding acquisitions.

25 Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

4 Scope of licensing applications

The ECB's role in the authorisation process consists of:

- verifying that the entity fulfils the definition of a credit institution set out in Article 4(1), point 1 of the CRR and, together with the NCA, ensuring that all legal requirements are met at the point of the licence being granted;
- consequently, granting a credit institution authorisation at an entity's inception or, if applicable, amending the content of an existing licence, e.g. in terms of the scope of the permissible banking activities (in the case of jurisdictions without the universal licensing regime).

Supervisors need to individually assess each situation and transaction that may affect an entity's need for an authorisation as a credit institution to ascertain whether authorisation, rather than another form of supervisory approval, is required. The following sections explain these aspects in greater detail.

4.1 Definition of a credit institution

According to Article 4(1), point (1) of the CRR, "credit institution" means an undertaking the business of which consists of any of the following:

(a) to take deposits or other repayable funds from the public and to grant credits for its own account;

(b) to carry out any of the activities referred to in Section A, points (3) and (6) of Annex I to MiFID, provided that the undertaking is not a commodity and emission allowance dealer, a collective investment undertaking, an insurance undertaking or an investment firm for which the authorisation as a credit institution is waived in accordance with Article 8a of the CRD, and that certain quantitative thresholds are met.

Letter (a) above refers to "classic credit institutions", while letter (b) refers to "Class 1 investment firms".[26]

4.1.1 Taking deposits or other repayable funds from the public and granting credits for its own account

Article 4(1), point (1)(a) of the CRR states that, to qualify as a credit institution, the business of an undertaking has to include, cumulatively, two key banking activities:

[26] See footnote 10.

(i) taking deposits or other repayable funds from the public, and (ii) granting credits for its own account.

The key elements of this definition of a credit institution (such as “deposits”, “other repayable funds”, “grant credits” or “the public”) are not defined in the CRR. The only definition of the term “deposit” in Union law is in Article 2(1), point (3) of the Deposit Guarantee Scheme Directive (DGSD)[27]. In addition, there are differences among Member States in the way these terms are defined in national legislation.[28]

Without affecting the definition of these terms in national legislation, to help ensure that they are understood in the same way by all competent authorities, Section 5.1 of the EBA CAM indicates the key aspects to be considered when interpreting them.[29]

Funds received in relation to the provision of specific services, such as payment services or electronic money issuance, are explicitly excluded from the notion of “deposit”.[30] Therefore, applicants that only provide such services should not be considered credit institutions.

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27 Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ L 173, 12.6.2014, p. 149), as transposed into national law. According to Article 2(1), point (3) of the DGSD: “‘deposit’ means a credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution is required to repay under the legal and contractual conditions applicable, including a fixed-term deposit and a savings deposit, but excluding a credit balance where:
(a) its existence can only be proven by a financial instrument as defined in Article 4(17) of Directive 2004/39/EC of the European Parliament and of the Council, unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which exists in a Member State on 2 July 2014;
(b) its principal is not repayable at par;
(c) its principal is only repayable at par under a particular guarantee or agreement provided by the credit institution or a third party.”

28 See also the Opinion of the European Banking Authority on elements of the definition of credit institution under Article 4(1), point 1, letter (a) of Regulation (EU) No 575/2013 and on aspects of the scope of the authorisation (EBA/OP/2020/15).

29 See also the EBA Opinion mentioned in the previous footnote.

30 For further reference, please see Article 18(3) of Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, p. 35), which provides that any funds received by payment institutions from payment services users do not constitute a deposit; and Article 6(3) of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking-up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10.10.2009, p. 7).

Investment firms

As far as Class 1 investment firms are concerned, in light of the definition of "credit institution" set out in Article 4(1), point (1)(b) of the CRR, taking deposits or other repayable funds from the public and granting credits for their own account is not a requirement for them to be considered credit institutions. Subject to national law, a Class 1 investment firm contemplating offering traditional banking services (*i.e.* taking deposits and granting credits) in addition to providing investment services, needs to be authorised as a classic credit institution under Article 4(1), point (1)(a) of the CRR. It must obtain this authorisation either at the stage of the initial application or later by requesting an extension of the licence granted to it on the basis of it meeting the definition in Article 4(1), point (1)(b) of the CRR.[31]

4.1.2 Compliance with the definition

As regards classic credit institutions, both defining activities (i.e. (i) taking deposits or other repayable funds and (ii) granting credits) must be conducted by the undertaking for it to qualify as a credit institution.[32,33,34,35] In particular, if the fulfilment of these two essential banking activities is not clear-cut, the ECB will examine the underlying reasons and perform a focused analysis.

While the applicant entity needs to eventually establish both activities to be considered a credit institution, a certain degree of flexibility can be accepted during the phase-in of activities (e.g. first 12 months) after the licence is granted.

If the business plan does not allow for both defining activities to be conducted on a regular basis after a reasonable ramp-up period, the applicant should reconsider its credit institution application and verify whether, for instance, another regulatory regime would be more suitable.

[31] See recital 40 of the IFR: "Large investment firms converted into credit institutions should be allowed to take deposits or other repayable funds from the public and to grant credits for their own account only once they have obtained the authorisation for those activities in accordance with Directive 2013/36/EU. Carrying out all such activities, including taking deposits or other repayable funds from the public and granting credits for their own account, should not be a necessary requirement for undertakings to be considered to be credit institutions. The change in the definition of credit institution introduced by this Regulation should therefore be without prejudice to the national authorisation regimes implemented by Member States in accordance with Directives 2013/36/EU and (EU) 2019/2034, including any provisions that Member States may consider to be appropriate for the purpose of clarifying the activities which large investment firms that fall within the amended definition of credit institutions are permitted to take up."

