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UniCredit Group's reply to the EBA CP45 on AMA changes

UNICREDIT CONSIDERATIONS

UCG strongly supports steps towards harmonisation and promotion of the level playing field, which has been negatively affected during the recent financial crisis.

UniCredit Group (UCG) experts have undertaken a review of the proposed guidelines and are broadly comfortable with the CEBS/EBA proposals. Nevertheless we would like to raise a few considerations or questions in chapter 2 and 3.

Chapter 2 – AMA Change Policy (ACP)

Par. 2.1, item 13 – categorisation scheme and Annex

An example of a “Major change” in Annex C is: “Changes that cause a relevant alteration to the operational risk capital charge”. The meaning of “relevant” remains uncertain (3%, 5%, ...?). In a similar way, we suggest to mention a threshold for the category “Significant change” in Annex B as well; we would suggest 5%, at a constant AMA perimeter.

Further to the category “Major change”, the footnote seems to hold a contradiction. According to this footnote:

“... All changes, which cause a relevant alteration of the capital figure have to be assigned to this category,” (Major change), “even if the type of change is not named as a major change or **assigned to another category** in the institutions’ ACP.”

But, on the other hand: “If a type of change is **named** in the institutions’ AMA change policy, such changes have, **without consideration of their impact on the capital charge**, to be treated according to the procedures applicable **for the given category**.”

Therefore, if a type of change is named specifically in a category, this would “override” the rule that if it causes a relevant alteration to the capital charge it has to be considered as in the “Major change” category? For example, if a Bank defines a certain change “XYZ” as a “Minor change”, but in certain circumstances it has a relevant impact on the capital charge, it is still allowed to consider and treat this change as a “Minor change”?

Par. 2.2, item 16 – Independent review of the ACP and its application

What are the Regulators’ expectations regarding which function should perform this review, the function that performs the internal validation or the internal audit function (second or third line of control)? Based on the institution’s governance rules, the review could be performed by both internal audit **and** the internal validation functions.

Par. 2.2, item 17 – ACP submission to the Regulator

Consider the case of an AMA authorised banking group, with partial use and a roll-out plan to bring further entities to the AMA status. A non-AMA Group entity applying for AMA in line with the roll-out plan, should include an ACP in the documentation package required for

the AMA application? Or is it authorized to “wait” until the Group presents its Group-wide ACP within June 2012 the latest (implementation of the Guidelines within 31st December 2011 plus 6 months)?

Also, a unique, Group-wide ACP is sufficient to include all AMA legal entities or are individual ACPs required?

Chapter 3 – Supervisory procedures for AMA extensions and changes

Par. 3.1, item 21 – Extension and significant changes

We deem as appropriate underlining that the approval process to be led by the consolidating supervisor that coordinated the other involved authorities. That allows to avoid duplication of efforts, also consistently with the

We would also deem as appropriate the consolidated supervisor align all the other supervisors in the College of Supervisors, including a key role of EBA.

Par. 3.2, item 23 – Major changes

We believe that also for major changes the institutions should mandatory provide an independent review as for the “Extensions” and “Significant” categories. The review could be proportional to the severity of the change.

Also with regard the major changes, the review should be led by the consolidating supervisors with further reporting in the College of Supervisors, including a key role of EBA

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Par. 3.3, item 27 – Minor changes

Please confirm, we suggest by stating as an example, that the notification of minor changes can be done by inclusion in the annual AMA assessment?



Institutional and Regulatory Strategic advisory

Contact people:

Heads of Departments/Areas.

Guido Moscon, Banking Supervisory Relations (BSR)

Sergio Lugaresi, Regulatory Affairs (RA)

Davide Bazzarello, Operational & Reputational Risks Portfolio Management (ORM)

Alessandro Nardi, Pillar II Risks and Operational Risk Validation (ORV)

EBA contact:

Marco Laganà, (RA), Marco.Lagana@unicreditgroup.eu

Main contributors

Andrea Cremonino, BSR

Huibert Jan Crielaard, ORM

Tiziana Romeo, ORV