



FEDERATION  
BANCAIRE  
FRANCAISE

*Banking supervision  
And Accounting issues Unit  
The Director*

Paris, June 11<sup>th</sup> 2013

**FBF response to EBA consultation on the content of recovery plans (CP2013/01)**

Dear Madam,

The French Banking Federation (FBF) represents 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 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

FBF appreciates the opportunity to comment on this consultation paper on the content of recovery plans. We share the aim to ensure that banks have in place adequate governance to face crisis, and have identified measures to restore their financial health in case of difficulties.

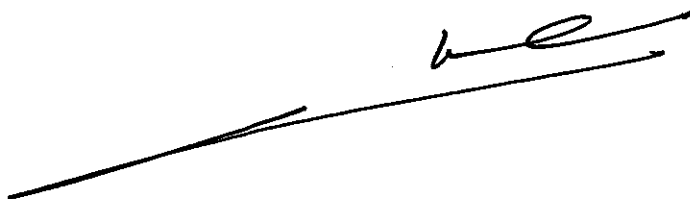
Nevertheless, we would like to highlight the following points:

- The information for the recovery plan is overly detailed and contain elements that clearly belong to the resolution plan (cf. Annex B of BRRD) ;
- We believe that recovery planning should be managed at the parent company entity level only, including contributions from subsidiaries ;
- The recovery plan gives too much importance to the communication plan. French banks are particularly opposed to the preparation of a communication plan for each option ;
- French banks urge authorities to put in place a specific governance to ensure confidentiality.

**Ms Isabelle VAILLANT  
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London EC2N 1HQ  
United Kingdom**

You will find in the appendix attached our answers and comments to the questions raised in the consultation paper. We thank for your consideration and remain at your disposal for any question or additional information you might have.

Yours sincerely,

A handwritten signature in black ink, consisting of a long horizontal line with a small loop at the end, followed by a shorter horizontal line above it.

Jean-Paul Caudal

## **Appendix**

FBF appreciates the opportunity to comment on this consultation paper regarding the content of recovery plans. We share the aim to ensure that banks have in place adequate governance to face crisis, and have identified measures to restore their financial health in case of difficulties.

As a general comment, we would like EBA to ensure that proportionality can apply, as requirements are often too detailed. To be workable, recovery plans should remain clear and simple without unneeded information.

In addition, we wish to comment on the following issues:

### **Recovery plan/resolution plan:**

We believe that some information listed in the template rather belong to the resolution plan: (article 6): identification of core business lines and critical functions, and interconnectedness. This information should rather be integrated in the set of requirements listed under Section B of the draft Directive.

### **Requirement at subsidiary level:**

We believe that recovery planning should be managed at the group level only, including specific parts for systemic subsidiaries.

We see no benefits in the elaboration of separate recovery plans for the main subsidiaries as the diversification of our groups is certainly the main factor for credible plans as it offers large room of manoeuvring at the group level.

In case the relative size of a subsidiary would be very significant for the group, it would benefit from the options in the group plan.

### **Correlation between scenarios and options:**

There should be no automatic link between scenarios and recovery options. Each crisis situation should have an appropriate reaction at the right moment and is particularly not foreseeable in advance.

### **Implementation of the recovery plan:**

The plan should be triggered and implemented by the management in place therefore it should not be legally binding, in order to leave flexibility to adapt to the business and economic environment at that time.

### **Communication:**

We disagree with the design of communication plans for each option. It will imply a high workload for this part of the plan for a limited effect. French banks already have a specific communication tool dedicated to crisis situations in general.

### **Confidentiality:**

We urge authorities to put in place a specific governance to ensure confidentiality within authorities and colleges. Only a few persons should have access to the recovery plan, which should be very carefully protected.

## **Governance:**

We disagree with the requirement to identify the persons involved in the recovery planning process, as it is a shared corporate responsibility. The recovery plan should only mention the departments/functions in charge of the various stages (elaboration, validation, implementation...).

<b>Questions</b>
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### **Questions related to the draft RTS**

#### **Q01: Have you already drafted/approved a recovery plan or are you in the process of doing so? Is your recovery plan in line with the contents of the draft RTS?**

Yes, French SIFIs have been required by the ACP – Autorité de contrôle prudentiel (i.e. French supervisor) to prepare an initial version of RRP. First submission of the Recovery plan was done in December 2011.