[32] The ECB notes the opinion of the EBA; see Opinion of the European Banking Authority on matters relating to the perimeter of credit institutions (EBA/OP/2014/12).

[33] The ECB notes the opinion of the EBA; see Opinion of the European Banking Authority on elements of the definition of credit institution under Article 4(1), point 1, letter (a) of Regulation (EU) No 575/2013 and on aspects of the scope of authorisation (EBA/OP/2020/15).

[34] If the overall prudential framework for credit institutions is not the most correct and appropriate framework for the intended activities and a more appropriate dedicated regulatory regime exists (e.g. electronic money issuance and payment services), the relevant NCA(s) will indicate this.

[35] Subject to national law, the list of financial activities requiring a licence may extend beyond those outlined in Annex I to the CRD. For further details, please refer to Section 4.2.4 of this Guide.

4.2 Instances requiring a licensing procedure

4.2.1 Granting of a new licence

The authorisation to take up the business of a classic credit institution applies to the activities covered by the definition of a credit institution in accordance with Article 4(1), point (1)(a) of the CRR and includes all activities subject to mutual recognition pursuant to Annex I to the CRD (see box below entitled "List of activities subject to mutual recognition"). It also applies to other regulated activities which, pursuant to national law, require an authorisation for prudential purposes.

List of activities subject to mutual recognition

The list of activities subject to mutual recognition set out in Annex I to the CRD comprises the following:

1. Taking deposits and other repayable funds.
2. Lending, including, inter alia: consumer credit, credit agreements relating to immovable property, factoring, with or without recourse, financing of commercial transactions (including forfeiting).
3. Financial leasing.
4. Payment services as defined in Article 4(3) of Directive (EU) 2015/2366.
5. Issuing and administering other means of payment (e.g. travellers' cheques and bankers' drafts) insofar as such activity is not covered by point 4.
6. Guarantees and commitments.
7. Trading for own account or for account of customers in any of the following: (a) money market instruments (cheques, bills, certificates of deposit, etc.); (b) foreign exchange; (c) financial futures and options; (d) exchange and interest-rate instruments; (e) transferable securities.
8. Participation in securities issues and the provision of services relating to such issues.
9. Advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings.
10. Money broking.
11. Portfolio management and advice.
12. Safekeeping and administration of securities.
13. Credit reference services.

14. Safe custody services.

15. Issuing electronic money, including electronic money tokens as defined in Article 3(1), point (7) of the Markets in Crypto-Assets Regulation (MiCAR)[36].

16. Issuance of asset-referenced tokens as defined in Article 3(1), point (6) of MiCAR.

17. Crypto-asset services as defined in Article 3(1), point (16) of MiCAR.[37]

Investment firms

Class 1 investment firms are authorised as credit institutions under Article 8a of the CRD, as introduced by Article 62 of the IFD. This authorisation allows them to continue carrying out the activities referred to in Article 4(1), point (1)(b) of the CRR, subject to either of the following conditions.

1. Investment firms that meet the quantitative requirements outlined in Article 4(1), point (1)(b)(i) to (ii) and the qualitative requirements set out in Article 4(1), point (1)(b)(iii) of the CRR may continue performing these activities as long as they applied for authorisation as credit institutions by 27 December 2020.

2. Investment firms that do not meet the above quantitative and qualitative requirements may continue performing these activities at the latest until either of the events defined in Article 8a(1), point (a) or (b) of the CRD takes place. These provisions allow investment firms that provide investment services to customers in other Member States, either under the freedom to provide services or through the establishment of branches in Member States other than their home Member State, to continue delivering such services under the MiFID passporting regime until credit institution authorisation is obtained.

Once Class 1 investment firms are authorised as credit institutions under Article 4(1), point (1)(b) of the CRR, they will start benefiting from the banking passport system, as defined in Article 35 and subsequent provisions of the CRD, enabling them to continue performing the activities of dealing on own account and underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis. Investment firms that become Class 1 investment firms – because they exceed the thresholds set out in Article 4(1), point (1)(b)(i) to (iii) of the CRR or because of changes in their business model – must apply for authorisation as credit institutions to ensure compliance with the prudential requirements of the CRR/CRD framework. Whether Class 1 investment firms can be authorised to perform the activities set out in Annex I to the CRD depends on the national law transposing Article 8a of the CRD.

[36] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, p. 40).

[37] The services and activities provided for in Sections A and B of Annex I to MiFID, when referring to the financial instruments provided for in Section C of Annex I of that Directive, are also subject to mutual recognition in accordance with the CRD.

4.2.2 Universal versus activity-by-activity authorisation

In some countries under the SSM[38], a universal authorisation concept is used, meaning that the ECB licensing decision covers all the activities listed in Annex I to the CRD and shown in the box entitled "List of activities subject to mutual recognition" above. In other Member States, the authorisation is instead issued on an activity-by-activity basis and only covers the specific activities for which the authorisation is granted (see Section 5.2 of the EBA CAM).

Investment firms

National law defines the extent to which Class 1 investment firms can be authorised for activities other than those referred to in Section A, points (3) and (6) of Annex I to MiFID, namely the activities included in the definition of Article 4(1), point (1)(b) of the CRR.

