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Submitted electronically

Jose Manuel Campa, Chairperson
European Banking Authority
Defense 4 – EUROPLAZA
20 Avenue Andre Prothin
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Re: Consultation Paper: Draft Implementing Technical Standards on specific supervisory reporting requirements for market risk

Dear Mr. Campa:

The European Network of Credit Unions (ENCU) appreciates the opportunity to comment on the European Banking Authority's (EBA) *Consultation Paper: Draft Implementing Technical Standards on specific supervisory reporting requirements for market risk (Draft Standards)*.¹ Credit unions are consumer-owned, not-for-profit financial cooperatives that promote financial inclusion in underserved European communities by offering their members affordable and easily understandable financial products. There are approximately 1,000 credit unions in the European Union (EU) with more than EUR 20 billion in total assets and 7 million physical person members.²

Article 430b of the Capital Requirements Regulation (CRR) introduced the framework for the Fundamental Review of the Trading Book in to the European Union prudential framework. ENCU recognizes that this consultation represents the reporting requirements, which is the first step in expanding on the new market risk framework. ENCU understands that the purpose of this framework is intended to ensure that banks and other financial institutions hold enough regulatory capital to protect against losses arising from movements in market prices of the instruments held on their trading books.

Overall, ENCU generally supports the approach taken in the Draft Standards, as it appears that the EBA is taking a gradual approach and is cognizant of the impact of the increased reporting obligations that may arise in the future. We urge finalization of this standard with the requisite

¹ The *Consultation Paper: Draft Implementing Technical Standards on specific supervisory reporting requirements for market risk* (Nov. 2019), available at <https://eba.europa.eu/eba-consults-specific-supervisory-reporting-requirements-market-risk>.

² See "Credit Unions in Europe;" http://creditunionnetwork.eu/cus_in_europe.



eye towards proportionality in mind. Our concern arises mostly from unknown factors stemming from elements of the Basel Framework, which will ultimately be introduced into the CRR with an unknown impact on credit unions or the potential reporting requirements that will stem therefrom.

Credit Unions often have limited financial and staff resources because of their relatively small size (average of EUR 20 million in total assets) and are typically run by volunteer boards and volunteer employees which exacerbates the impact of any new reporting requirements. Credit unions often have to rely on outside firms and vendors to provide solutions for their reporting needs, but those systems often require a substantial amount of resources and work and often come at a steep price.

While most Credit Union systems in the EU are exempt from most aspects of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR) pursuant to Article 2(5) of CRD IV, credit unions must be regulated comprehensively as a financial institution pursuant to Articles 34 and 2(6) of the CRD IV. Commonly, credit unions are subject to rulebooks that are more stringent than CRD IV and CRR because credit unions' investment regulations typically limit investments primarily to member deposits and government guaranteed debt and credit; furthermore, credit unions also face leverage ratio requirements as high as 10%.

The effect on credit unions from this Draft Standard thus flows is two-fold: one, the flow-through reporting that may arise from a credit union's relationship with a bank or firm subject to these reporting requirements; and second, from national level regulators who look to these requirements as baselines when implementing their national level rulebooks for credit unions. As such, we urge the EBA to continue to consider the issue of proportionality through that lens as you move forward with implementation of the greater reforms.

The European Network of Credit Unions appreciates the opportunity to comment on the EBA's *Consultation Paper: Draft Implementing Technical Standards on specific supervisory reporting requirements for market risk*. Please do not hesitate to contact me or Jim Rusagara by email at info@creditunionnetwork.eu or phone at +32 2 626 9500 or +32 488 809 437 (mobile) should you have any questions regarding our comments.

Sincerely,

Andrew T. Price, Esq.
Vice President of Advocacy
European Network of Credit Unions
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