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## **Response of ING Bank N.V. to the EBA Consultation Paper of Draft Regulatory Technical Standards on the Content of Recovery Plans (EBA/CP/2013/01)**

### **General comments**

- In general, ING Bank supports the proposals to come with such requirements to ensure that all European institutions base their recovery plan frameworks on a similar set of requirements. This not only underpins the level playing field and the effectiveness of a single European market, but is also contributes to having a financial systems that is sufficiently resilient to cope with an idiosyncratic or more system-wide stress event.
- Governance and procedures of a Recovery Plan framework should be based on the foundations of the ‘going concern’ operations of the Bank. For internationally active institutions as ING Bank, the prime Recovery Plan framework should be developed from a consolidated group perspective, which optimally can reflect the integrated and centralised capital and liquidity planning for both ‘going concern’ and more distressed circumstances. ING Bank has therefore also taken a holistic approach as a basis for developing the Recovery Plan, with the aim to protect the consolidated franchise i.e. financial position as starting point (which is also dependent on the financial health of the local entities). Therefore in principle ING Bank does not advocate setting up Recovery Plans for all (local) subsidiaries. In case subsidiaries decide to and/or are required to construct a Recovery Plan, this plan should follow set-up, principles and templates of and should be included in the group Recovery Plan.
- To ensure maximum effectiveness, the recovery plan framework should enable a sufficient degree of flexibility for an institution’s senior management to cope with an idiosyncratic or system-wide event. This flexibility should focus on the suite of recovery measures (although for achieving maximum effectiveness the description of each measure should include minimum standards as described in Article 6 of the draft RTS) and the decision to enter a recovery phase (instead of having a suite of ‘hard triggers’ that activate one or more elements from a recovery plan).
- The requirements with respect to the recovery plan framework should focus on the ability to recover from a financial distressed situation on its own strength, and should therefore be distinguished from any (reference to) resolution planning.

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### **Response questions**

*Q01. Have you already drafted/approved a recovery plan or are you in the process of doing so? Is your recovery plan in line with the contents of the draft RTS?*

ING Bank is of the opinion that it needs to be well-prepared in case of financial crises as a responsibility towards all its stakeholders, including regulators. Thereby taking into account the functions that the Bank fulfils for these stakeholders in the (inter)national economic and financial infrastructure. ING Bank has therefore already set up an all-encompassing recovery planning process to enhance the bank's readiness and decisiveness to tackle financial crises on its own strength, which has been shared with the Dutch Central Bank. The now existing package has been set-up to comply with the requirements set by both the Dutch Central Bank and the Financial Stability Board, and is generally speaking in line with the draft RTS.

*Q02. Do you believe that the draft RTS on recovery plans is comprehensive and contains sufficient and relevant requirements to enable a timely and effective recovery of an institution in the event of financial distress?*

ING Bank is of the opinion that the draft RTS contains sufficient and relevant requirements for effective recovery plan frameworks. Further, ING Bank supports the proposals to come with such requirements to ensure that all European institutions base their recovery plan frameworks on a similar set of requirements. This not only underpins the level playing field and the effectiveness of a single European market, but is also contributes to having a financial systems that is sufficiently resilient to cope with an idiosyncratic or more system-wide stress event.

*Q03. Please provide your views on the indicators and escalation process as stipulated in the draft RTS under Articles 2(2)(a) and 5(c), and on the other governance arrangements provided for by Article 5.*

In general ING considers it inappropriate that if a monitoring metric were to exceed pre-defined reference levels it would 'automatically' escalate ING into specific actions as intensified monitoring or recovery. ING prefers to evaluate the suite of monitoring metrics to come to an expert opinion (and not solely rely on standalone basis). In this process we combine the reported levels by making use of reference levels in order to qualify the state of ING's operating environment and ING's risk profile and financial position and indicate the need for an informed discussion whether to intensify monitoring or initiate recovery. Therefore ING supports the proposal to require having "indicators [that] should not automatically activate a specific recovery measure" instead of having solely a suite of 'hard triggers' which may lead to unnecessary activation and ineffective recovery plan frameworks.

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Any decision-making on intensifying monitoring and/or taking mitigating measures is part of business-as-usual processes, though dedicated work streams may be invoked. Typically, key decision-making is based on the monitoring report, the recommendation(s) therein and the professional judgement of the circumstances. Senior management is therefore responsible for assessing the indicators, based on the internal reporting streams under the business-as-usual governance structure.

