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FRENCH BANKING FEDERATION RESPONSE TO EBA CONSULTATION ON DISCLOSURE OF INFORMATION IN RELATION TO THE COMPLIANCE OF INSTITUTIONS WITH THE REQUIREMENT FOR A COUNTERCYCLICAL CAPITAL BUFFER UNDER ARTICLE 440 OF CRR (CP/2014/11)

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.

The FBF welcome the opportunity to share its view on EBA Consultation paper relative to a draft regulatory technical standard on disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer.

Question 1: Are the provisions included in these draft RTS sufficiently clear? Are there aspects which need to be expanded in more detail?

The provisions in these RTS are clear.

We understand it is necessary to report sufficient data in order to give a clear understanding of countercyclical buffer calculation. Yet, numerous detailed data could be with no added value whereas it stands for significant cost for institutions. Thus, we suggest the definition of a materiality threshold.

The publication in the OJ is planned in march/april 2015. The EBA envisages 31.12.15 as the first reporting reference date. But countercyclical buffer will entry in force in 31.03.2016. We call for an alignment between the reporting required and the CCB calculation. We don’t see added value to report table 1 or table 2 before Q1 2016.

<u>Question 2</u>: Are the instructions provided in Annex 2 of the draft RTS sufficiently clear?

Article 440 of the CRR requires that institutions disclose "(a) the geographical distribution of their credit exposures <u>relevant for the calculation of their institution-specific countercyclical capital buffer</u>; and (b) the amount of institution-specific countercyclical capital buffer".
The EBA propose institutions use exposure values (columns 010 to 030 of the template, page 14) and own funds requirements (columns 040 to 060 of the template, page 14) to describe the relevant credit-risk exposures for the calculation of the countercyclical capital buffer.

We understand from the EBA (page 20) that each metric has a specific role and therefore both are necessary:

- 'Own fund requirements' are used as a direct input for the calculation of the institution-specific countercyclical capital buffer and therefore show the composition of the buffer and the drivers behind its growth;
- 'Exposure values' ('sum of net long and short positions' for trading book exposures) provides a metric of exposures which shows the distribution of the institution's activities by country; unlike own funds requirements, it is not risk sensitive, and therefore provides a better measure of what exposures are relevant for the calculation of the countercyclical capital buffer.

We agree with the general view that two metrics provide a better picture, and therefore a better understanding, of the credit-risk exposures which are relevant for calculating the institution-specific countercyclical capital buffer. However as regard the Trading Book we note that when an institution uses its own internal models to assess its own fund requirements, the two proposed metrics (own fund requirements and exposure values, understood as the sum of net long and short position) do not coincide anymore; they coincide for institutions using the Standard Approach only. Therefore placing side by side the two figures may be confusing.

Does it mean that institutions should use either column 050 (when using internal models) or column 020 (when using the Standard Approach)? Or should column 020 be removed? However, in the latter case, for the sake of consistency columns 010 and 030 should be removed from the reporting too and the global picture would be lost.

<u>Question 3</u>: Our analysis shows that the costs of implementation are negligible. Do you agree with our assessment? If not please explain why.

To keep producing costs and clarity of reporting under control, as a general principle we recommend that request of new data in a reporting be made only when these data are not available in any other reporting already and that this request is justified by a real need.

In the context of this consultation, referring to our comment above (cf. Question 2) we think that this general principle is not followed for institutions using internal models to assess their Trading Book own fund requirements. Indeed, specifically for this reporting they would have to produce data (sum of net long and short positions, by country – see column 020, page 14) which have no use elsewhere and add no real value to the reporting due to their inconsistency with the other metric used in the same reporting (the own fund requirements, which are the real drivers of the institution specific counter-cyclical capital buffer). Such data production and reliability fostering would not be for free for these institutions. Therefore we recommend that the EBA consider two different reporting, depending on the status of the institution as regard Trading Book capital requirements calculation.