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CEBS - Capital Adequacy of Cross-Border Banking Groups - CP 39

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representation of the entire Austrian banking industry, welcomes this opportunity to comment on CEBS's Consultation Paper on the Capital Adequacy of Cross-Border Banking Groups - CP 39:

- **General views:**

It appears commendable for home and host authorities to coordinate their efforts as much as possible and to attempt to seek a standardised approach to ICAAP and SREP. It appears necessary not least because such an effort would warrant reaching a joint decision within an appropriate time frame.

- **Involvement of the cross-border group:**

- Closely involving the bank group in the SREP process is crucial in any case, at the individual level, at any sub-consolidated levels and at the consolidated level. In light of the process's complexity, it is vital for the results of the SREP to be discussed at all these levels prior to their compilation or before a decision is reached with the banking group or before they are discussed with the parent or subsidiary in order to ensure that any deviating views are corrected in a timely manner. This would also warrant that the College makes as objective and realistic decisions as possible while taking into account all dimensions of the banking business.
- We endorse communication at various levels (group, local unit). What must be ensured, however, is that the communication channels are efficient and transparent. In this context, too, the responsibilities and competencies of the home/host authorities and the Supervisory College must be clearly defined.

- **Contribution to a consistent ICAAP framework:**

- To provide for a meaningful dialogue, an integrated and coordinated process needs to be implemented both with the supervisory authorities and with the banking group during which any inconsistencies are resolved to the extent possible and adequate standardisation is achieved. It is essential for the SREP process to be flexible enough to aptly accommodate the banking group's individual standardisation. We need to remember that the ICAAP process is ultimately a process that is implemented, defined and standardised by the banking group itself. SREP was initiated in response to ICAAP. Therefore, SREP needs to take its bearings from the individual ICAAP definitions. This principle takes precedence before the overall process.
- The College would also need to defined the competencies to be held by the local supervisory authorities in the decision-making process, notably since not only the adequacy of ICAAP implementation will be assessed but measures will be imposed right up to the stipulation of higher capitalisation.

Dual view - legal entities versus internal group control view

At strategic level, banking is not controlled through legal entities but through defined business fields for which risk capital is provided. These defined business fields need not correspond to legal entities.

The regulatory requirements must be meet both at the level of the group's parent company and at subsidiary level. For the sake of strategic control, however, they would have the nature of strict auxiliary conditions.

In this regard, all supervisory requirements with a particular bearing on banking control that enforce duplication with potentially contradictory impulses (dual control business field and legal entity) should be avoided.

Sincerely,

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