4.2.3 Change of seat/place of registration from one SSM country to another

As authorisation is granted based on Union law, as transposed into the applicable national law, in cases where a credit institution intends to change its place of registration or transfer its seat to another country (i.e. another EU Member State participating in the SSM), the licence itself cannot simply be transferred. Instead, the credit institution will require a new ECB licence, pursuant to the national law of the said country to which the seat will be transferred.

4.2.4 Licensing requirement under national law

The activities regulated by national law may go beyond those listed in Annex I to the CRD and shown in the box above. Therefore, wherever national law requires a credit institution to obtain an authorisation before beginning a specific financial activity, the ECB is required to take an authorisation decision, even if the activity is not one of those listed in Annex I to the CRD, insofar as this authorisation requirement underpins a supervisory function conferred on the ECB under Union law.[39]

4.2.5 Extension of licence

In the case of activity-by-activity licensing, the credit institution as defined in Article 4(1), point (1)(a) of the CRR is required to apply for a licence extension if it intends to

[38] These Member States are Belgium, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Luxembourg, Malta, Netherlands and Portugal.

[39] Under Article 78(5) of the SSM Framework Regulation, "[t]he decision granting authorisation shall cover the applicant's activities as a credit institution as provided for in the relevant national law […]".

undertake (i) a new regulated activity listed in Annex I to the CRD and shown in the box entitled “List of activities subject to mutual recognition” above that is not yet covered by its current licence, or (ii) a new regulated activity which, pursuant to national law, is subject to authorisation for prudential purposes.

Investment firms

For Class 1 investment firms, the extension of a licence is subject to national law (see the boxes in Section 4.2.1 and 4.2.2 above dealing with investment firms).[40]

4.2.6 Change of licence category

When national law provides for different licence categories within the CRR definition of a credit institution (e.g. “standard” credit institutions and “specialised” credit institutions), the licensing decision is issued based on the assessment of the specific activities that will be carried out in the context of each category. In principle, and subject to the provisions of national law, a change of category requires a different assessment and, therefore, a licensing decision should be issued.

4.2.7 Change of legal form

The change of a credit institution’s legal form may require a licensing procedure if the change leads to a situation where the existing licence does not sufficiently cover the business or other aspects of the entity (or in exceptional cases where there may not be an existing licence at all). In this case a new or extended licence would be required.

If the change of legal form does not require a licence decision, other types of supervisory approvals may still be necessary, for example for changing the credit institution’s constituent documents (e.g. articles of association).

[40] If the Class 1 investment firm intends to take deposits or other repayable funds from the public and grant credits for its own account, then, depending on the circumstances of the case and national law, the entity may need to apply for a change of its licence to cover the activities included in the definition set out in Article 4(1), point (1)(a) of the CRR. See also recital 40 of the IFR and Delegated Regulation (EU) 2022/2579. For example, under French law, the licence under Article 4(1), point (1)(b) of the CRR is a specialised one, and this specialised credit institution “can only carry out operations resulting from the legislative and regulatory provisions which are specific to it or from the approval decision which concerns it” (Article L513-1 of the French Monetary and Financial Code).

4.2.8 Transfers of authorisation, mergers and divisions, bridge banks and temporary credit institutions

As a general principle, an authorisation granted to a specific entity cannot be transferred to another entity.

Mergers between two credit institutions which are not licensed for the same activities require a new licensing decision. If the absorbing institution is not a credit institution or is not licensed for certain activities of the disappearing institution (e.g. because the concept of universal banking licence does not apply), a new licensing decision or, subject to the specific requirements of national law, an extension of the licence of the absorbing institution is required. In addition, the licensing procedure and other applicable (supervisory) approvals for the merger may need to be decided upon concomitantly and potentially by different authorities. The ECB considers it good practice for applicants to enter into pre-application discussions with supervisors to clarify procedural aspects, information requirements and timelines early in the process.

Articles 27h, 27i and 27j of the CRD cover the scope, notification requirements and assessment criteria for mergers and divisions. It should be noted that an assessment of the merger or division is not carried out as a stand-alone procedure when it coincides with an authorisation in accordance with Article 8 of the CRD. Therefore, in this case the assessment of the relevant authorisation will also cover the assessment of the respective merger or division, including the implementation plan.

4.2.8.1 Bridge banks

In the case of a transfer of activities from a credit institution to a bridge bank in the context of resolution (Articles 40 and 41 of the Bank Recovery and Resolution Directive – BRRD[41]), the bridge bank is subject to a licensing procedure as the licence of the entity under resolution cannot be transferred.[42] In these cases, under Article 41(1) of the BRRD, where necessary to meet the resolution objectives, the bridge bank may be established and authorised without complying with all the CRD requirements for a short period of time at the beginning of its operation. If the ECB decides to grant such an authorisation following a request to this effect from the resolution authority, the ECB must indicate the period for which the bridge institution is exempted from complying with the relevant requirements (Article 41(1) of the BRRD).

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41 Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

42 A bridge bank is an institution that is wholly or partially owned by one or more public authorities or controlled by the resolution authority and has as its main purpose to ensure that essential financial services continue to be provided to the clients of the failing institution and that essential financial activities continue to be performed.

The licensing of bridge banks is undertaken in cooperation with other authorities, notably the Single Resolution Board and/or the national resolution authority, depending on the situation. Other authorities may also be involved as needed.

