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EBA Draft RTS on Prior Permission to reduce own funds and eligible liabilities

On 19 March 2026, the European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) amending Commission Delegated Regulation (EU) No 241/2014 in relation to the timing of applications for prior permission **to reduce own funds and eligible liabilities** under Articles 77, 78 and 78a of Regulation (EU) No 575/2013 (CRR).

The proposed amendments are targeted and primarily address the **application timeline and inter-authority coordination framework**.



1. Key Amendments

1.1. Reversion to Three-Month Application Period

The RTS revert the minimum period for submission of applications for:

- a) ad hoc prior permissions; and
- b) general prior permissions (including renewals),

from four (4) months to three (3) months prior to the relevant capital action.

This applies to both:

- a) own funds instruments (Article 77 CRR), and
- b) eligible liabilities instruments (Article 78a CRR).

The amendment reflects the EBA's assessment that competent and resolution authorities are now operationally capable of processing applications within a shorter timeframe.

1.2. Alignment of Supervisory and Resolution Timelines

The RTS introduce a recalibrated coordination framework between competent authorities and resolution authorities:

- a) Maximum consultation period capped at two (2) months;
- b) Resolution authority to communicate its proposed prudential margin within one (1) month;
- c) Competent authority response required within two (2) – three (3) weeks, depending on the case.



2. Removal of Simplified Regime for Certain Entities

The RTS delete provisions relating to simplified prior permission requirements for institutions where MREL is set at the loss absorption amount.

This amendment reflects changes introduced by **Directive (EU) 2024/1174**, pursuant to which certain liquidation entities are no longer subject to prior permission requirements for actions affecting eligible liabilities, where no MREL has been set.

The RTS are accordingly aligned with Level 1 developments, removing now-obsolete proportionality mechanisms.

3. Practical Implications

3.1. Capital Planning and Execution

Institutions should reassess internal timelines for:

- a) liability management exercises (LMEs);
- b) calls, redemptions and repurchases of capital instruments; and
- c) general prior permission frameworks.

The shorter submission window requires:

- a) earlier internal approvals;
- b) complete and internally validated datasets at submission stage; and
- c) alignment between treasury, risk and regulatory functions.

3.2. Documentation and Application Readiness

Given the reduced procedural buffer:

- a) incomplete or iterative submissions will carry increased execution risk;
- b) the burden shifts towards front-loaded preparation;
- c) supporting analysis (including capital projections and MREL compliance) must be fully substantiated at the outset.

3.3. Transaction Structuring

For structured transactions (including securitisations and balance sheet optimisation exercises), the revised timeline should be integrated into:

- a) transaction planning;
- b) investor communication; and
- c) conditionality frameworks (including long-stop dates and regulatory conditions precedent).



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