

POSITION PAPER



ESBG response to the EBA consultation on draft Guidelines on the minimum list of qualitative and quantitative recovery plan indicators

**ESBG (European Savings and Retail Banking Group)
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Dear Sir/Madam,

Thank you for the opportunity to comment on the EBA consultation on draft *Guidelines on the minimum list of qualitative and quantitative recovery plan indicators*.

1. Do you agree with the inclusion of both quantitative and qualitative indicators for recovery planning purposes?

ESBG agrees that quantitative and qualitative indicators should be included in recovery plans. However, within the set of recovery indicators that the EBA proposes, we believe that differentiation is needed so as to reflect the importance of certain indicators with regard to recovery and resolution against other indicators that are rather considered as early warning indicators.

We therefore suggest the following two-fold approach:

- I. A first set of binding recovery indicators which should cover the capital and liquidity indicators. These indicators should have thresholds which will trigger an escalation process so as to decide whether it is needed to implement the recovery plan or not;
- II. A second set of ancillary indicators which should cover profitability, asset quality, market based and macroeconomic indicators. The monitoring of these ancillary indicators would allow to potentially anticipate distressed situations not yet reflected by the binding recovery indicators (capital and liquidity). Therefore, ancillary recovery indicators would not have an associated trigger, but be thoroughly assessed by a senior internal committee applying expert criteria and a historical perspective and drawing comparisons with respect to peers. This set of indicators will not automatically activate the escalation process.

2. Do you consider that there are other categories of indicators apart from those reflected in the draft Guidelines which should be included in the minimum list of recovery plan indicators?

ESBG does not believe that further categories would be necessary. However, if in the future the capital regulatory framework includes new elements, such as the minimum requirement for own funds and eligible liabilities (MREL), they could perhaps be included in the list of indicators, provided that they are relevant for the respective institutions.



3. Do you agree with the list of specific recovery plan indicators included in Annex I, Section C, or would you propose to add other indicators to this Section?

In principle ESBG agrees with the list. However, a certain degree of differentiation between categories (binding vs. ancillary indicators), as explained in the response to question 1, could be introduced.

4. Do you consider that these Guidelines should establish the threshold for each quantitative recovery plan indicator to define the point at which the institution may need to take recovery measures to restore its financial position?

ESBG is not in favour of the EBA establishing the precise thresholds for quantitative indicators. We rather believe that each entity should be able to set the thresholds based on its business and risk management model. Therefore, a one-size-fits-all approach for the thresholds is not a workable solution in our opinion.



About WSBI-ESBG (European Savings and Retail Banking Group)

ESBG brings together savings and retail banks of the European Union and European Economic Area that believe in a common identity for European policies. ESBG members support the development of a single market for Europe that adheres to the principle of subsidiarity, whereby the European Union only acts when individual Member States cannot sufficiently do so. They believe that pluralism and diversity in the European banking sector safeguard the market against shocks that arise from time to time, whether caused by internal or external forces. Members seek to defend the European social and economic model that combines economic growth with high living standards and good working conditions. To these ends, ESBG members come together to agree on and promote common positions on relevant matters of a regulatory or supervisory nature.

ESBG members represent one of the largest European retail banking networks, comprising of approximately one-third of the retail banking market in Europe, with total assets of over €7,300 billion, non-bank deposits of €3,480 billion and non-bank loans of €3,950 billion (31 December 2012).



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