

# Prudential regime for investment firms

The new prudential framework for investment firms, consisting of a [Regulation](#) (directly applicable) [on the prudential requirements](#) (IFR) and a [Directive on the prudential supervision of investment firms](#) (IFD), has been applicable since 26 June 2021.

The framework aims to create a more tailored prudential regime for investment firms, by:

- reducing the number of categories of investment firms with regard to the prudential regime applicable from 11 to 3 and
- moving away from the previous system where all investment firms were subject to the same capital, liquidity and risk management rules as the banks: the Capital Requirements Directive (CRD)/Capital Requirements Regulation (CRR) regime.

The new categories concern:

- 1) large firms ("class 1"): they remain under the scope of the existing CRD/CRR prudential rules, and the most systemic ones are brought under the same supervisory regime as significant credit institutions;
- 2) other firms (large but "non-systemic") ("class 2") have to comply with a more limited set of prudential requirements than class 1 firms. They fall into class 2 when they exceed certain thresholds (e.g. balance sheet, client orders handled, assets under managements, etc). The capital requirement for a class 2 firm is equal to the higher of its fixed overheads requirement (FOR), permanent minimum capital requirement (PMR) and overall K-factor capital requirement.
- 3) small firms with "non-interconnected" services ("class 3") that do not exceed the thresholds, have simpler and more streamlined requirements. The capital requirement for a class 3 firm is equal to the higher of its FOR and PMR.

EBA, in consultation with ESMA, has been working to deliver regulatory products to complete the new rules, as mandated under the IFR/IFD, such as on the disclosure of investment policy by class 2 investment firms. A roadmap on the EBA work can be found [here](#).

BIPAR and its working party have been following this dossier from the start, responding to Commission and EBA consultations, taking part in stakeholder meetings and liaising with the different policymakers.