



FEDERATION
BANCAIRE
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*Banking supervision
And Accounting issues Unit
The Director*

Paris, August 20th 2013

French Banking Federation Response to the EBA Consultation Paper on Draft Regulatory Technical Standards (RTS) on the assessment of recovery plans (EBA/CP/2013/08).

Dear Madam,

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

The French Banking Federation appreciates the opportunity to share its views on the Consultation Paper issued by the European Banking Authority on Draft Regulatory Technical Standards (RTS) on the assessment of recovery plans under the draft directive establishing a framework for the recovery and resolution of credit institutions and investment firms.

The FBF wants to remind the EBA that the credibility of a recovery plan relies principally on a large and diversified list of options, to be selected according to circumstances occurring at the time, which therefore should not lead to an over-reliance on scenarios and on theoretical ex ante links between scenarios and recovery actions.

**Ms Isabelle VAILLANT
European Banking Authority
Tower 42 (level 18)
25 Old Broad Street
London EC2N 1HQ
United Kingdom**

You will find in the annex attached a more detailed version of these comments and specific responses to the questions of the consultative document.

We thank you for your consideration and remain at your disposal for any questions or additional information you might have.

Yours sincerely,

Jean-Paul Caudal

A handwritten signature in black ink, appearing to read 'JP Caudal', written over a long, sweeping horizontal line that extends to the right.

**Annex : French Banking Federation response to the EBA Consultation
Paper on Draft Regulatory Technical Standards on the assessment of
recovery plans**

I- General comments

First and foremost we believe that the credibility of a recovery plan lies on the diversity of recovery options used to meet the vast majority of crises that may arise. Crises are by definition not predictable, especially as regards their origin, magnitude and spreading within banking groups and financial markets. Each action is characterized in order to respond to various types of crises, idiosyncratic or systemic, affecting particularly retail banking or market activities, triggering immediate or more protracted losses. It is therefore the multiplicity of proposed recovery actions that can meet a set of crisis scenarios that allows judging the appropriateness of recovery plans. Similarly, it does not seem necessary to test each recovery action in relation to the various crisis scenarios considered. Firstly the exercise would be laborious and theoretical; secondly this would not provide relevant information on the validity of the recovery actions tested.

The challenge is therefore to have a toolbox of recovery actions available to the management of the bank to deal with a wide variety of scenarios. This diversity allows the institution to have a high flexibility regarding the means being implemented to respond to the crisis, regardless of its origin. In our view, the credibility of the proposed recovery plan must be based on this crucial criterion and not on the combination of any theoretical actions and crisis scenarios.

In addition, we are opposed to the application for certification or statement (cf. Art 3 § 2-c) about the absence of obstacles or disadvantages to the implementation of the elements of the recovery plan. Each action is characterized by its operational character, its feasibility, its impact in terms of solvency and liquidity in an environment stressed by nature. These actions are, with their own characteristics, formally approved by the governing bodies of institutions. If the analysis leads to identifying impediments to the implementation of a particular recovery action, the latter would lose its operational character and its credibility as an option available to the management to deal with the crisis. It would then not have been retained for the range of possible actions to be easily implemented in response to the type of crisis which it is supposed to address.

Finally, the completeness of the recovery plan must be globally analyzed to respond to requests for information listed in Annex A of the draft directive, excluding detailed request in Appendix that relate specifically to the resolution plan.

II- Responses to questions related to the consultation

Q1 : If your recovery plan has already been assessed by a competent authority, what are your general comments to this RTS on the basis of your experience? In particular, which elements do you suggest to add to the assessment criteria specified in this RTS?

We have no specific comment on this point as it concerns institutions individually.

Q02: Do you think that the elements which shall be subject to assessment according to this Article are comprehensive? Do you think that some of the elements should be amended? Do you think that some additional elements should be added?

Concerning article 3.2b on the assessment of potential intra-group financial supports, it seems to us difficult to consider it as a point of control without knowing whether these supports will effectively be in place at the time of a crisis. At this point, only financial support defined in the French monetary and financial code is prevailing, in particular those regarding the organization of mutual groups.

Q03: Do you think that the elements which shall be subject to assessment according to this Article are comprehensive? Do you think that some of the elements should be amended? Do you think that some additional elements should be added?

Regarding article 4 on the quality of recovery plans, we think the reference to documents not contained in the RRP (4.a (iv)) goes too far.

The recovery plan is a specific tool for the management of the institution, dedicated to anticipating extreme crisis situations, and therefore needs to be analyzed in this way. It includes exceptional management options which should not necessarily be reconciled with business as usual practices.

As to article 4.d, we remind our opposition to the elaboration of local or individual recovery plans. Only a top-down approach at the group level, mobilizing all group resources, will give comfort to local authorities and respond to the specific problem of continuity of critical functions. In the event that a local authority deems that a group recovery plan does not adequately address significant issues or risks faced by entities subject to its direct supervision, any interaction between the group and such host authority should be dealt with by the home authority within the Crisis Management Group.

Q04: Do you think that the elements which shall be subject to assessment according to this Article are comprehensive? Do you think that some of the elements should be amended? Do you think that some additional elements should be added?

As for Article 5 on the credibility of plans, paragraph 1b.v. should remain optional because the credibility of a recovery measure cannot be assessed solely against the fact that it has already been applied elsewhere. Circumstances change and this element of judgment is not sufficient in itself.

Then, if we accept paragraphs 1.c and 1.f of the same article, since each recovery action rather addresses a particular type of crisis (idiosyncratic or systemic, retail bank or investment bank, ...), we are opposed to the judgment criteria set out in paragraph 1 points e, g, h.

We want to remind, on the one hand, that the credibility of recovery plans is evaluated on the basis of the diversity of recovery actions and not on theoretical tests that could be carried out against the various crisis scenarios considered. On the other hand, recovery actions are selected because they are credible and applicable within a time frame which is adequate to respond either to sudden or long lasting crises. Should major obstacles to their implementation remain, these options would not have been retained and incorporated into the plan.

Finally on article 5 paragraph 2, it seems impossible to assess in advance the potential impacts that an implemented option would have on the realization and effectiveness of the plan of another institution.

Q05: Could you describe what key elements the competent authority should assess when reviewing the matters stipulated in Article 5(3) letters a) to d)?

We feel that the key elements have been correctly identified in Article 5 (3), although the reference to obstacles in relation to scenarios seems to us to be unnecessary.

Q06: Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

No comment.

We have no comments.