

Newsletter



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ECB Revises Policies on Options and Discretions under Union Law

On 25 July 2025, the European Central Bank (ECB) published its revised policies on the exercise of options and discretions (O&Ds) under EU banking law. The update enhances consistency and transparency across the Banking Union, aligning supervisory practices with the upcoming CRR III / CRD VI reforms.



1. Key Highlights

1.1. Updated ECB Guide

The revised *ECB Guide on options and discretions available in Union law* clarifies how the ECB will apply O&Ds under the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) across significant institutions.

1.2. Harmonisation with EU Banking Package

The changes align supervisory practices with the CRR III / CRD VI reforms, which come into force in 2025–2026.

1.3. Amending Legal Acts

The ECB adopted:

- a) **Regulation ECB/2025/24**, amending Regulation (EU) 2016/445;
- b) **Guideline ECB/2025/25**, revising Guideline (EU) 2017/697; and
- c) **Recommendation ECB/2025/26**, updating ECB/2017/10 on specifications for less significant institutions (LSIs).



1.4. National Competent Authorities (NCAs)

NCAs are expected to follow these revised policies when supervising LSIs, ensuring a more uniform approach across the Banking Union.

1.5. Feedback from Consultation

The ECB incorporated industry and stakeholder feedback following its **public consultation (Nov 2024 – Jan 2025)**. A feedback statement sets out how comments were addressed.

2. Practical Implications

2.1. For Banks:

- a) Greater clarity on supervisory treatment of transitional and permanent O&Ds (e.g., liquidity waivers, capital deductions, large exposures).
- b) Reduced regulatory uncertainty when planning capital, funding, and structural decisions.

2.2. For Investors and Market Participants:

A more predictable supervisory framework strengthens transparency and comparability of bank capital positions across the euro area.

2.3. For LSIs and Cross-Border Groups:

National authorities will apply O&Ds consistently with ECB guidance, reducing divergences across Member States.



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