

EBA-CP-2013-01@eba.europa.eu

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EBA Consultation RTS for recovery plans

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the EBA consultation regarding RTS for recovery plans.

We would like to submit the following position:

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?

- a) **Yes, for 2012 there are already approved recovery plans**
- b) **Yes, the recovery plans are in line with the contents of 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?

Yes - we agree

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.

We agree on the main logic and principles of the recovery indicators. On the proposed minimum dimensions for the detailed description of the indicators, we agree on capital position and liquidity situation as key quantitative. Risk profile related indicators seem reasonable as supplementary indicator, but could perhaps be covered also in a qualitative manner. Possible examples are change in estimated loss compared showing change in the quality of assets or

change in leverage showing potential overheating of the business in phases of economic boom. On profitability, we believe that this is a core measure for business as usual (BAU) but it is not an efficient indicator for purposes of recovery, as the degrading in profitability due to worsening of deteriorating quality of assets is showed with delay compared to risk profile indicators and degradation of the fee-based and liability business must be tackled before a bank gets into situation jeopardizing its survival.

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)

One the issue of ICAAP and ILAAP, we believe that core metrics relating to capital adequacy and liquidity regularly used in the managerial governance and monitoring of the bank are necessary. With respect to Capital Adequacy, bank internal Risk Appetite Frameworks often refer to both Pillar1 and Pillar2 capital metrics. In our view, Pillar1 capital metrics should be sufficient in terms of official recovery indicators, primarily because comparability of Pillar2 capital adequacy metrics across different banks is not sufficiently safeguarded and therefore raises the question of a level playing field: (a) banks utilize very different approaches and models; (b) respective local regulators' discretion vis-à-vis Pillar2 is higher, and the degree of regulatory harmonization is lower compared to Pillar1 issues

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)

No objection

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?

No objection

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

Though we agree with Article 7 (1) we believe that in a recovery phase - Article 7(2) - communication plan on a single recovery option level might be inappropriate, as the communication should always consider the entire recovery option package that is going to be used to support successful implementation of the entire package. Moreover, some recovery options, such as creating of a counterbalancing capacity for liquidity, do not require any special communication measure. We would instead suggest to rather analyse for each recovery option, whether its activation triggers necessary involvement of the Communication department or not.

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.

Questions related to the impact assessment

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?

We believe that some of the costs are partially included.

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?

n/a

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?

The costs will depend primarily on how the regulators will apply the proportionality principle set out in the RRD draft on the smaller institutes as well as in defining relevant or non-relevant entities within financial groups. If e.g. due to preference of local interest they will sustain on having individual recovery plans for entities with small market shares, the costs of producing recovery plan will not be proportional.

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

n/a

Kindly give our remarks due consideration.

Yours sincerely,

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