

## Press release

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# ECB clarifies harmonised approach to policy choices offered by EU law

- Updated policies following public consultation on options and discretions envisaged in EU banking rules
- Harmonised policies support level playing field across banking union

The European Central Bank (ECB) today updated the [policies](#) outlining how it exercises options and discretions when supervising banks, following a public consultation which ended on 24 January 2025.

The ECB has given due consideration to the 210 comments received from 13 banking associations and two banks.

This feedback allowed the ECB to make several clarifications and adjustments to its policies, demonstrating the benefits of public consultations. These amendments relate, amongst others, to how the ECB grants permissions to banks concerning how they calculate capital requirements for operational and market risks, and to whether minority interests in subsidiaries can be included in the capital of a banking group.

The updated policies also clarify how the Danish Compromise should be applied in the banking union. This is a specific rule in EU regulation that allows banks, in certain circumstances, to risk-weight their investments in insurance subsidiaries instead of deducting them from their capital. Banks risk-weighting their investments in an insurance subsidiary should risk-weight all the own funds instruments they hold in that subsidiary and not only core equity instruments. The ECB will grant a one-year transition period to all affected banks.

European banking rules allow competent authorities to choose how to apply certain provisions. In 2016 ECB Banking Supervision developed a common policy framework on options and discretions. Before that, banks had to follow different national approaches. Clarifying and making transparent the way ECB exercises options and discretions substantially simplifies the framework, makes supervisory

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actions more predictable and ensures that banks are treated consistently throughout the banking union.

The ECB today published a [feedback statement](#) providing an overview of the comments received and the ECB's assessment of these comments.

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## Notes

- The updated policies on options and discretions published today clarify how the ECB exercises the options and discretions introduced by recent changes to EU banking rules, namely the CRR III-CRD VI package published in June 2024. They also reflect other supervisory developments that have occurred since the ECB last updated its policies on options and discretions in 2022.