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11 March 2016

## EBA Consultation on Guidelines on ICAAP and ILAAP information (EBA/CP/2015/26)

### General Comments

The EBF welcomes the EBA consultation paper on Guidelines (GL) on ICAAP and ILAAP information collected for SREP purposes. The guidelines provide useful additional insight on supervisory expectations regarding the content of ICAAP/ILAAPs and how National Competent Authorities (NCAs) expect firms to demonstrate their adherence to capital and liquidity adequacy standards. Having detailed guidance on the required content of an ILAAP and ICAAP is vital to ensuring the consistency and comparability of ILAAPs and ICAAPs, allowing supervisors to consistently assess their reliability.

Furthermore, we welcome the fact that the EBA draft guidelines on ICAAP and ILAAP information collected for SREP purposes recognise that the ICAAP and ILAAP are internal processes. We would like to emphasise the need to maintain the ability for banks to have a flexible approach to their capital planning.

### Key Messages

**EBA should limit the amount of information requested to elements that are actually relevant and manageable for an ICAAP/ILAAP.** The EBF urges the EBA to reconsider the volume of information that is requested as part of the ILAAP/ICAAP submission to assess the effectiveness of policies and should limit the submission to existing overview reports that are presented to management bodies. The extra information suggested, e.g. the operational documentation, will easily amount to more than 1,000 pages, turning both ICAAPs and ILAAPs into excessive documentation/information exercises which will be challenging for competent authorities to analyse and assess. At the same time, the timeline for producing and approving an ICAAP/ILAAP is very tight therefore firms should be enabled to prioritise their efforts on managing their capital and liquidity risk rather than compiling vast quantities of supporting documents. Otherwise, there is a risk that focus will not be given where it is due. It should be clearly highlighted that the guidelines should only provide the competent authority with a catalogue and map of information. For example, it should be made clear with regard to operational documentation that only key risk indicators which are reported to ALCO and other management bodies, to serve as input for the assessment of effectiveness of policies, should be included. Further detailed information should be referenced and mapped. The supervisor can then choose to ask for actual documents later if deemed relevant and valuable for the SREP process.

**The ICAAP/ILAAP information obtained for SREP purposes shall not control the format of the ICAAP/ILAAP.** The capital requirements directive (CRD) requires banks to have in place processes to assess and maintain adequate levels of internal capital and liquidity buffers. These processes are bank specific. The ICAAP/ILAAP is a central part of the banks management processes. Therefore it is important that the information requested by the national supervisory authorities does not prescribe the format for the ICAAP/ILAAP. This could be clearly stated in the guidelines.



**It is often unclear whether the information specified is requested or suggested.** Example: on p. 4 (“whilst not setting any specific requirements...” clashes with page 8 (paragraph 9) “In particular, competent authorities would be expected to receive from Category 1 institutions all information specified in these guidelines ... by a single set date as a comprehensive package.”)

**The Guidelines should endeavour to provide clear justifications for specific documentation to be provided as part of ICAAPs/ILAAPs.** Some of the documentation seems unreasoned and/or redundant as it is provided to the authorities through other processes. Below, in the detailed comments, we provide examples of suggestions that are either irrelevant, redundant or with little to no impact on the conclusions of the reports.

**Reader’s manual for facilitating the assessment of ICAAP/ILAAP documents.** We have some concerns about the reader’s manual that should provide “an overview of where the information items specified in these guidelines can be found in the documentation provided by an institution” and that should follow the same structure established in these guidelines. We would welcome further clarification on the expectations on documentation in general but also on the reader’s manual. Indeed, these guidelines do not introduce a specific ICAAP/ILAAP report, but they ascribe to the competent authorities the responsibility for determining specific forms for the submission of information. While we support an alignment of specific forms defined by NCAs with these guidelines in order to avoid a burden on the institutions, it should be borne in mind that the reader’s manual is devised not to compel banks to a specific format but to allow some flexibility to organise and reference documentation in a way that reflects a banks internal logic and procedure.

**The proposed order of contents of the ILAAP could be simplified and alternately structured** in such a way as to allow firms to more clearly demonstrate their liquidity adequacy. As currently drafted, the order of sections begins with the liquidity risk management framework, moves on to funding strategy, then to liquidity buffers, funds transfer pricing, intraday risk, stress testing and contingency funding planning. This order is confusing and should be simplified in order to allow firms to better present their main liquidity and funding risks and how they manage these. Banks should be able to use their own structure as long as they provide a mapping table to provide reference to ILAAP GL structure.

We would welcome further clarity regarding the structure of the ILAAP contents. As a practical alternative measure, the EBA could for example consider the proposed structure and content of ILAAP documents published by the UK Prudential Regulatory Authority (PRA) in their June 2015 paper “PRA’s approach to supervising liquidity and funding risks”. This suggested alternative structure allows firms to clearly describe their conclusions of their overall liquidity adequacy review, clearly state their LCR positions, level of High Quality Liquid Assets, inflows and outflows then describe their liquidity and funding risk assessments before describing their risk management frameworks.