The recovery plan was prepared according to the FSB guidelines finalized at the Cannes G20. The main features of our plans are similar to those proposed in the EBA document at the exception of the content of the group presentation. However, we are surprised by the level of details being considered by the draft, of which a significant part seems to us only appropriate for resolution.

#### **Q02: Do you believe that the draft RTS on recovery plans is comprehensive and contains sufficient and relevant requirements to enable a timely and effective recovery of an institution in the event of financial distress?**

The proposed draft RTS is over comprehensive and we have not identified missing information. On the contrary, we believe there is no need to provide that much data. Moreover, some of them are more appropriate for resolution, out of which the authorities have to set concrete resolution plans.

#### **Q03: Please provide your views on the indicators and escalation process as stipulated in the draft RTS under Articles 2(2)(a) and 5(c), and on the other governance arrangements provided for by Article 5.**

The indicators and escalation process to detect and address a crisis situation already exist within banks; this part of the recovery plan will consist in a specific summary of what is in place.

Moreover we don't think that the recovery plan needs to be reviewed by an external auditor as it describes possible strategic options and cannot be audited like financial statements or budgets

**Q04: Please provide your views on the relationship between the governance arrangements provided for by Article 5 and current risk management processes/governance arrangements such as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP)**

There is a strong link and continuity between current risk management processes/governance arrangements and the governance arrangements provided for by Art. 5. Capital and liquidity having a prominent position in the RRP framework, ICAAP and ILAAP are integrated in the plan. RRP's refer however to extreme crisis situations and accordingly require exceptional answers.

**Q05: Please provide your views on the requirements for the description of the institution or group, as stipulated by the strategic analysis in the draft RTS under Article 6 (3)**

The required description is almost identical to the description required for the resolution plan in the Annex B of the BRRD Commission Draft. Therefore this is a redundant description of the group for a recovery plan. Moreover, as the bank's management is in charge of the recovery plan, there is no rationale for such description.

**Q06: Please provide your views on the requirements for the recovery options, as stipulated by the strategic analysis in the draft RTS under Article 6 (4). Does this requirement comprehensively and adequately capture the different categories of recovery options that could be considered?**

The recovery plan has to consist of a list of possible options, chosen according to their feasibility and estimated benefits which could depend on broad types of scenarios, but no preference should be made ex-ante as the next crisis is very likely to be unpredictable and the vision on strategic importance of the activities could be affected by the crisis.

For the recovery plan, we think that it is not necessary to assess quantitatively the impact of the options; moreover the feasibility assessment requires too many details for the purpose.

We are in favor of a significant simplification of article 6.5 point (b) (too many details required) and article 6. (5) (c) (the options retained in the plan must be assessed as workable and not endanger the rest of the group).

**Q07: Please provide your views on the requirements for the communication plan, as stipulated in the draft RTS under Article 7.**

We think that this RTS gives too large a place to the communication plan.

French banks already have crisis communication procedures. It seems excessive to provide a communication plan for each recovery option.

Communication to the public in a recovery phase must be clearly defined. Any communication ex ante of a part of the plan must be excluded. It should be borne in mind that communications that the bank is in recovery is the best way to ensure it goes into resolution.

We are concerned about the confidentiality issue posed by the communication of the plan to a large number of persons within supervisory bodies. The unintended communication of parts of the plan to the public could have very detrimental impacts to the bank. Therefore we urge supervisors to restrict the access to the bare minimum and, where necessary define a way of communication which can ensure at all times that only few people, bound by professional secrecy and well committed to the confidentiality requirements, will have access to the plan.

**Q08: Please provide your views on the requirements for preparatory measures, as stipulated in the draft RTS under Article 8, providing in particular your views on the question what types of preparatory arrangements or measures could or should be taken into account in the analysis of the recovery plan.**

The recovery plan should demonstrate how each recovery measure can be implemented in a timely manner. No further preparatory measure should be required.

#### **Questions related to the impact assessment**

**Q09: Do you agree that some of the costs of preparing recovery plan are already incurred by the requirements of having a proper risk management framework?**

No comment.

**Q10: Could you indicate whether all the main drivers of costs and benefits have been identified? Are there any other costs or benefits missing? If yes, could you specify which ones?**

No comment.

**Q11: Do you agree that, for an institution, the costs of producing a recovery plan are likely to be proportional to the size/complexity of the firm and so of the costs its failure may create? If not, could you explain why?**

No comment.

**Q12: Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?**

No comment.