POLISH BANK ASSOCIATION

Kruczkowskiego 8, PL 00-380 Warsaw, phone: +48 22 48 68 180, +48 22 48 68 190, fax +48 22 48 68 100, e-mail: info@zbp.pl, www.zbp.pl

Warsaw, 7 July 2020

The European Banking Authority

The Polish Bank Association (PBA) welcomes the opportunity to express the views of the Polish banking industry on the consultation paper regarding the prudential treatment of software assets. In this context, we herewith provide you with our general remarks and responses to some questions listed in the Consultation. We do not answer all questions because we do not have the all figures to present full picture of the consequences. We understand that some questions are asked to individual banks not to banks' association or federation.

We welcome the solution proposed by the EBA in its draft RTS for the prudential treatment of software assets, based on a prudential amortisation. The RTS clearly explains the arguments that support a change in the treatment of software assets in the EU banking regulation.

Banks' investment in software is a key factor for success not only in ensuring that their business models remain competitive and resilient, but also in terms of ever-greater IT and cybersecurity risk. Furthermore, this type of investment contributes to banks' profitability, which ultimately supports system-wide financial stability and reduces the likelihood of bank failure.

The COVID-19 crisis has evidenced the importance of a strong IT network for business continuity and resilience, with banks carrying on crisis monitoring, business as usual operations and customer support mainly by using distributed networks that have allowed their staff to work from home to an unprecedented extent. This has and will require continuing software investment.

The importance of software is reflected also in CRR2 (in Recital 27), when the amortization of software for prudential purpose in banks were long discussed.

Question 3: What is your view on the calibration of the prudential amortisation period?

The proposal to consider only a two-year amortisation period appears to be very conservative. Generally, the banks in Poland have according to the accounting rules two years period for amortization of intangible assets. But this period is treated as minimum period. When banks apply this period the prudential and accounting amortization period are the same. However, the banks may

prolong the period for accounting purpose. The reason for such prolongation can be weaker financial results and big need for modernization of the IT in banks. This is the case for some smaller banks. They have no chance to compete successfully without the investment in software but weaker current financial results may hamper in order to apply two years amortization period. These banks should not be penalized for their prudential approach.

In our opinion the experience indicates that the software is used In bank for longer period than 2 years and it maintains in usability in longer period. This is the reason that is no justification for the limitation of prudential amortization period to 2 years. We propose to consider a little longer period for prudential amortisaltion period, for example 3 years.

Question 4: What is your view on the proposed alternative approaches illustrated above?

Polish banking industry recommend the implementation of the option B. In our opinion this approach is easier for implementation than the option A. We are conscious that the option B is more conservative approach, but the option A can be preferred by the banks which are more developed and invest a lot in software. In our opinion in approach B banks have already the data necessary for quick implementation. The additional benefit in this approach is the prior validation of software for accounting purpose.

Question 7: Please provide any additional comments on the Consultation Paper.

The proposed approach has been designed in order to be simple to implement and applicable to all institutions in a standardised manner as this is the case today with the deduction treatment (page 4 of the EBA consultation paper).

In practice, the proposed approach requires calculations to be made at the level of all individual software assets, taking into account the number of calendar days elapsed since the exact date of recognition on the balance sheet. In our opinion, the proposed approach can be further simplified without any significant impact on the outcome.

We hope you find our comments as useful in the further process of preparation of the final text of the RTS on the prudential treatment of software under Article 36 of Regulation (EU) No 575/2013 (CRR).

Yours sincerely,

President of Polish bank Association

Krzysztof Pietraszkiewicz