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2014.02.27

**FBF response to the EBA's consultation on the RTS, the ITS and the guidelines about the methodology for the identification of global systematically important institutions
EBA/CP/2013/44**

The Federal Banking Federation welcomes the opportunity to answer to the EBA's consultation of the draft standards and guidelines dedicated to the identification of global systematically important institutions (G-SII).

The EBA has been mandated by the European Commission to identify European global systematically important institutions (G-SIIs). The methodology is the same as the BCBS' methodology. This way, the EBA's list will not diverge from the FSB's list.

We would like to make a preliminary remark about the acronym G-SII, it is already used for Global Systematically Important Insurers. To avoid any confusion it should be better to use a unique acronym as SIFI for systemically important financial institution.

I- Key messages

The FBF would like to make three specific comments.

1/The "cross-border activities" indicator.

Article 131(e) of the directive provides that when identifying G-SIIs "cross border activity of the Group includes cross-border activity between Member State and between a Member State 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 Common Rule Book and single supervisor, Eurozone countries should be considered as parts of the same jurisdiction.

2/The timing of the disclosure

Our second concern is the timing of the disclosure. European banks are asked to report their data, based on the Basel 3 referential, in the same time as their financial communication, based on the CRR referential. Moreover, the financial communication includes the own fund requirement related to the 'SIFI ratio' based on the data Y-1 whereas the SIFI templates that the banks should disclose are based on the year Y.

This double communication raises one major issue; it will create confusion for investors and

analysts. It would conduct to wrong interpretation. We suggest that the indicators disclosure be made at the same time as the G-SIIs' list publication by the Financial Stability Board (November).

3/The robustness of the process

As regard the consolidation perimeter, we note that the EBA sticks to the Basel's definition, which is not precise enough. We agree that it gives more national flexibility however at the risk of creating discrepancies between jurisdictions within the European Union, which is probably not what, is expected from this exercise.

The template provided by the EBA should be completed with:

- References, related to other reporting templates;
- A "memo" from the supervisor should be drafted to provide the same guidelines to all other banks (i.e. the classification of economic agents as Fannie Mae). This way, the process would be more robust, as an auditable process should be.

II - Answer to specific questions

Response concerning questions relating to the draft RTS

Q1: Is it adequate to use the same data as used in the BCBS identification process of scoring ?

Yes, it is adequate to use the same data as used in the BCBS identification process of scoring because the EBA's list will not diverge from the FSB' list, but we request the homogenous application of the Basel 3 rules all around the world in order to avoid discrepancies between institutions.

An assessment of the impact of this divergence should be performed to see if there is an impact on the banks' classification in the buckets.

Q2: Are the indicators set out in Article 6 adequate for reflecting the systemic relevance of a systematically important institution?

Yes, the indicators are quite relevant, but some comments could be made. The main criticizes are:

1. That almost all criteria retained by the BCBS are an expression of the size whereas this indicator is already taken into account by the leverage ratio and the capital ratio framework. Moreover, the size of the bank is taken into account twice in the asset size indicator and in the complexity indicator (i.e.securities).
2. The cross boarder activities are considered as systemic indicator whereas a geographical diversification is the reflection of a base of sound risk management practices.
3. An adaptation of the definition of the cross border activity indicator (Article 131-e) is necessary to be in line with the strengthening of the European Monetary Union. We suggest defining the Eurozone as a domestic market. It should be consistent with the Banking Union building. The EBA's proposal creates artificial cross-border activity as compared to US banks operating in different states

Q3: Are the timelines for the identification process and the coming into in force of the buffer requirement adequate, and do they allow for sufficient time for adjusting to it?

We request to synchronize the disclosure of the indicators by the banks and the list of global systematically important institutions (G-SII), in order to avoid confusion for investors and analysts (i.e November).

Due to a lack of precision in the ITS, we are in favour of the public disclosure of the indicators only.

Response concerning questions relating to the draft Guidelines

Q4: Are the template and the instructions clear and sufficiently comprehensive for enabling institutions to complete the disclosure process?

The template provided by the EBA should be completed with cross references in the Excel spreadsheet, related to other reporting templates and a “memo” from the supervisor should be drafted to provide the same guidelines to all banks (i.e. the classification of economic agents). This way, the process would be more robust, as an auditable process should be.