**Data collection GL is not aligned with and “gold-plates” the SREP GL:** The Guidelines on ICAAP/ILAAP data collection (hereinafter “data collection GL”) have a close link to the SREP Guidelines from December 2014. As stated on page 4, these Guidelines facilitate a consistent approach to the assessment of institutions’ internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) under the supervisory review and evaluation process (SREP) and should be read together with the EBA Guidelines on common procedures and methodologies for SREP (SREP Guidelines, hereinafter “SREP GL”). The SREP GL provide an umbrella set of guidance, with the data collection GL going into more detail for a number of items not explicitly mentioned in the SREP GL. In particular, the data collection GL specify what information regarding ICAAP and ILAAP competent authorities should collect from the institutions, in order to perform their assessments following the criteria specified in the SREP GL”, and thus facilitate the consistent approach to the assessment of ICAAP and ILAAP by NCAs under the SREP. This means that the data collection GL builds on the SREP GL



and is content-wise closely related to the requirements defined in the SREP GL. It is therefore hard to understand why the data collection GL is content-wise not fully aligned with the SREP GL. There are several disadvantages with such a “silo” approach:

- Lack of consistency, transparency and reconcilability – in many cases it will not be fully clear, neither for NCAs nor for banks, which information in the data collection GL covers which SREP GL requirements.
- Content-wise the data collection GL sets different and additional priorities compared to the SREP GL. This means that the data collection GL is effectively “gold-plating” the SREP GL, a result not necessarily intended by the data collection GL and not favoured by the banking industry given the already demanding standards of the SREP GL.
- Such an approach will be detrimental to a consistent SREP assessment by NCAs and endangers the overall objective of EU-wide harmonisation.

An approach is preferred where the data collection GL closely follows the SREP GL in terms of structure and content. As a minimum, explicit reconcilability between the two GL included in the data collection GL should be ensured (approach of transparent reconcilability).

The following two examples substantiates the statements above (further examples are illustrated in the detailed comments under Section 7. ILAAP specific information):

- It is unclear which documents NCAs should require to assess liquidity and funding risk (chapter 8.2 and 8.3 of SREP Guidelines);
- Para 48c. of the data collection GL requires a description of the interlinkage between intraday liquidity risk management and the Contingency Funding Plan. This is a topic not explicitly addressed in the SREP Guidelines and thus is effectively a new content requirement. For more examples on “gold-plating” requirements in the data collection GL compared to the SREP GL please refer to the annex at the end of the document.

**Assessment of Pillar III disclosure of ICAAP/ILAAP:** We fail to understand the usefulness of the requirements relating to the Pillar III disclosure and are therefore strongly opposed to these. See detailed discussion on disclosure in the detailed section on paragraph 5.5.26.

**Definition on ILAAP unclear:** The data collection GL (chapter 3, para 2) defines the ILAAP with reference to Art 86 CRD IV requiring institutions to have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons and management and monitoring of funding positions, so as to ensure that institutions maintain adequate levels of liquidity buffers and adequate funding (ILAAP). From the SREP Guidelines two main dimensions of ILAAP can be derived:

1. Ensuring that the level of liquidity risks taken by the bank is not excessive, i.e. adequate in terms of risk appetite/tolerance and in line with defined liquidity risk limits (this relates to chapter 8.2 and 8.3 of SREP GL);
2. Appropriate liquidity (risk) management policies/processes/systems (this relates to chapter 8.4 of SREP GL).

It is not fully clear if the data collection GL addresses both dimensions (as would be expected from reading the SREP GL) or only one dimension. It could be that the “Methodology and policy documentation chapters address the second dimension, whereas the “Operational documentation” chapters address the first dimension.

Moreover, ILAAP can be interpreted in terms of an institution’s self-assessment (including gap-analysis and action plan to remove identified gaps) regarding liquidity risks taken (dimension 1. above) and internal liquidity risk management (dimension 2. above) giving ILAAP a third dimension in addition to those two mentioned above. This additional dimension of self-assessment is not at all addressed in the data collection GL (except in chapter 7.8, para 54k). We recommend some general language on the topic



given the fact that such self-assessment could evolve as common market practice. However, such language should not end up in additional requirements for banks. Furthermore, we suggest the following amendment in paragraph 54 k:

*~~K where available~~, internal self-assessments in which institutions can take the opportunity to justify their level of compliance against publicly available criteria regarding risk management and control that affect ILAAP:*

**The timing for banks to be compliant with the full spectrum of requirements.** The GL states that EU banks are expected to apply the guidelines by 30 June 2016 however the ECB has already stated that these GL must be applied for purposes of the ICAAP / ILAAP to be submitted by the end of April 2016. It is not appropriate for national authorities to require banks to be compliant right away since this creates uncertainties around the correct understanding of all requirements, not at least in the supervisory colleges because of the extremely tight deadlines, and it also adds to the uncertainty for banks around the prevailing regulatory requirements. Authorities front running this exercise should be advised to respect the internal process philosophy and allow a degree of flexibility with regard to the structuring and provision of information. In order to achieve greater convergence in the collection of ICAAP and ILAAP information and therefore facilitate a more consistent implementation of the SREP Guidelines, a minimum risk taxonomy would be necessary. This would help to achieve convergence in the review of the frameworks and of the estimates across countries and national authorities.

