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Third-Country Branches under CRD VI

New rules governing cross-border banking activities

What is changing?

- **CRD VI introduces a harmonized EU framework for third-country branches:** Non-EU institutions providing core banking services in the EU will need a locally authorized branch or an authorized EU subsidiary.
- **Core banking services include:**
  - Accepting deposits or other repayable funds
  - Granting loans
  - Providing guarantees or commitments
- **Branch classification:** CRD VI distinguishes between Class 1 and Class 2 branches. The classification determines the compliance requirements.
- **Cross-border models under pressure:** Unless an exemption or carve-out applies, pure cross-border servicing of EU clients from outside the EEA will become significantly more restricted for in-scope activities.

Who is affected?

- **Non-EEA banks and banking groups** that provide, or intend to provide, core banking services to clients or counterparties in the EU.
- **Existing EU branches or third-country institutions** that need to assess whether their authorization, governance, booking model, reporting capabilities and local resources meet the new CRD VI standard.

When will it change?

- **January 11, 2027:** The new third-country branch requirements will apply from this date.
- **Until then:** There is a limited implementation window to review the EU business, test exemptions, prepare authorization strategies and adapt operating models.

What is the expected impact?

- **Authorization:** Prior regulatory approval based on a detailed business plan, governance framework, and risk management arrangements.
- **Liquidity:** Branches must maintain liquidity resources that reflect their individual risk profile.
- **Governance:** The branch must be directed by at least two locally-based senior managers.
- **Recordkeeping & reporting:** Branches must maintain comprehensive records of local activities and comply with reporting obligations.

What are the key carve outs?

- **Reverse solicitation:** Services provided solely at the client's initiative may fall outside the branch requirements.
- **Intra-group and interbank activities:** Certain transactions within the banking group may benefit from exemptions.
- **MiFID services:** Investment services are generally assessed under the MiFID framework rather that the CRD VI branch regime.
- **Grandfathering:** Transitional protection may apply to pre-existing contracts concluded prior to July 11, 2026.

What you should do now?

- **Review existing EU business:** Map client relationships with core banking services.
- **Evaluate exemptions:** Assess the availability of carve-outs.
- **Define target structure:** Determine whether a branch or subsidiary model is appropriate.
- **Prepare for compliance:** Assess branch classification and resulting capital, liquidity, governance and reporting requirements.

How can KPMG Law help?

- **Analysis and impact assessment:** We evaluate whether CRD VI applies to your EU business model and identify affected products, clients, entities and Member States.
- **Exemption assessment:** We assess whether exemptions or carve-outs, such as reverse solicitation, intra-group arrangements or interbank business, are available and robust enough to support your EU business model.
- **Target structure and implementation planning:** We compare branch, subsidiary and adjusted cross-border models and define a prioritized implementation roadmap.
- **Regulatory support:** We assess authorization requirements, prepare the regulatory engagement strategy and help liaise with the competent authorities.
- **Operational implementation:** We align governance, booking, outsourcing, capital, liquidity, reporting and documentation with the new regime.
- **Transition planning:** We assist with analyzing contracts, implementing new business controls and planning the migration of EU-facing activities.

Key takeaway

Third-country branch regulation is no longer a technical licensing topic. It is a strategic market-access question. Institutions that act early can preserve client coverage, avoid regulatory disruption and choose the structure that best fits their EU business ambitions.

Contact us to find out whether your EU business model may be affected by the new third-country branch regime.

Contact

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