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European Banking Authority

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Consultation Paper Draft Regulatory Technical Standards - Content of recovery plans

General comments

In general the Swedish Bankers' association believes that the draft RTS is well-balanced. In some parts, we do however consider that the requirements are too detailed. The conditions must allow for flexibility and should not stipulate in advance which measures to take in a given situation, rather list relevant options independent of type of crisis/situation. It is further of utmost importance that the authorities respect, and align their approach with the FSB recommendations and therefore respect that the resolution strategy shall mirror the organizational structure. The authority should use the approach that is most suitable in the individual case when choosing between Single Point of Entry (SPE) and Multiple Points of Entry (MPE). Finally we want to point out that it is the duty of banks to draft and own recovery plans. Therefore, it is important that banks could decide by themselves whether recovery plans should and could be a part of already existing contingency plans.

Q1 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?

In accordance with the EBA's recommendation EBA/REC/2013/02 four of the Swedish banks are recommended to develop and present a group recovery plan to the Swedish Supervisory Authority (Finansinspektionen) by 31 December 2013. The four target banks are in process of developing a group recovery plan or have already developed a group recovery plan. One bank of those Swedish banks was requested to submit their Group Recovery Plan to the Swedish FSA in June 2012, following G-SIFI classification in November 2011.

Q2 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. A recovery plan should outline the strategic measures that the management of the institution may apply if the financial soundness is impaired, and detail how the necessary information is secured to ensure a timely execution of the plan. A recovery plan must therefore be flexible and should not stipulate in advance which measures to take in a given situation, but be able to list relevant options independent of type of crisis/situation. However, the institution management alone should be responsible for drawing up and implementing a recovery plan. It is therefore important that the requirements take into account that the plan is primarily a concern for the institution. It should be noted that, for centrally managed groups, it would not be relevant to prepare recovery plans for individual institutions in the group, as well as on a group level. Individual recovery plans for subsidiaries of centrally organized groups are not meaningful, if not aligned with the governance structure and operating model of the group. The group plan for centrally managed groups must instead detail how the material entities within the group are recovered.

Article 1 This Regulation specifies the minimum information to be contained in an individual recovery plan or a group recovery plan

The draft directive stipulates simplified obligations for certain institutions. Article 1, as mentioned above, specifies a minimum level of information disregarding the proportionality stated in the directive, which should be reflected in the requirements for small institutions.

Article 2 "material branch or legal entity" means a branch or legal entity that meets at least one of the following criteria:

When planning for resolution of material branches or legal entities, it is of the utmost importance that the authorities respect, and align their approach with the FSB recommendations from November 2012. FSB makes it clear that the resolution strategy shall mirror the organizational structure to reflect that a SPE approach is most suitable for centralized firms, while a MPE approach might work better for decentralized organisations (group of individual banks). It is important that the requirements do not jeopardize regional financial stability, and eliminate the benefits from having diversified financial organizations.

Q4 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)

It must be possible to implement the plan based on the existing structures in the organization. The plan must constitute a good preparation for a crisis situation in



terms of securing the relevant information in a timely fashion, and efficient governance structures for crisis management. In terms of governance, recovery planning extends Stressed Business as Usual, meaning that it should be based upon the existing governance structures and escalation procedures. However, the specific recovery options must not be binding since no one is able to predict the nature of a forthcoming crisis. Recovery planning should not be required to rely on mathematical modeling, as historical observed correlations used in such models, are likely to change during an unprecedented crisis. Scenario analysis can only be used with the purpose of testing the diversity and effectiveness of the recovery options.

Article 6 – Strategic analysis

Part of the information requested in Article 6, is not related to recovery planning as such, but is understood to provide the authorities with the relevant information for planning how to resolve the institution, as well as for assessing the vulnerabilities, systemic risks and interconnectedness of the institution with the surrounding financial system. In that light the information requested seems both targeted and relevant. The requirements in the draft Regulatory Technical Standards paragraph 3 covers “business model and business plan”. These requirements are not listed in the draft Directive and are not relevant in the context of recovery planning, but can be used to give the authorities the necessary information for their resolution planning, and for assessing the systemic risks in the financial landscape.

Further, it has to be clarified how the requirements in Article 6 paragraph 5 (a) (5) relates to the requirements imposed on listed companies.

Q5 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)

They are appropriate.

Q7 Please provide your views on the requirements for the communication plan, as stipulated in the draft RTS under Article 7.

The requirements have to be consistent with other requirement e.g. requirements imposed on listed companies. To achieve consistency at least the word “detailed” should be removed in paragraph 1 first sentence. Further, in subparagraph (a) it ought to be sufficient to require an internal communication plan and not who the recipients are. It is also important that existing processes for crisis communication could be used and further extended for crisis falling in the scope of recovery.



Q9 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?

To some extent the costs of preparing recovery plans are incurred by the requirement of having a proper risk management framework. The new requirements will also involve additional authorities which in turn will generate higher costs including reporting costs.

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