4.2.8.2 Temporary credit institutions

Sometimes transactions require certain banking activities to be carved out into a new entity before these activities can be merged with a prospective acquirer.[43] These entities are referred to as temporary credit institutions, as they usually exist only for a short period of time. If a temporary credit institution qualifies as a CRR credit institution (i.e. the transferred activities are CRR-relevant), it needs to be authorised as a credit institution. However, an exception can be made, on a case-by-case basis, where the expected duration of the temporary entity's existence corresponds to the limited time needed to complete the legal transactions involved in the merger. In such cases, the ECB considers it good practice for applicants to enter into pre-application discussions with supervisors early in the process.

[43] An example is the sale of a subsidiary by a group, where certain activities of the subsidiary are to remain within the group. The activities which are to remain within the group can, for instance, be carved out into a new legal entity and then merged with another group entity.

5 Assessment

5.1 General requirements

Supervisors assess any application for authorisation to take up the business of a credit institution, including changes to existing authorisations (including licence extensions) and applications from Class 1 investment firms in accordance with Articles 10 to 14 of the CRD, as transposed into national law, and set out in further detail in Sections 7 to 10 of the EBA CAM.

Supervisory assessment covers the following areas:

- programme of operations, structural organisation and business plan of the applicant credit institution;
- capital at authorisation, including the amount, sources and timing of the applicant credit institution's capitalisation;
- fit and proper assessments of the applicant credit institution's management body in its management and supervisory function;
- a suitability assessment of the applicant credit institution's direct and indirect shareholders;
- anti-money laundering and countering the financing of terrorism (AML/CFT) considerations from a prudential perspective (within the limits explained in Section 6 of this Guide).

The following sections focus on these assessment areas.

5.2 Programme of operations, organisational structure and business plan

This section gives a high-level overview of the various elements stemming from the interpretation of the relevant policies.[44,45] It covers the following six main areas: (i) business plan assessment; (ii) management body; (iii) organisational structure; (iv) internal controls and risk management framework; (v) IT infrastructure and ICT

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[44] More specifically, this section covers the matters set out in Article 10(1) and (2) of the CRD, dealing with the structural organisation and (governance) arrangements of the applicant credit institution, as well as its processes and mechanisms. It also covers Article 13 of the CRD, dealing with the applicant credit institution's effective direction.

[45] According to the Commission Delegated Regulation on Licensing, it is necessary to ensure that an applicant credit institution is under sound and prudent management and robust governance. Articles 5 and 7 of the Delegated Regulation, together with its Annex I, provide details of the main information to be provided in order to carry out such assessment. From an assessment standpoint, Section 9 of the EBA CAM refers to the applicant credit institution's internal governance. Please see paragraph 128 of the EBA CAM for references to the relevant guidelines.

policy, operational resilience, and business continuity plan and policy; and (vi) outsourcing arrangements.

5.2.1 Business plan assessment

Section 7 of the EBA CAM explains in detail the methodology and the elements that competent authorities should assess to form a view on the viability and sustainability of the applicant's business model and its capacity to comply with prudential requirements over the planning horizon. In addition, the ECB's Guide on Qualifying Holding Procedures provides further information on the methodology used for conducting the supervisory assessment of business plans.[46]

One of the elements introduced by the EBA CAM is that the stress scenario to be submitted by the applicant credit institution is expected to be "severe but plausible". To ensure that the stress scenario submitted by the applicant credit institution is severe but plausible, supervisors will assess whether the stress scenario is in general commensurate with the applicant's risk profile and business model, and with the nature, scale and complexity of its activities, in accordance with the principle of proportionality as stipulated by the above-mentioned guidelines. In particular, the supervisors will then assess the following.

- The severity of stress assumptions, by looking into the background statistical analysis for risk factors and parameters, including likelihood or frequency of occurrence, if relevant.
- The methodologies used for translating scenarios into regulatory and economic capital effects, and in particular for translating risk factors into relevant risk parameters (e.g. probability of default, loss-given-default, write-offs, fair value haircuts, etc.). The supervisors will also assess whether macroeconomic assumptions are at least aligned with official consensus downside forecasts or the scenarios from the EBA's EU-wide stress tests where available/applicable).
- Whether stress events are assumed to occur at the point within the forecasting horizon where they have the most impact.
- The quantification and disclosure of the net impact of available management actions (net of direct or indirect costs) both together and individually, also taking into account interconnections between the actions.
- The quantification and disclosure of the net impact of available management actions as distinct from the impact of the stress event (i.e. the impact of the stress scenario before and after management actions).
- The consideration of time as a factor when quantifying the net impact of management actions (e.g. some management actions require a minimum amount of time to be implemented).

46 See the Guide on qualifying holding procedures on the ECB's banking supervision website.

- Whether the management actions would turn out to be unavailable or uneconomical in case of stress.
- Whether the implementation plan is realistic and sound from a prudential perspective. The assessment should be proportionate to the specific details of the case, considering the size, complexity and risk profile of the entities involved in the proposed operation. It should also reflect the extent of the potential synergies between the entities with regard to compliance with prudential requirements.[47]

In specific cases where the business plan is perceived as carrying increased risks due to the nature of the business model (e.g. in the case of fintech banks), the ECB also assesses the applicant’s exit plan. The exit plan identifies how the applicant can cease its business operations on its own initiative, in an orderly and solvent manner, without harming consumers, causing disruption to the financial system or requiring regulatory intervention.[48]

5.2.2 Management body

Section 9.2 of the EBA CAM describes the supervisory assessment with reference to the management body. Among other things, the competent authorities assess the suitability of members of the management body and, where applicable, key function holders (see Section 5.4 of this Guide). Reference is also made to the EBA Guidelines on internal governance and the Joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU (EBA/GL/2021/06).

