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Ihr Zeichen, Ihre Nachricht vom Unser Zeichen, Sacharbeiter Durchwahl Datum

 BSBV 115/Dr.Egger 3137 18 September 2014

**EBA Consultation on Technichal Standards on the sequential implementation of the IRB Approach and permanent partial use under the Standardised Approach under Articles 148 (6), 150 (5) CRR**

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the EBA Consultation on Technichal Standards on the sequential implementation of the IRB Approach and permanent partial use under the Standardised Approach under Articles 148 (6), 150 (5) CRR and would like to submit the following position:

**Q4**

The proposed 8% threshold in Article 3 of exposure and RWA for immaterial business units/exposures is very restrictive. We support the EBA consideration, that was not taken into the RTS, to leave decisive discretionary power with local supervisors to allow more than 8% of immaterial business units/exposures in PPU up to at least 25% in case the risk profile and the geographical and institutional diversity of an institution justifies this.

Moreover there is no legal basis according to the CRR Art. 150 (1) a) and b) for a 8% threshold. In this paragraph the CRR mentions only the criteria of a limited number of material counterparties and the unduly burdensome implementation of rating systems for such counterparties. Therefore, the RTS should be based on these criteria and not on a share of bank’s assets.

At least, the thresholds should be raised, particularly for the exposure class of institution (CRR Art. 147 (2) (b)). Banks of medium size are likely to have an exposure to other institutions of about 10% of their assets while the number of counterparties in this segment is rather low (e.g. approximately 100). Moreover, the counterparties are heterogeneous concerning accounting standards and business models and have low PDs and, in local markets, often no credit rating. Therefore, estimation of an internal rating model and its calibration is not reliable actually.

Furthermore, grandfathering clauses should be included in consideration of the existing arrangements with national competent authorities and on the grounds that the development and implementation of IRB models require sufficient time.

**Q5**

We strongly support separate thresholds for individual vs consolidated level, allowing higher percentages on consolidated level to stay in PPU. The current proposal is not taking into account the geographical and institutional diversity of a consolidated banking group. In a diverse international banking group it is not uncommon to have immaterial business units in different countries where on aggregated level those immaterial units could breach the 8% limit. The aggregation in such cases is not comparable to the efforts to bring those units in IRB as those IRB applications run country by country and not on aggregated level.

Next to this, the institutional diversity could mean that there are many business units in the consolidation scope that are neither credit institutions nor investment firms (for example financial institutions according to CRR definition), very immaterial on individual institutional level. It is not the purpose of CRR or this RTS to force IRB standards for such units / legal entities that, based on their legal entity type, do not have the same regulatory and prudential requirements as credit institutions and investment firms. Therefore we propose to increase the consolidated threshold up to 25% and leave decisive discretionary power with local supervisors to allow even more than 25% according to the geographical and institutional diversity of a banking group.

Please give our concerns due consideration.

Yours faithfully,

Dr. Franz Rudorfer

Managing Director

Division Bank and Insurance