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Launched in 1960, the European Banking Federation is the voice of the European banking sector from the European Union and European Free Trade Association countries. The EBF represents the interests of some 4,500 banks, large and small, wholesale and retail, local and cross-border financial institutions. Together, these banks account for over 80% of the total assets and deposits and some 80% of all bank loans in the EU alone.

EBF response to the EBA consultation on draft RTS, ITS and guidelines related to the methodology for the identification of global systemically important institutions (G-SII) – EBA/CP/2013/44

The EBF would like to make the following comments on the questions raised in the above-mentioned consultative paper.

Before addressing the questions, we would like to make a remark regarding the acronym used (i.e. G-SII). It could surely create confusion in many stakeholders: We are aware that the acronym G-SII may be in use in several other EU publications and regulations. Nevertheless, it is very inconvenient to use an acronym which is already in use by the Financial Stability Board (FSB) with another meaning; it stands for Global Systemically Important Insurers.

We would also like to draw the attention of the EBA to the fact that much emphasis is placed on quantitative aspects and there is no consideration given to individual activities of firms. For example, should a firm be able to demonstrate a particular sound Recovery and Resolution Plan (RRP), or that it has taken other steps to increase its financial stability, this should be weighted in its favour when considering any final decision.

Question 1: Is it adequate to use the same data as used in the BCBS identification process for the scoring?

We welcome the proposal and support using the same data as per the BCBS identification process to determine the scoring, since such an approach clearly simplifies, maximizes and gives continuity to the current data origination and elaboration process.

Question 2: Are the indicators set out in Article 6 adequate for reflecting the systemic relevance of a systemically important institution?

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Although in our view the indicators proposed cannot fully reflect the systemic relevance of systemically important institutions, overall we deem the framework proposed by EBA well-founded, since it fully reflects the guidelines issued by the BCBS and will hence contribute to a level playing field at global level.

However, we have concerns regarding three issues:

1. the indicator of cross-border activity;
2. the indicator of substitutability;
3. the consolidation perimeter.

<u>Indicator of cross-border activity</u>:

The category of measuring cross-border activity could in our view be better qualified to capture the special features of the European Union, representing an integrated area from an economic and financial perspective. Hence, cross-jurisdictional claims and liabilities between EU member states should not be considered on the same basis as those between non-EU countries that have significantly less integrated markets and especially that do not share to a significantly comparable degree a similar regulatory and supervisory framework (including the Banking Union and those provisions on recovery and resolution developed in the context of the Crisis Management Directive).

Article 131 of the directive provides that when identifying G-SIIs "cross-border activity of the Group includes cross-border activity between MS and between a MS and a third country". This Article (and therefore the EBA's mandate) should be amended to take into account at least the new context created by the Banking Union. Due to their Single Rule Book and single supervisor, EZ countries should be considered as parts of the same jurisdiction. The EBA's proposal creates artificial cross-border activity which unduly penalises large European banks as compared to US banks operating in different states.

We note that article 131 of the directive says that "cross-border activity of the Group includes cross-border activity between MS and between a MS and a third country". Having made huge efforts and progress towards EU financial integration and, in particular, with the Banking Union process making headway, **the EBF cannot accept that banking activity between two member states be given the same treatment as the same activity between a member state and a non-EU country**. All the more if it is between two participating member states of the Banking Union.

The EBF therefore urges EU policy makers at all levels to defend in all international fora the case for EU banking sector integration.

This point should be clearly recognised and reflected in a standard that is developed by an authority, the EBA, which is a central part of the EU banking sector convergence process and one of the promoters of EU financial integration.

Indicator of Substitutability:

"Payment activity", as part of Substitutability / Financial Institution Infrastructure indicators, is in our opinion an unreliable parameter for the following reasons:

- Only payments via large payment systems are covered.
- Payments for other parties are included. But other parties can change to another institution for making the payments at any point.
- It is already captured by B) size indicators, C) interconnectedness and E) complexity.
- These data are not usually required for risk or finance reporting hence they are not stored and monitored centrally.

We therefore ask the EBA to review its appropriateness considering the abovementioned limitations and overlaps.

The consolidation perimeter:

As regards the consolidation perimeter, we note that the EBA sticks to the Basel definition, which is not precise enough. While we agree that it gives more national flexibility, this is at the risk of creating discrepancies between jurisdictions within the European Union, which is probably not what is intended.

We do not support the publishing of the full template as the information is not presented in the banking groups' annual reports or other publicly available sources. The data in the templates are based on regulatory reporting to the authorities and/or data excluding insurance and/or other non-banking activities. The EBF argues that where applicable and unless noted otherwise, group data should be reported using regulatory consolidation. Therefore, insurance or other non-banking activities should only be included insofar as they are included in the regulatory consolidation of the group. We therefore propose to limit the disclosure to the level of the 12 indicators without providing all details of the template.

Question 3: Are the timelines for the identification process and the coming into force of the buffer requirement adequate, and do they allow for sufficient time for adjusting to it?

Under Basel III, banks are requested to disclose their data in the same timeline as their financial communication. The EBA standard could cause duplication.

That situation will be unfortunate as banks will be forced to duplicate internal processes and, moreover, it will only bring about confusion to the recipients of such information, mainly investors and analysts.

Also, considering the degree of discretion granted to national authorities in the current legislative framework, it is not still possible to confirm the full adequacy of the process. If national authorities confirmed the BCBS framework for buffers, then no adjustment problems are envisaged.

The EBF suggests that the Basel III-based disclosure be made at the same time as the G-SIIs' list publication (i.e. November).

Question 4: Are the template and the instructions clear and sufficiently comprehensive for enabling institutions to complete the disclosure process?

With regards to data that are used also for the Leverage Ratio (Basel 3 Monitoring template), it would be useful to define an appropriate mapping between the information that is requested in the SIFI template and the official reporting modules – those for the leverage ratio in this specific case. This seems necessary to guarantee a homogenous and consistent filling of the template by all European banks, without unnecessary burdens in terms of collection and verification of information. Moreover, data on market capitalisation can be easily obtained by external providers (eg. Bloomberg, public financial statements), so there should be no need to ask banks for such figures directly.