5.2.3 Organisational structure

The organisational structure is assessed in line with Section 9.3 of the EBA CAM, which describes the assessment by the competent authorities with reference to the main aspects of the organisational structure.

[47] This applies where the assessment of the relevant authorisation also covers the assessment of the respective merger or division, as provided for in Articles 27h, 27i and 27j of the CRD.

[48] The ECB typically also evaluates the specific triggers for initiating the exit plan, which are generally aligned with the nature of the business model. These triggers are usually defined using quantitative metrics, such as capital, liquidity and profitability. By establishing clear thresholds, they ensure a precise understanding of when a trigger point is reached, and what the timeline is for notifying the line supervisor.

5.2.4 Internal control and risk management framework

Section 9.4 of the EBA CAM sets out how the competent authorities assess the internal control and risk management framework of applicant credit institutions.[49] Articles 4 and 5 of the Commission Delegated Regulation on Licensing establish the requirements as to which documents should be submitted (i.e. an outline of the relevant policies,[50] along with documents illustrating the internal organisation with reference to internal controls).

5.2.5 IT infrastructure and ICT policy, operational resilience and business continuity plan and policy

In line with the applicable standards, the applicant credit institution is expected to describe and demonstrate validity of the IT structure and framework, together with an outline of the relevant policies, as set out in the Commission Delegated Regulation on Licensing[51], the EBA CAM (Section 9.4.8), the EBA Guidelines on ICT and security risk management and the EBA Guidelines on ICT Risk Assessment under the Supervisory Review and Evaluation Process (SREP).

5.2.6 Outsourcing arrangements

A list of the activities planned to be outsourced to third-party providers (either inside or outside the group that the entity is part of) must be provided by the applicant, together with the relevant documentation as indicated in Article 5(1)(f) of the Commission Delegated Regulation on Licensing.

A more limited assessment may be considered appropriate where the credit institution will fall within the perimeter of a group already under European banking supervision, the group's outsourcing policies are implemented by the applicant and the group's policies have already been positively assessed.

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[49] When assessing the internal control and risk management framework it is important to bear in mind that licensing decisions are forward-looking, and the assessment of the actual effectiveness of organisational structures and measures is challenging. In assessing the internal control and risk management framework, the competent authorities should focus their review on ensuring that the intended structures and set-up do not have deficiencies that would have an impact on actual effectiveness after the commencement of business.

[50] Article 4, point (g) of the Commission Delegated Regulation on Licensing provides that an application for authorisation as a credit institution must contain "an outline of the following frameworks and policies of the applicant credit institution: (i) the risk management framework, explaining the applicant credit institution's high-level strategy for identifying and managing risks to its business, including money laundering and terrorist financing risks, outlining the strategy for managing those risks and including a risk tolerance and appetite statement and measures to align the assessed risk with the risk appetite; (ii) the liquidity risk management policy; (iii) the funding concentration and diversification policy; (iv) the collateral management policy; (v) the deposit policy; (vi) the credit and lending policy; (vii) the concentration risk policy; (viii) the provisioning policy; (ix) the dividend distribution policy; (x) the trading book policy".

[51] Article 5(1), point (e) of the Commission Delegated Regulation on Licensing provides that an application for authorisation as a credit institution must contain "(iv) the business continuity plan and policy, including an overview of available back-up and recovery systems and of plans ensuring the availability of key staff in business continuity situations".

5.3 Capital at authorisation

When assessing the capital of the applicant credit institution, supervisors evaluate the amount, timing and sources of the capital inflows embedded into the business plan. In particular, supervisors assess whether the applicant credit institution complies over the first three years of operations with initial[52], risk-based[53] and leverage-based[54] capital requirements, as well as complying with limits on large exposures[55], under both a baseline scenario and a severe but plausible stress scenario. This assessment is based on the financial projections prepared by the applicant credit institution after being scrutinised and challenged by supervisors. When determining the required amount, timing and sources of the capital at authorisation, supervisors distinguish between what is needed for the applicant credit institution to comply with the above-mentioned capital requirements over the first 12 months versus the first 36 months of operations, as explained below.

5.3.1 Required amount of capital at authorisation

According to paragraph 116 of the EBA CAM, the required amount of capital at authorisation is the amount of capital that, after deductions, prudential filters and accumulated losses, would ensure the applicant credit institution's compliance with initial, risk-based and leverage-based capital requirements, as well as with limits to large exposures, under both a baseline scenario and a severe but plausible stress scenario, on a continuous basis *over the first 36 months of operations*. Table 1 summarises the guidance provided by paragraph 116 of the EBA CAM. It shows six different figures (one for each of the three capital requirements under two alternative scenarios). The amount of capital required at authorisation is determined to be the highest of these six figures. In addition, in cases where limits to large exposures may also be relevant, Table 1 may contain eight different figures (for instance, in cases where an applicant credit institution intends to change domicile or acquire a portfolio, capital requirements related to large exposures may exceed the capital demand from the other three capital requirements).

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52 The initial capital is a fixed amount set out in the respective national law of the Member State of application for the banking licence which transposes Article 12 of the CRD. Under Article 93(1) of the CRR, the own funds of an institution may not fall below the amount of initial capital required at the time of its authorisation.

