



**Institutional and Regulatory Strategic Advisory** – Regulatory Affairs  
**Group Risk Management** – Strategic Risk Management and Control - Credit And Cross-border Risks Portfolio Management – Treasury Risks - Market And Balance Sheet Risks Portfolio Management  
**Planning, Finance & Control** – Planning, Control and Capital Management

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## **UniCredit Group's reply to the CEBS CP 32 on Stress Testing**

### **GENERAL REMARKS**

UniCredit Group (UCG) experts have undertaken an internal self-assessment exercise in order to assess the gaps and the related risk for each of the guidelines. This internal exercise has been organised, at the staff level, with a two step approach: first an assessment by each competent business area for the relevant risks: market, liquidity, securitisation, credit, operational, concentration, and finally interest rate in banking book. The second step consisted in the aggregation and integration of the risks in order to perform the assessment of the CEBS guidelines from a firm-wide perspective, also observing risk concentration and second round effects.

This UCG staff contribution is aimed at providing competent technical advisory supporting CEBS efforts in promoting better supervisory practices ensuring the level playing field. At the same time, UCG has provided detailed consideration in order to facilitate CEBS' ability to perform peer reviews on the methodologies used at European level. A benchmarking exercise on a sample of supervised entities would provide huge benefits.

This reply is not intended for public disclosure, nevertheless UCG would appreciate if a summary will be published on CEBS website. UCG, on a voluntary basis, will circulate it to the consolidating supervisor, with the invitation to extend it to the College of Supervisors for information.

Stress testing is considered as key risk management tool within financial institutions such as UCG and promoting a group-wide approach is important for its efficiency and effectiveness in order to properly support decision making processes such as the capital allocation and risk appetite setting besides risk controlling.

Nevertheless stress testing is not fully effective if it is not linked to capital adequacy that provides the managerial framework for dealing with risks within the strategic decision making process.

With this regard a key issue is the role of stress testing: it is a key element of the decision making process even if it is not meant to replace internal capital and therefore the usage of each metric has to be properly specified.

UCG strongly believes that stress testing programme can be successful only if the Senior Management is properly involved, also at board level, both in the holding as well as in the legal entities (LE).

UCG fully appreciates the supervisory expectations that large and complex institutions should have an appropriate infrastructure in place to undertake a variety of the stress testing approaches from simple portfolio based sensitivity analyses to complex macro scenario driven firm-wide exercises. Large and complex institutions are also expected to include in their stress testing programmes rigorous firm-wide stress tests covering all material risks and entities, as well as the interactions between different risk types

UCG considers that the proposed deadline of June 2010 for the implementation is excessively demanding for the following guidelines. Some further consideration may be given where substantial work is required and not necessarily dependent on internal adjustments.

UCG appreciates that CEBS' recommendation that the implementation of the guidelines can be phased, and - whenever necessary - national supervisors provide the institutions with sufficient flexibility regarding the implementation of specific aspects of the guidelines.

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