

EBA CONSULTATION ON DRAFT REGULATORY TECHNICAL STANDARDS (RTS)
SPECIFYING THE RANGE OF SCENARIOS TO BE USED IN RECOVERY PLANS
(EBA/CP/2013/09)

Response from the Building Societies Association, United Kingdom

Introduction

The Building Societies Association (BSA) is pleased to respond briefly to the EBA's consultation. The BSA represents mutual lenders and deposit takers in the UK including all 45 UK building societies. Mutual lenders and deposit takers have total assets of nearly £380 billion and, together with their subsidiaries, hold residential mortgages of over £250 billion, 20% of the total outstanding in the UK. They hold nearly £260 billion of retail deposits, accounting for 21% of all such deposits in the UK. Mutual deposit takers account for 30% of cash ISA balances. They employ approximately 50,000 full and part-time staff and operate through approximately 2,000 branches.

General comment

The consultation rightly focuses on practical aspects, on which those practitioners within credit institutions with direct experience of recovery planning are best placed to comment. The BSA is therefore pleased to support the response being submitted by our largest member, Nationwide Building Society.

The majority by number of the BSA's members are smaller, simpler institutions – and they would expect to qualify for “simplified obligations” under Article 4 of the draft Recovery and Resolution Directive. These draft RTS therefore need to make clearer whether, and how – with what modifications- they apply to the case of recovery plans based on Article 4 simplified obligations. The draft RTS make reference, at Recital 7, to the effect of RRD Article 4, but this is not followed through.

Specific points

Stress testing, and reverse stress testing, are already extensively used, and required, in the UK. We think it is important to maximise efficiency by building on, or incorporating, existing stress testing work in any requirements for testing recovery plans, rather than establishing new separate requirements.

The full range of scenarios are not needed for smaller, simpler firms. Our smaller members need to be able to concentrate on a few scenarios that are truly relevant to them, rather than diffuse effort across a standard list of scenarios some of which have little relevance.

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