53 Part Three of the CRR.

54 Part Seven of the CRR.

55 Part Four of the CRR.

Table 1

Required amount of capital at authorisation (example)

	Base case		Stress case	
	Amount (€ m)		Amount (€ m)	
Overall capital requirement[1] by month 36	36	68	36	75
+ Deductions and prudential filters by month 36	3		3	
+ Accumulated losses by month 36	29		36	
Minimum initial capital[2]	5	34	5	41
+ Accumulated losses by month 36	29		36	
Leverage ratio requirement by month 36	50	82	47	86
+ Deductions and prudential filters by month 36	3		3	
+ Accumulated losses by month 36	29		36	
Large exposures requirement by month 36[3]				
+ Deductions and prudential filters by month 36				
+ Accumulated losses by month 36				
Required amount of capital at authorisation	**86**			

Note:
1) In some jurisdictions, a capital add-on is included to determine the overall capital requirement in order to cover any additional risks in the start-up business.
2) The minimum initial capital requirement should take into account not only Article 4(1), point (51) of the CRR, but also Article 93(1) of the CRR.
3) Only applies to applicants anticipating large exposures in their business plan

5.3.2 Timing and sources of required capital at authorisation

According to paragraph 123 of the EBA CAM, the portion of the required amount of capital that would ensure the applicant credit institution's compliance with initial, risk-based and leverage-based capital requirements, as well as with limits on large exposures, under both a baseline scenario and a severe but plausible stress scenario, on a continuous basis over the first 12 months of operations must be paid up before the ECB grants authorisation to take up the business of a credit institution. Table 2 summarises the guidance provided in paragraph 123 of the EBA CAM. It shows six different figures one (for each of the three capital requirements under two alternative scenarios). The amount of accounting equity to be paid up before the ECB grants the authorisation is determined to be the highest of these six figures. In addition, in cases where limits to large exposures could also be relevant, Table 2 may contain eight different figures, as (for instance, in cases where an applicant credit institution intends to change domicile or acquire a portfolio, capital requirements related to large exposures may exceed the capital demand from the other three capital requirements).

Table 2

Required amount of capital to be paid up before the ECB grants the authorisation (example)

	Base case		Stress case	
	Amount (€ m)		Amount (€ m)	
Overall capital requirement by month 12	12		10	
+ Deductions and prudential filters by month 12	3	27	3	28
+ Accumulated losses by month 12	12		15	
Minimum initial capital[1)]	5	17	5	20
+ Accumulated losses by month 12	12		15	
Leverage ratio requirement by month 12	6		5	
+ Deductions and prudential filters by month 12	3	21	3	23
+ Accumulated losses by month 12	12		15	
Large exposures requirement by month 12[2)]				
+ Deductions and prudential filters by month 12				
+ Accumulated losses by month 12				
Required amount of capital to be paid up before the ECB grants the authorisation	**28**			

Note:
1) The minimum initial capital requirement should take into account not only Article 4(1), point (51) of the CRR, but also Article 93(1) of the CRR.
2) Only applies to applicants anticipating large exposures in their business plan

Under Article 6(1) of the Commission Delegated Regulation on Licensing the applicant credit institution must provide evidence that the capital has been paid up by its shareholders. According to paragraph 124 of the EBA CAM, the competent authority verifies that the capital is effectively paid up. In addition, according to paragraph 125 of the EBA CAM, if the applicable national law does not explicitly require the minimum initial capital to be paid up before the ECB grants authorisation, the positive authorisation decision should include a condition precedent whereby the authorisation becomes effective only after the required amount of capital has been paid up.

According to paragraph 122 of the EBA CAM, the competent authority verifies whether the capital of the credit institution to be authorised is clearly separated from the own funds and assets of its shareholders from the moment the capital is required to be paid up and fully available without restrictions to the authorised credit institution.

According to paragraph 126 of the EBA CAM, the portion of the required amount of capital that would ensure the applicant credit institution's compliance with initial, risk-based and leverage-based capital requirements, as well as with limits to large exposures, under both a baseline scenario and a severe but plausible stress scenario, on a continuous basis for the second and the third year of operations should originate from funding sources that are assessed as being "promptly available". Future capital inflows whose value is uncertain at the time the authorisation is granted (such as shareholders' future profits, capital raised in a future initial public offering, debt issuance to the market or proceeds from a future sale of volatile or illiquid assets) may fail to meet the definition of promptly available capital sources. Conversely, agreements or contracts for the provision of capital entered into by shareholders or planned intragroup Additional Tier 1/Tier 2 issuances when the parent has sufficient excess capital may meet the definition of promptly available capital sources.

5.4 Fit and proper assessment of the management body

Members of the management body of the applicant must be assessed for compliance with the requirements for fitness and propriety ("suitability") in accordance with Article 13(1), second sentence of the CRD as transposed into national law.[56] This applies to all members of the management body, either in its executive function or in its supervisory function (irrespective of the applicable board structure).

Where applicable in accordance with national law, competent authorities also assess the suitability of the key function holders. The suitability of key function holders is assessed in line with the national transposition of the CRD.[57]

The licensing decision itself includes the assessment of the fitness and propriety of all the members of the management body and, if applicable under national law, of key function holders.

Unlike fit and proper assessments conducted by supervisors for new board members over time, in the licensing process, the ECB assesses for both significant institutions and less significant institutions whether the prospective members of the management body are fit and proper. However, once the initial licence decision has been taken, subsequent appointments or changes to the management body will neither affect the initial licence decision nor require a new decision.

