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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) specifying the range of scenarios to be used in recovery plans (EBA/CP/2013/09).

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) specifying the range of scenarios to be used in 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. We also reiterate our opposition to the constitution of local recovery plans.

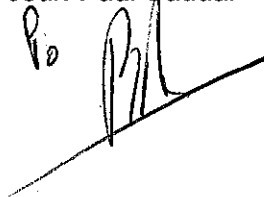
**Ms Isabelle VAILLANT
European Banking Authority
Tower 42 (level 18)
25 Old Broad Street
London EC2N 1HQ
United Kingdom**

You will find in the annex attached a more detailed version of these comments. Concerning the specific questions raised in the consultative document, FBF will not respond as they regard institutions individually.

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 be 'JP Caudal', written over a horizontal line.

Annex : French Banking Federation response to EBA consultation on Draft Regulatory Technical Standards specifying the range of scenarios to be used in recovery plans

I. Key Messages

A- General comments

As a preliminary comment, French banks would like to recommend that the different supra-national principles and standards be closely coordinated. The EBA draft RTS have been issued before the FSB guidance on stress scenarios which were published in July. Therefore we encourage a stronger alignment of EBA's standards with the international principles; we believe the FSB requirements are less prescriptive and more principle-based thereby allowing adapting to the diversity of banks' business models.

Regarding the use of scenarios, French banks remain convinced that the credibility of a recovery plan relies principally on a large and diversified list of options addressing a wide range of cases. This is due to the diversified business models that many (if not most) G-SIFIS have, and to the fact that the evolution of business models offers new opportunities and widens the range of options available. Even though counter-intuitive, we believe that the importance given to the stress testing does not give enough consideration to this point.

Then, we think that these RTS demonstrate, considering the details of the requirements they provide, an over-reliance on scenarios as a yard-stick for the assessment of recovery plans. The rationale states (page 6) that 'the objective of the recovery plan is not to forecast the factors that could prompt a crisis', and yet the content of the RTS seems to be seeking to achieve precisely that objective.

We believe that the introduction of a requirement for over-engineered scenarios, and assumptions leads to a twofold danger: firstly, it shifts the focus of the recovery planning activity on scenario-making rather than on the identification of a range of recovery options as wide as possible to adapt to the widest range of unforeseen financial stress situations; secondly, it gives rise to a temptation to create a ranking or hierarchy of recovery options for each particular scenario. We believe that this would restrict the analysis to events which may never occur. In reality, events will differ from any imagined scenario, and the identification of recovery options available to a G-SIFI in stress situations should be carried out independently of any predetermined plan of action, in light of circumstances prevailing at the time.

As a consequence, the stress-testing should remain a rather high level approach (global impacts and applicable tools).

We also note that these RTS apply to both individual and group level plans. We believe strongly, as already stated in other responses to EBA consultations on the same matter, that local or entity level recovery plans are irrelevant for large banking groups. The essence of large banking groups is to have a geographic and business lines diversity, which makes them more resilient and able to divert resources where needed to cope with stresses arising within the group.

Local recovery plans to be implemented by local management can only make use of local resources over which such local management has control. Such plans are by definition less robust and of less comfort to local authorities than a group plan, which can call on group resources.

B- Specifics comments

Number of scenarios:

We note that article 4-1 requires developing at least 3 scenarios, and art 4-6 provides that more than 3 scenarios should be required for larger or more complex institutions. Given the general comment above on the limited benefit for such banks (compared to the time consumption required) of stress-testing, we believe the requirement should be 3 scenarios and not more.

Proportionality / adaptability:

It should be clarified that the provided lists of events should remain examples and be adapted by each institution.

Reverse stress testing:

French banks are opposed to the mandatory development of reverse stress-tests, even if they can be used by some institutions to elaborate scenarios (as explained in the introductory part and in the FSB guidelines). Requiring a bank to focus on its weaknesses is not useful for recovery planning. On the contrary plans should rather rely on banks strengths.

II. Response to questions related to the draft RTS

These questions relate to specific issues concerning each institution individually, so FBF cannot respond.