

European Banking Authority

Via email:
DP-2012-02@eba.europa.eu

Dear Sirs

Response to the EBA discussion paper on a template for recovery plans (EBA/DP/2012/2)

Nordea welcomes the opportunity to comment on the discussion paper on a template for recovery plans, see [appendix](#).


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Yours faithfully

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Appendix

Q.1 Have you already drafted/approved a recovery plan or are you in the process of doing so? If so, please reply to the following questions referring to your experience

Nordea is in the process of drafting a recovery plan.

Q.2 Is your recovery plan or would your future recovery plan be in line with the contents of the template and its underlying approach? Please mention the relevant differences, if there are any

Yes it would be in line with the contents of the template and its underlying approach.

Q.3 Are there legal provisions and/or guidelines in place in your jurisdiction with regard to recovery plans and resolution plans? If so, are there any elements of this template which conflict with those provisions?

No such separate legal provisions and/or guidelines are in place besides the overall FSB Key Attributes and the Dodd Frank Act.

Q.4 What kind of legal implications and/or binding effects does the plan have in your jurisdictions, if any, and what should they be, in your opinion?

The plan would not have any legal implications and/or binding effects and Nordea would find it natural that no such effects are coupled to the plan. In light of the difficulties to plan for a potential future crisis, the plan must be seen as an uncommitted survey of the possible options available.

Q.5 Do you believe the draft recovery template to be sufficiently comprehensive and cover all the aspects relevant for the purpose of the recovery plan? If not, please specify what is missing.

The template is sufficiently comprehensive and it would benefit from being further streamlined towards the recovery stage. Now some parts of the plan include information better suited to be included in the resolution plan.

Q.6 Should the recovery plan include scenarios and assumptions as possible points of reference for testing the various recovery options? What role should they play within the recovery plan and with respect to the possibility to consider per se the various triggers and negative impacts?

The most important is to establish the possible recovery options that might be available in any given crisis. It would not be efficient to try to also include scenarios and assumptions as

possible point of reference for testing the various recovery options for a potential future crisis. Stress testing and scenario analysis are more part of the annual Internal Capital Adequacy Assessment Process.

Q.7 How would/do you identify quantitative and qualitative recovery early warnings and triggers? What are the key metrics you would use to develop early warnings and triggers?

The statutory requirements, primarily concerning capital, liquidity and credit risk, would be the starting point as early warnings and triggers. This is complemented by an early warning system which allows for timely identification and reaction in response to unfavourable external developments.

Q.8 What kind of corporate governance arrangements have you adopted or would you adopt for recovery planning? Please comment on differences to the template.

The recovery planning would be a natural part of the risk management framework and the current corporate governance arrangements for this framework.

Q.9 How do/would you ensure the consistency between your group recovery plan and recovery plans drafted by your main entities? For this purpose, are you aware of any obstacles in the current legal framework?

The group recovery plan would be the base and the plans for main entities should form part of that plan. The identification of the core of the institution in question must guide the level at which the recovery plan should be made.

Q.10 What range of recovery measures do you think should be envisaged in the template?

The recovery measures indicated in the template are sufficiently comprehensive.

Q.11 Have you got any remarks or concerns related to the confidential nature of the information provided in the recovery plan? If so, please elaborate.

The plan would include information of a high operational and strategic importance to the institution, thus it would be of outmost importance that confidentiality is ensured by all relevant stakeholders. Nordea would urge the regulators to focus more efforts on this issue.

Q.12 Should the plan include a ranking among the various recovery measures, differentiating between them with regard to possible scenarios and assumptions and taking into account the expected impact of each measure?

As mentioned above the plan establishes possible recovery options that would be available in a future crisis. It would not be efficient to also try to include a ranking among the various recovery measures as the future situation is not known and more detailed planning would very likely not add further value to the process.

Q.13 How would you assess the credibility of a recovery plan? Please comment on your experience

The recovery planning process gives in many aspects valuable input to the organisation. To enhance credibility, effort must be put on including necessary flexibility and sufficient reasoning concerning the possible recovery options. The identified recovery options must be feasible, as well as sufficiently rich and diverse to preserve the core business in different circumstances. Credibility will hence reflect the presence of appropriate and timely (executable) options tailored to the specific business model of the institution in question.

Q.14 What kind of information arrangements have you put in place to ensure that the right information is available within a short time frame for decision-making in a stress situation?

The current information arrangements have been evaluated and enhanced where necessary.

Q.15 How frequent should interactions/iterations between the supervisor and the financial institution be? What role should the supervisor play?

The interactions/iterations with the supervisor would be rather frequent when establishing the first plan. The supervisor would act as an important sounding board, and should ideally offer guidance in the planning process. In longer term the interaction would probably be less frequent and focused on the at least yearly revisions of the plan.

Q.16 The implementation of a recovery plan is likely to structurally modify the financial institution and its sources of revenues. Should a forward looking business plan, assuming the implementation of the recovery options, also be part of the recovery plan?

A forward looking business plan, assuming the implementation of the recovery options, should not be part of the recovery plan. The possibility of accurately estimate the future business conditions would be very small.

Q.17 Please provide views on the impact, including your costs and benefits analysis, of the issues involved in the preparation of a recovery plan?

Making the recovery plan has a positive impact to the extent it supplements the existing strategic planning. It does also highlight the potential impact on the existing strategy of adverse business conditions. The costs are very significant as the collection and harmonisation of the detailed documentation and data required is complex.

Q.18 Have you made, or do you plan, changes in the organisation to facilitate successful implementation of the recovery plan in the future?

A separate Group Recovery and Resolution Planning unit has been set up within Group Risk Management. No further changes in the organisation are planned to facilitate successful implementation of the recovery plan in the future.