



**TOPICS:**

Banking System

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European Banking Authority

## The EBA Consults on Revised Guidelines on Limits on Exposures to Shadow Banking Entities under the Capital Requirements Regulation

- The consultation paper outlines the EBA's proposed **revisions** to its **Guidelines on limits to exposures to shadow banking entities** (SBEs), under Capital Requirements Regulation (CRR). The objective is to strengthen supervisory expectations for how institutions **identify, monitor and control risks** arising from exposures to entities conducting bank-like activities outside the regulated framework: the **deadline** for the submission of comments is **9 July 2026**.
- The revision reflects lessons from the **global financial crisis**, which exposed systemic vulnerabilities linked to shadow banking, including opacity, leverage, liquidity mismatches and interconnectedness with the regulated banking sector. These risks are addressed from both **microprudential** (institution-level risk management) and **macroprudential** (financial stability) perspectives.
- A **key update** is the alignment of the Guidelines with recent legislative developments, notably Commission Delegated Regulation (EU) 2023/2779, which harmonises the definition and identification criteria for SBEs. Institutions are required to establish robust internal frameworks to assess exposures to SBEs,

including **risk identification, monitoring and integration into capital planning** (e.g. ICAAP). They must define both **aggregate limits** (relative to Tier 1 capital) and **individual exposure limits**, based on factors such as the SBE's regulatory status, financial condition, leverage, liquidity and interconnectedness.

- Two approaches are provided: 1) the **principal approach**, requiring granular risk assessment and tailored limits; 2) the **fallback approach**, applying CRR large exposure limits where sufficient data or processes are lacking.
- The Guidelines emphasize **management body oversight, risk appetite setting and contingency planning for limit breaches**. Supervisors retain discretion under the Supervisory Review and Evaluation Process (SREP) to impose additional measures, including **Pillar 2 requirements**.
- Importantly, the **EBA does not introduce new quantitative limits at this stage**, instead prioritising data collection and analysis to inform a future report (due by end-2027) on whether stricter limits are warranted.

