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*Banking supervision
And Accounting issues Unit
The Director*

Paris, July 4th 2012

**French Banking Federation response to the European Banking Authority (EBA)
Consultation Paper on Draft Regulatory Technical Standards on Own Funds
(EBA/CP/2012/02)**

Dear Sir,

The French Banking Federation (FBF) is the professional body representing 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 400 commercial and cooperative banks. FBF member banks have 40,000 permanent branches in France. They employ 400,000 people, and service 60 million clients.

We welcome the opportunity to answer the EBA consultation paper on the draft regulatory technical standards on own funds. These standards pose indeed specific challenges for institutions and we are aware that the purpose of this prudential framework is to clarify the definition of own funds and to increase the quality of the capital instruments as well as the loss absorbency features of other hybrid instruments. It will bring more consistency in the definition of own funds that are the foundation of sound capital requirements.

While our complete answer to the EBA consultation is detailed in the annex attached, we summarize below the most important points of this answer (by order of appearance in the consultation paper):

- We seek clarification that any "formal" management decision amending the dividend payout policy, while strictly documented, does not have to be made public;
- We feel that Article 6 (direct and indirect funding of capital instruments) should explicitly be directed at regulatory arbitrage situations, with all arm's length transactions conducted in the normal course of business being excluded from its scope;

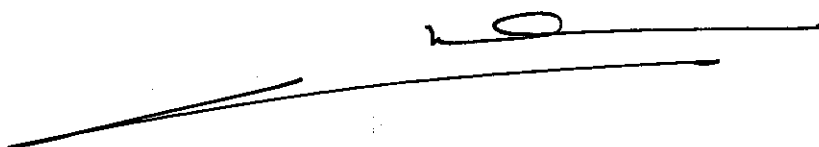
**Mr Adam FARKAS
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- We are concerned that Article 15 may not be compliant with the Regulation, as it negates the corresponding deduction approach endorsed by the level 1 text; to address this, we suggest a pragmatic alternative based on subordination to ensure this approach is respected and captures all capital instrument or their equivalents;
- To accommodate the variety of EU company laws and avoid further distortion, the standard should clarify that the requirement that distributions on Additional Tier 1 instruments be paid out of distributable items is of an economic nature (i.e. coupons cannot be paid if they exceed such items), not a strictly legal one;
- We believe the restrictions on the features of Additional Tier 1 instruments imposed by the draft go much beyond what is required for these instruments to exhibit satisfactory loss absorption, in particular with respect to:
 - o The proposed prohibition of distributions while the par value of the instrument is temporarily written-down;
 - o Other mechanisms which amount to making Additional Tier 1 holders worse off than equity holders (notably the restriction of amounts available for write-ups to profit generation, which ignores other ways of restoring capital ratios);
 - o The obligation that write-ups be fully discretionary.

These features, which are not inscribed in the Regulation, would dry out the market for Additional Tier 1 instruments and weaken the banks' capital structures. In addition, it would distort competition with US banks as the draft regulation adopted on June 7th, 2012 does not require any compulsory write-down or conversion mechanism to be included in hybrid instruments.

We thank you for the consideration of our remarks and remain at your disposal for any question or additional information you might have.

Yours sincerely,



Jean-Paul Caudal