

The Director General delegate

Paris, July 9th 2009

FBF comments on the proposed high-level principles for risk management (CEBS Consultation paper CP24)

Dear Madam,

The French Banking Federation (FBF) is the professional body representing over 450 commercial, cooperative and mutual banks operating in France. It includes both French and foreign-based organizations.

The FBF is pleased to take this opportunity to comment on high-level principles for risk management which consultation paper 24 proposes. The paper provides a very good basis from which to develop a comprehensive and consistent set of overarching high-level principles. It also supports the consolidation of all risk management principles in a comprehensive guidebook.

We appreciate that this document consolidates many different texts already published by CEBS. It is in line with the recommendations of the industry and especially the International Institute of Finance report on market best practices and the CRMPG III report.

We support the high level principles that will help build a robust risk culture and establish a proper risk management function in banks able to take into account all relevant risks. However, we believe that risk tolerance is a very complex concept to turn into effective managerial terms. It needs to be expressed in adapted and various ways according to the risk concerned. We are also afraid that the notions of management body and senior management may be interpreted in different ways. Non executive board of directors should approve and not set the risk tolerance which is defined by the executive management. We would also recommend to underline that risk management is firstly a responsibility of the executive and senior management rather than to refer to a day to day responsibility which may be exercised at lower level of the organization according to the size of the institution.

In paragraph 20, the reference to a potential veto right might be misleading and we would recommend to avoid it. Actually, the challenging authority of the CRO should be such that even the CEO would hesitate to override his position.

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We are currently working with our regulator to incorporate these high level principles in the regulatory framework relating to internal control. In addition the French banking industry is preparing a Best practice code to promote a better implementation of these high level principles.

The French Banking Federation wants to see the instigation of healthy competitive conditions and believes the only way to do so is to establish appropriate regulations. The FBF remains at your disposal for any further discussion on these matters.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Lauzun', with a stylized flourish at the end.

Pierre de Lauzun