

ESBG response to the EBA consultation on Technical standards on the new Business Indicator framework for operational risk

ESBG (European Savings and Retail Banking Group)

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May **2024**



**Questions**

**Question 1: What are your views with regards to the proposal for the ILDC component? Please explain and provide arguments for your answer.**

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| In accordance with previous drafts of the CRR. |

**Question 2: What are your views with regards to the proposal for the Services component? Please explain and provide arguments for your answer.**

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| In accordance with previous drafts of the CRR.  However, in relation to Article 314(6)(b) of the CRR, we request that the definition of “financial services” be clarified, as considered in Article 16.1.b.i) of the proposed Commission Delegated Regulation, involving the outsourcing of fees paid for financial services. |

**Question 3: What are your views with regards to the proposal for the Financial component? To which extent are you carrying out operations or making accounting choices as referred to under paragraph 2, point a) of Article 9 of this draft RTS? Are you carrying out operations or making accounting choices, other than those specified under paragraph 2, point a) of Article 9 of this draft RTS, that could justify the use of the PBA? Please explain and provide arguments for your answer.**

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| In the case of some ESBG institutions, use of accounting criteria (FINREP).  In the case of entities in the same prudential consolidation group, the situation is more complex. According to the draft RTS on the components of the Business Indicator, the prudential boundary approach to be permitted shall apply to all entities of a same consolidation group. We suggest introducing proportionality principles in that requirement. Therefore, it could be specified that if an institution wants to apply the prudential boundary approach, all the other institutions included in the same prudential consolidation apply the prudential boundary approach. However, by derogation, accounting approach may be retained for institution in the same prudential consolidation group with no or not significant trading book that do no supersede given thresholds. Indeed, for these entities the cost of implementation largely overseed the benefit. |

**Question 4: What are your views with regards to the proposal for the specification of the items to be excluded from the BI? Please explain and provide arguments for your answer.**

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| We agree with the specification of items to be excluded from the BI. |

**Question 5: What are your views with regards to the proposed mapping of the BI items to the FINREP cells? Please explain and provide arguments for your answer.**

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| We generally agree, as BI concepts are easily identifiable in FINREP statements. We would like to note, however, that the FINREP-Mapping provided by authorities is only applicable for consolidated reports, leading to a disparity in detailed data between FINREP solo and FINREP consolidated, thereby resulting in increased manual effort. We would also like to highlight that all additional information, which is not supported by FINREP reporting (e.g. outsourcing fees), is furthermore increasing complexity in the reporting. |

**Question 6: What are your views with regards to consider the financial statements used for the final valuation as the only reference for the acquisition of activities under the baseline approach (i.e. full historical data)? Please explain and provide arguments for your answer.**

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| In accordance with the use of the financial information used for the final valuation (due diligence). The entity will have to establish mapping of that information. |

**Question 7: What are your views with regards to the proposed three alternative calculation approaches instead of a unique alternative approach to be defined? Please explain and provide arguments for your answer.**

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| We believe it is disproportionate to calculate three different approaches, given the high manual effort involved. We wish to emphasize the significant manual effort required to provide reporting data for solo entities, as requirements differ from those employed in consolidated reporting. |

**Question 8: What are your views with regards to not providing any alternative method but adjustment to the effective perimeter of the disposal? Please explain and provide arguments for your answer.**

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| We believe that an adjustment must be made taking into account the value of what was disposed of. |

**Question 9: What are your views with regards to the inclusion of a threshold? Please explain and provide arguments for your answer, as well, if applicable, further evidence on situations where BI adjustments as set out under articles 1 and 2 would not be feasible or deemed excessively cumbersome and identify potential consequences on the dynamics of the European financial markets.**

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| In accordance with the establishment of thresholds. The merged entity is typically not the sum of entity 1 + entity 2. The business is restructured. Therefore, the business indicator should not be calculated by the sum of the items in the FINREP statements of the merged companies. |

**Question 10: What are your views with regards to the basis for the calculation of the threshold? Please explain and provide arguments for your answer.**

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| A materiality criterion must be established. |

**Question 11: What are your views with regards to the level you consider would be appropriate for the threshold? Please explain and provide arguments for your answer.**

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| An appropriate threshold would be 5%-10% on CET1. |

**About ESBG (European Savings and Retail Banking Group)**

ESBG​ is an association that ​represents the locally focused European banking sector, helping savings and retail banks in 17 European countries ​​strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 871 banks, ​which together employ 610,000 people driven to innovate at 41,000 outlets. ESBG members have total assets of €6.38 trillion, provide €3.6 trillion loans to non-banks, and serve 163 million Europeans seeking retail banking services.

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Published by ESBG. May 2024