*Q04. Please provide your views on the relationship between the governance arrangements provided for by Article 5 and current risk management processes/governance arrangements such as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).*

ING Bank's recovery plan framework is embedded in its business-as-usual operations, and is built on existing governance, frameworks, processes and plans. In this way one can regard it as a continuum of the ICAAP and ILAAP plans that include measures and strategic considerations to ensure ING Bank's readiness to tackle crises on its own strength. To prove its resilience, both ICAAP and ILAAP and the recovery plan framework include a suite of financial stress events that test ING Bank's ability to recover from a wide range of adverse scenarios.

*Q05. Please provide your views on the requirements for the description of the institution or group, as stipulated by the strategic analysis in the draft RTS under Article 6(3).*

ING Bank is of the opinion that the requirements in Article 6(3) will provide a relevant overview of how the institution operates and functions, what its key business lines are, and (important from a recovery perspective) what the internal and external interconnectedness is. This overview is necessary to construct a relevant and effective recovery plan framework.

*Q06. Please provide your views on the requirements for the recovery options, as stipulated by the strategic analysis in the draft RTS under Article 6(4). Does this requirement comprehensively and adequately capture the different categories of recovery options that could be considered?*

ING Bank is of the opinion that the proposed requirements for the recovery options include the key elements that an overview of recovery measures should have in order to have sufficient abilities to recover on its own strength from a financial distressed situation. These elements not only focus on the possible financial impact, but also take other relevant dimensions into account such as operational and legal issues, feasibility and effectiveness assessments, etc. In this way sufficient information can be given to effectively assess all recovery measures, both by senior management of the institution and by regulatory authorities.

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*Q07. Please provide your views on the requirements for the communication plan, as stipulated in the draft RTS under Article 7.*

ING Bank is of the opinion that a detailed communication plan, covering both internal and external communication, is a key element for effectively restoring from a recovery phase, and therefore agrees with the proposed requirements for the communication plan.

*Q08. Please provide your views on the requirements for preparatory measures, as stipulated in the draft RTS under Article 8, providing in particular your views on the question what types of preparatory arrangements or measures could or should be taken into account in the analysis of the recovery plan.*

The preparatory measures under Article 8 of the draft RTS are twofold. For the first measure, that needs to ensure having sufficient preparatory measures in place for asset or business line divestment, ING Bank is of the opinion that this should be part of the recovery options or measures (discussed in Article 6 or question Q06) to ensure that these measures can be processed effectively. The second measure, that more focuses on implementation of and improving the effectiveness of a recovery plan, can also be either shared under Article 5 or Article 6 (since it refers to the governance, the description or the effectiveness of recovery measures of an institution) or have it kept in a separate Article 8 (and in that case it is proposed to recall the Article to 'Implementation').

*Q09. Do you agree that some of the costs of preparing recovery plan are already incurred by the requirements of having a proper risk management framework?*

ING Bank is of the opinion that the costs of a proper recovery plan are already largely incurred by the requirements of having a proper risk management framework. Similar to the answer on Q04, ING Bank is of the opinion that the recovery plan framework is embedded in its business-as-usual operations, is built on existing governance, frameworks, processes and plans, and can be regarded as a continuum of the ICAAP and ILAAP plans.

*Q10. Could you indicate whether all the main drivers of costs and benefits have been identified? Are there any other costs or benefits missing? If yes, could you specify which ones?*

As mentioned under question Q09, ING Bank is of the opinion that the costs of a proper recovery plan are already largely incurred by the requirements of having a proper risk management framework. Although the benefit side of this is more difficult to quantify, ING Bank is of the opinion that the Bank itself and the industry having proper recovery plan frameworks will further improve the resilience of the sector in case of an institution-specific or industry-wide event.

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*Q11. Do you agree that, for an institution, the costs of producing a recovery plan are likely to be proportional to the size/complexity of the firm and so of the costs its failure may create? If not, could you explain why?*

ING Bank assumes that the costs of producing a recovery plan is likely to be proportional to the size and/or the complexity of an institution. For the costs that the failure of an institution may create this does not necessarily be the case. These costs may be inflated by the situation of an idiosyncratic or a more systemic event.

*Q12. Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?*

Apart from the remarks made in the questions above, ING Bank has no opinion on the analysis of the impact of the proposals.