

Newsletter



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Regulatory Update EBA Guidelines on TCB Capital Endowment

The European Banking Authority (EBA) has published its **Final Guidelines (EBA/GL/2026/03)** on instruments available to third-country branches (TCBs), i.e. EU branches of banks headquartered outside the EU, for the purposes of meeting the capital endowment requirement under Article 48e(2)(c) of Directive 2013/36/EU.

These guidelines form part of the EU's broader effort to establish a **harmonised prudential framework** for TCBs operating within the Union.



Key takeaways:

1. Minimum capital endowment requirement

TCBs must maintain a pool of segregated assets, calculated as a percentage of liabilities, to ensure availability in resolution or winding-up scenarios.

2. Eligible instruments clarified

In addition to cash and EU sovereign exposures, eligible instruments include certain **high-quality debt securities** (0% risk weight) issued or guaranteed by:



- a) Governments and central banks (EU and equivalent third countries)
- b) Public sector entities
- c) Multilateral development banks and international organisations

3. Strict operational conditions

Assets must be:

- a) Held in escrow accounts
- b) Freely available and unencumbered
- c) Easily monetisable and reliably valued

They must also remain TCB capital endowment requirement, reinforcing their dedicated loss-absorption function.

4. Supervisory focus

The guidelines emphasise continuous compliance through robust governance, monitoring, and risk management frameworks, including oversight of concentration, currency alignment, and asset location.

Why this matters:

The framework strengthens the protection of EU depositors and local creditors, enhances resolution preparedness, and reduces fragmentation across Member States, supporting a more level playing field for third-country banking operations in the EU.

Application date: 11 January 2027

For institutions operating TCBs in the EU, early assessment of eligible assets, escrow arrangements, and internal processes will be critical.



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