

Statement: The Investment Firm Directive and Investment Firm Regulation become applicable in the European Union

On 26 June 2021, Regulation (EU) 2019/2033 and Directive (EU) 2019/2034, also known as the Investment Firms Regulation (IFR) and the Investment Firms Directive (IFD), will become applicable in the European Union. The IFR/IFD framework sets a new prudential framework for investment firms in the EU, proportionate and adapted to the activities and risks of investment firms.

The framework provides competent authorities with specific arrangements and discretionary powers to address specific situations, also in relation to the entry into application of the IFR and IFD. This flexibility can be exercised to deal with the present situation, where some technical standards which are meant to complement the IFR/IFD are still in the process of being either finalised by the European Banking Authority or in the process of being adopted by the European Commission. This also applies to the situation of certain undertakings that are currently considered as investment firms, but which are required to take all the necessary steps to seek and obtain authorisation as credit institutions notably in accordance with Article 8 and Article 8a of Directive 2013/36/EU (Capital Requirement Directive, CRD) ("class 1" undertakings). During the short period until they are granted authorisation by their competent authorities, those undertakings will continue to be subject to the CRR/CRD rules as they stood on the day prior to the date of application of the new framework, in accordance with Article 58 of the IFR. In this context too, competent authorities have all the necessary powers to subject the relevant undertakings to the relevant rules as provided in the IFR/IFD and CRR/CRD, with the appropriate degrees of flexibility. Should such cases arise, competent authorities should complete the necessary authorisation processes without delay, so that those undertakings will become subject to the steady-state prudential framework (namely the CRR and CRD, as amended by the CRR II and the CRD V) as soon as possible.