The criteria used in assessing appointments to the management body as part of a licensing procedure are the same as those used in regular fit and proper assessments.[58] These criteria are complemented by the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU, as well as the ECB's Guide to fit and proper assessments.[59]

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[56] Article 13(1) of the CRD specifies that "the competent authorities shall grant authorisation to commence the activity of a credit institution only where at least two persons effectively direct the business of the applicant credit institution" (four eyes principle). With this in mind, and without prejudice to national corporate law provisions, the application for authorisation must identify at least two persons who will effectively direct the business of the new credit institution.

[57] Under Article 91a(1) of the CRD, supervised entities have the primary responsibility for ensuring that key function holders comply with the suitability requirements set out in the same provision; some specific roles are also subject to an assessment by the competent authority, as required by Article 91a(5) of the CRD. The scope of assessment of key function holders in a licensing procedure depends on the national transposition of the CRD.

[58] See Article 91 of the CRD, which mentions (i) experience, (ii) reputation, (iii) conflicts of interest and independence of mind, (iv) time commitment, and (v) collective suitability.

[59] See the Guide to fit and proper assessments on the ECB's banking supervision website.

5.4.1 Specific cases

As the assessment process is subject to the principle of proportionality, it is tailored to the anticipated systemic importance and expected risk profile of the applicant entity. The case below illustrates how the proportionality principle can be applied in specific cases.

5.4.1.1 Fit and proper assessment in the case of a licence extension

By definition, credit institutions applying for licence extensions are already licensed and supervised by either the ECB or the NCA, and the suitability of board members is regularly assessed by the competent supervisor. Therefore, existing members of the management body are generally not reassessed as part of the licence extension procedure. However, if at some point during the assessment new facts emerge that may adversely affect the fitness and propriety of board members, the ECB may consider performing a separate, full fit and proper re-assessment.

In addition, the ECB performs a fit and proper assessment (of single board members or of the board as a whole):

- to assess new members of the management body appointed as a result of the extension;
- to ensure that the collective suitability of the board's knowledge is preserved if the extension triggers a significant change in the entity's business model or in the complexity or range of its services and products.

5.5 Shareholder assessment in licensing procedures

Before granting the authorisation, the competent authority considers the need to assess the shareholders of the new credit institution. The following shareholders are subject to such an assessment:

- shareholders that will hold a qualifying holding as defined in Article 4(1), point (36) of the CRR;
- where there are no qualifying holdings, the 20 largest shareholders.

For details on the assessment of qualifying shareholders, please refer to the ECB's Guide on Qualifying Holding Procedures.

The information to be provided in this respect is specified in Articles 8 and 9 and Annex II to the Commission Delegated Regulation on Licensing.

5.5.1 Scope of the assessment: shareholders who have a qualifying holding

In cases where one or more shareholders have a qualifying holding, the same criteria as those regarding the assessment of an acquirer of a qualifying holding in an existing credit institution apply. These criteria are:

- reputation (see Section 5.2.1 of the ECB Guide on Qualifying Holding Procedures);
- financial soundness (see Section 5.2.3 of the ECB Guide on Qualifying Holding Procedures);
- suspicion of money laundering or terrorist financing (see Section 5.2.5 of the ECB Guide on Qualifying Holding Procedures);
- the reputation, knowledge, skills and experience of the senior management who will direct the business of the credit institution (see Section 5.2.2 of the ECB Guide on Qualifying Holding Procedures);
- the projected compliance of the institution with the prudential requirements (See Section 5.2.4 of the ECB Guide on Qualifying Holding Procedures).

No separate decision on qualifying holding(s) will be issued unless the national law requires a specific autonomous decision regarding the proposed shareholders' compliance with the qualifying holding criteria. Therefore, the result of the assessment of the shareholders is, in principle, incorporated into the licence decision.

5.5.2 Scope of the assessment: 20 largest shareholders

Where no shareholder has a qualifying holding, the assessment will instead focus on the 20 largest shareholders or, if the entity has fewer than 20 shareholders, on all shareholders.

Supervisors consider the information in the light of the EBA RTS specifying the information to be provided in the application for the authorisation as a credit institution[60] and the EBA CAM, as well as taking into account the principle of proportionality and the relevant circumstances, such as the size of the participation, the characteristics of the credit institution and the role of the shareholders.

Several shareholders may hold the same amount of shares, making it difficult to know who to include in the focused assessment of the 20 largest shareholders. In

60 Commission Delegated Regulation (EU) 2022/2580 of 17 June 2022 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be provided in the application for the authorisation as a credit institution, and specifying the obstacles which may prevent the effective exercise of supervisory functions of competent authorities.

that case, all shareholders with a holding of exactly the same amount as the smallest holding before the cut-off will, in principle, be included in the assessment.

6 AML/CFT considerations from a prudential perspective

To fulfil the requirements set out in Articles 14(2) and Article 23(1), point (e) of the CRD, the applicant should provide information in the licensing application which enables an assessment, from a prudential supervision perspective, of whether elements of the applicant's business model as set out in the application could give rise to money laundering and terrorist financing, posing risks to the safety and soundness of the new bank. This includes information regarding its qualifying shareholders. Specifically, Article 23(1), point (e) of the CRD provides for an assessment of whether there are reasonable grounds to suspect that "money laundering and terrorist financing […] is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof".[61] The AML/CFT assessment focuses on two main aspects in particular: (a) consideration of the money laundering/terrorist financing risks arising from the specific business model (in line with the EBA CAM – see, for instance, paragraph 68); and (b) how the internal governance arrangements/processes of the credit institution take into account the money laundering/terrorist financing risks arising from the envisaged activities (in line with Articles 10(2) and 74(1) of the CRD, as well as the EBA CAM – see, for instance, paragraph 129).

