



BANKING STAKEHOLDER GROUP

RESPONSE TO THE CONSULTATION PAPER “DRAFT REGULATORY
TECHNICAL STANDARDS ON RISK CONCENTRATION AND INTRA-
GROUP TRANSACTIONS UNDER ARTICLE 21A (1A) OF THE
FINANCIAL CONGLOMERATES DIRECTIVE”

JC/CP/2014/04

General Comments

BY THE EBA BANKING STAKEHOLDER GROUP

Brussels, October 24th, 2014

Foreword

The EBA Banking Stakeholder Group (“BSG”) welcomes the opportunity to comment on the Consultation Paper JC/CP/2014/04 on Draft Regulatory Standards on Risk Concentration and Intra-Group Transactions Under Article 21a (1a) of the Financial Conglomerates Directive

This response has been prepared on the basis of comments circulated and shared among the BSG members and the BSG’s Technical Working Group on Capital and Risk Analysis.

As in the past, the BSG supports an initiative that aims at harmonizing supervisory rules and practices across Europe, in order to ensure fair conditions of competition between institutions and more efficiency for cross-border groups. The BSG also expects these initiatives to facilitate data sharing between European supervisors and avoid reporting duplications for banks. However, the BSG identifies a number of issues which, unless properly addressed, could lead to unintended results.

General comments

Whilst the BSG welcomes the objective of clarifying which risk concentrations and intra-group transactions within a financial conglomerate should be considered as being significant, we judge that some clarifications are needed in the RTS to foster its consistent application throughout the EU. In particular, it would be advisable that “significant” concentrations and “significant” intra-group transactions be more precisely defined in the RTS so as to remove any ambiguity and, where relevant, to make them consistent with other existing regulations:

- as regards significant intra-group transactions, the threshold to be applied is already specified at Art. 8(2) of the FICOD (at least 5% of the total capital requirements at the level of a financial conglomerate);
- as regards significant risk concentrations, the RTS could refer to the large exposure threshold set out at Art. 392 of the CRR in the case of banking-led conglomerates (10% of the regulatory capital at the financial conglomerate level) or to the significant risk concentrations as defined at Art. 244 of directive 2009/138/EC in the case of insurance-led conglomerates (Solvency 2 directive);

- to address any possible concern not already covered by the above criteria, the RTS could provide that financial conglomerates should add qualitative information on other significant intra-group and risk concentration exposures in their risk or internal control reports to be provided annually to the supervisory authorities.

The BSG considers that the RTS should refer as much as possible to the existing sectorial regulations and reporting requirements, so as to avoid inconsistencies in the regulation applicable to financial conglomerates:

- concentration risk and intra-group exposures definitions provided in the RTS should be aligned with those existing in sectorial regulations as required under Art. 7(5) and Art. 8(5) of the FICOD. It is consequently the BSG's view that the definitions provided in sectorial regulations should be used in the context of this RTS (e.g. the large exposure regime in the CRR; risk concentrations in Solvency 2, intragroup-transactions under the Solvency 2 regime, etc.);
- to avoid inconsistencies between regulatory reportings, information required from financial conglomerates should be grounded as much as possible on the existing sectorial reporting requirements. It should be clearly stated in the RTS that reportings required from financial conglomerates should be consistent with the existing sectorial supervisory reportings;
- Art. 2(1) and 2(2) of the RTS state that concentration with regard to liquidity and currency risks should be reported to supervisors. However, the RTS does not provide any clarifications on possible issues at the level of a financial conglomerate in relation to those risks, if any, and it does not include any definitions and relevant metrics to measure those risks throughout a financial conglomerate. The BSG considers that liquidity and currency risks should be removed from the RTS, unless clarifications are provided on issues that need to be specifically tackled at the level of a financial conglomerate in relation to those risks and on the relevant metrics to be used to measure those concentrations if they exist.

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Submitted on behalf of the EBA Banking Stakeholder Group

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