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SUBMITTED VIA WEBFORM

European Banking Authority
20 Avenue Andre Prothin
92400 Courbevoie
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06.07.2020

Dear Sir/Madam,

**Consultation Paper on Draft Regulatory Technical Standards on the prudential treatment of software assets**

Barclays welcomes the opportunity to respond to your consultation and is delighted to have submitted today our response through your online questionnaire. Barclays is listed on the EU Register of Interest Representatives, registration number 72390466359-39.

Barclays is an active institution in European Capital Markets, committed to retaining and developing a presence within the Union, irrespective of the outcome on Brexit and the future UK-EU relationship. We have been actively involved in supporting EU and UK regulators on the assessment of the potential impact of regulatory reform on both the banking sector and the wider economy. Software continues to develop in importance as a strategic asset for the banking sector, enabling the global provision of products and services to clients and the safeguarding of assets. Given its ability to generate revenue and its central role in day to day operations we believe that software should be treated as a separate type of intangible asset for prudential purposes.

We see this consultation as a positive step in addressing the challenges faced by EU banks relative to both US peers and the increasing emergence of FinTech companies who do not face the same regulatory standards as the banking sector. Given the divergence between jurisdictions and between the accounting and prudential treatment for the amortisation of software, we would believe there would be a benefit for this topic to be addressed by the Basel Committee for Banking Supervision to work towards internationally consistent standards that would support a level playing field and avoid competitive disadvantage developing in this area.

We have set out our detailed comments on the specific questions contained within the consultation paper in our submission. Our key messages are reflected below:

- We consider that the approach set out in your consultation based on prudential amortisation meets the intent of being both a practical approach and one which can be implemented in a short period of time.

- We support option B as the preferred approach to facilitate a rapid and consistent adoption of the approach set out in the consultation paper. Whilst we consider that option A could offer a greater amount of relief if implemented, the regulatory requirements to meet this would increase the operational burden on banks and inhibit the ability for the new regime to be implemented in a prompt manner.

- Notwithstanding the above, we recognise that the prudential headwinds driven by the economic stress brought about by the Covid-19 pandemic has prompted the accelerated deployment of these proposals. We support the early adoption of the finalised RTS.

- We acknowledge the lack of data that is publicly available and the difficulty in obtaining full, detailed information on the transactions that have been reviewed as part of your assessment. Similarly, the lack of international consistency in this area risks creating an un-level playing field in an area where there will be increasing strategic focus for banks. We would propose the EBA recommends a review to consider the implementation of the RTS two years following its adoption. We believe that two years of industry data would overcome some of the limitations highlighted by the EBA of the data provided through the QIS exercises, and would support broader discussions between regulatory colleges to achieve international consistency in this area.

- We welcome the commitment of the EBA to drive these proposals forward and would encourage ongoing cooperation with the European Commission and legislative bodies to adopt the proposed RTS at the earliest opportunity.

We would welcome the opportunity to further discuss this and other aspects of our submission with you in the coming weeks. This would also allow us the opportunity to present out view on the quantitative impacts of the proposals as we see them affecting the banking sector.

I hope you find our comments and suggestions helpful. Please do not hesitate to contact me or Sam McAuliffe (sam.mcauliffe@barclays.com or 020 3134 1176) if you have any questions or comments on the issues raised.

Yours faithfully,

Dipal Patel
Head of Policy, Barclays Finance

Copied to: Simon Hall, Head of Department, Banking Policy Division, Prudential Regulation Authority
Matthew Alder, Head of Prudential Banking, Financial Services at HM Treasury