

09 July 2020

European Banking Authority

**Public consultation: Technical standards specifying the prudential treatment of software assets**

Swedbank welcomes the opportunity to respond to the consultation on the technical standards specifying the prudential treatment of software assets. Swedbank broadly supports the response of both the European Banking Federation and the European Savings and Retail Banking Group, with an exception to the position expressed regarding the alternative approaches proposed in the Question 4 in the consultation paper.

Swedbank recognises the merits of Option B, especially its ease of implementation given that banks already have the necessary data for quick implementation. However, the Option A seems to be more in line with the goal to promote the bank investment in software to keep up with the digital transformation. There is no significant difference between options in case of constant investment in the development of software. However, banks with a steadily growing investment in software would particularly benefit from the Option A despite the technical challenges of such accounting practice.

Option A would also avoid penalizing entities which are engaging in projects which are developed over a long period of time. Indeed, the amortisation process could start even a long time after the date of initial capitalization. Thus, the Option A will grant a smoother ratio impact avoiding a long-term project being fully deducted from CET1 capital until the software becomes available for use.

Overall, while the Option B is more conservative and easier from the implementation perspective, Swedbank prefers the Option A as it encourages banks to invest in software that is important not only from competitive advantage perspective, but also from a cyber resiliency perspective. Swedbank recommends the EBA to explore an option to run both options in parallel and leave it up to banks to choose the approach or opt for a single Option A.

We remain at your disposal for further dialogue on the topic.

Johanna Orth  
Head of Group Regulatory Affairs

For questions, please contact:  
Arnis Puharts, Advisor, Group Regulatory Affairs  
arnis.puharts@swedbank.se