According to recital 28 of the SSM Regulation, AML and CTF-related supervisory tasks and the enforcement of the relevant legislation are not among the competences transferred to the ECB. Therefore, the ECB conducts its assessment from a prudential perspective, meaning that it assesses whether actual money laundering and terrorist financing, or the risk thereof, could affect the integrity of the applicant and/or the assessment of its shareholders (including the assessment of the origin of funds), as well as the sound and prudent management of the applicant in terms of, for instance, capital, liquidity, sustainability of the business model and governance. The ECB cooperates with the NCAs, the national AML/CFT authorities and the financial intelligence units pursuant to relevant national laws and arrangements and with other competent authorities pursuant to Article 56, point (g) and Article 117(5) of the CRD, as well as with the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA)[62] on the basis of the Memorandum of Understanding of 27 June 2025.

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[61] See Article 14(2) and Article 23(1), point (e) of the CRD. See also Article 23(1), third subparagraph of the CRD: "Competent authorities *may object to the proposed acquisition* where the *proposed acquirer is situated in a third country* listed as a high-risk third country that has strategic deficiencies in its anti-money laundering and counter-terrorist financing regime, in accordance with Article 9 of Directive (EU) 2015/849, *or in a third country that is subject to Union restrictive measures* and it is assessed by the competent authority that it affects the capacity of the proposed acquirer to have in place the needed practices and processes to comply with the requirements of the anti-money laundering and counter-terrorist financing regime".

[62] AMLA is responsible for the AML/CFT supervision of financial sector entities and the coordination of AML/CFT authorities and financial intelligence units in the EU.

7 Ancillary provisions, due process and the transition to ongoing supervision

7.1 Use of ancillary provisions (conditions, obligations and recommendations)

If the assessment of the licensing application reveals shortcomings that the institution needs to remedy, the ECB may attach ancillary provisions to its decision. Any such measure must be commensurate with the characteristics of the institution and comply with the proportionality principle.

Similarly, applicants may make “ex ante commitments” to the supervisors prior to the adoption of the authorisation decision.

7.1.1 Conditions

A condition is an ancillary provision attached to a positive decision which suspends the legal effectiveness of the decision until a specified event has happened.

Conditions require the applicant to undertake an action or to refrain from an action. The authorisation will only become effective once the condition has been fulfilled.

7.1.2 Obligations

Like conditions, obligations[63] require the applicant to undertake an action or to refrain from an action. Obligations are issued to deal with matters occurring after the authorisation has become effective on an ongoing basis. The non-fulfilment of an obligation will not affect the legal effectiveness of the initial licence decision. However, non-fulfilment of an obligation may result in the application of enforcement measures and/or sanctions. Obligations are proportionate and do not go beyond what is necessary to ensure that the criteria in the licensing assessment are met on an ongoing basis. They may be imposed to address potential issues after authorisation, in particular where there are concerns in relation to the fulfilment of the licensing assessment criteria on an ongoing basis.

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[63] See paragraph 29 of the EBA CAM.

7.1.3 Recommendations

Recommendations are not legally binding and may encompass a broad range of issues. They can be attached to a licence decision, even if all authorisation criteria have been met, and serve as guidance for the credit institution on an ongoing basis.

7.1.4 Ex ante commitments

Ex ante commitments are not imposed by ECB but are proposed by and agreed with the applicant prior to the licence decision.

The objective of ex ante commitments is to provide assurance to the competent authority that the assessment criteria will be met.

Ex ante commitments take the form of a written statement signed by the applicant.

Ex ante commitments are considered in the NCA's and the ECB's assessments and may be reflected in the licence decision as agreed conditions or obligations.

7.2 Due process (right to be heard and access to file)

The NCA may reject a licence application following its assessment or alternatively propose that the ECB grant authorisation. Following its own assessment, the ECB may then either support the decision proposed by the NCA or object to it.

7.2.1 Right to be heard in licence decisions

In cases where a licensing application is rejected by the ECB or in cases where conditions or obligations are imposed, the applicant must be granted the right to be heard (i.e. the opportunity to comment). In the case of authorisations, there is a time limit of three working days for the applicant to submit any comments (Article 31(3) of the SSM Framework Regulation).

The right to be heard does not apply in the following cases:

(a) where a commitment has been made unilaterally by the applicant in the initial application or during the assessment period, and the decision is adopted with conditions or obligations reflecting and not going beyond such commitments;

(b) where the competent authority imposes an obligation to provide information on an ad hoc basis;

(c) where the conditions and obligations imposed by the competent authority during its assessment of the licensing application have been agreed in writing by the applicant prior to the decision being adopted.

7.2.2 Access to file in licence decisions

The applicant may request access to the ECB's file.[64]

[64] The legal basis is set out in Article 22(2) of the SSM Regulation and Article 32 of the SSM Framework Regulation, which provide that the parties concerned in an ECB supervisory procedure have the right to access the ECB's files, subject to the legitimate interests of other parties in the protection of their business secrets. Similarly, this right of access does not extend to confidential information.

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For specific terminology please refer to the ECB glossary (available in English only).

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