#### **Stress Testing and Reverse Stress Testing**

Due to the fact that one key element is the information on stress testing in ICAAP/ILAAP, it seems reasonable that the Draft Guidelines on stress testing under discussion are approved at the same time in order to allow institutions to have a complete picture of what type of stress testing information banks should have available. Finally, it seems odd that no reference is made to reverse stress test in the document. Clarification should be provided on this point, taking into account that it is included in the ECB's communication on supervisory expectations on ICAAP. See also our detailed comments on paragraph 6.35b below.

#### **Detailed Comments**

##### **Chapter 3. Background and rationale**

**3.8:** Clearer guidance would be appreciated on the scope of the ILAAP (e.g., on the legal entities required to draft a specific ILAAP report) and on the level of granularity of the information required (e.g., on the materiality criteria to be considered in the information disclosure). The requirement should be to only include material entities according to internal definitions.

**3.11:** We basically agree with the statement that in principle all information items specified in the GL are relevant for complex and less complex institutions. We also acknowledge that it might be challenging to differentiate in general, which information should be requested from all banks and which information only be requested from a subset of complex institutions. Still, the lack of any specific language on proportionality and the lack of differentiation between the different categories of institutions as specified in the SREP GL will certainly be detrimental to a consistent application of the SREP GL. It is recommended to include more guidance on proportionality in the final GL.

##### **Chapter 4. Draft guidelines**

###### **Section 4. General considerations for collection of ICAAP and ILAAP related information**

**4.9b:** For transparency reasons we would advocate to have an adequate understanding on how the comparison with peers will be performed.



**4.11:** Regarding the means and the formats referred to in paragraph 11(d), it is important that NCAs are aware that information collected for SREP purposes should not prescribe the detailed format for the ICAAP/ILAAP information. NCAs should recognise that the ICAAP/ILAAP is an internal process.

**4.11:** Banks' ICAAP and ILAAP assessment should remain an internal process and it is important that the approach should reflect the internal management model of the bank, e.g. the ILAAP must follow the appropriate one due to the Liquidity Management Model of each Financial Group. Clearer guidelines would be appreciated on the scope of the ICAAP and ILAAP on the level of granularity of the information required (for instance, what is the materiality criteria to be considered in the information disclosure? Size, belonging to the perimeter of the SSM?).

**4.16:** As far as the specific information outside the regular (yearly) ICAAP and ILAAP submission cycle is concerned, it is worth highlighting that non-standard requests outside the regular (yearly) submission are expensive both in terms of IT and time efforts. It would therefore be recommended to rationalise what NCAs can require from banks within the Liquidity SREP (LiSREP) and outside the LiSREP. This is important for institutions to ensure an adequate planning of resources.

**4.17:** We fully agree with the need for co-ordination between relevant authorities for cross border banks as specified in para 17 and encourage the EBA to be even more explicit in this respect in the final GL. Cross-border banking groups should not be disadvantaged simply due to the fact that they are acting cross-border. The SREP experience so far shows that consistency regarding dates, scope, information requested, etc. is not ensured and interaction between NCAs still not sufficient. This adds a lot of unnecessary complexity and efforts to the process without added value. Quite to the contrary, it is detrimental for a group-wide consistent management of liquidity risk.

**4.19:** The guidelines are likely to cause bottleneck problems within an organization by suggesting that the ICAAP must contain or ensure that all supporting documents are up-to-date and/or that any changes made are provided. This is a huge task given the long list of documentation requested which will further increase overhead costs and distract attention from actually managing capital and liquidity.

## Section 5. Information that is common to ICAAP and ILAAP

**Split between "methodology and policy documentation" vs "operational documentation" in chapter 6 and 7 is not needed.** The information to be requested on ICAAP and ILAAP is differentiated between methodology/policy documentation and operational documentation. Such a split is inconsistent with the document structure of the SREP GL which does not contain such differentiation. It is questionable if such distinction makes sense at all – in practice, in many cases, the distinction between methodology and operational documents will not be clear-cut, but blurred.

**5.1.22b:** For institutions with many subsidiaries, the request of *key financial metrics for all core business lines, markets and subsidiaries* would result in the Group ICAAP documentation covering hundreds of pages.

**5.2.23d:** This paragraph is very difficult to understand. It is unclear what is expected from the industry:  
*d. The description of processes that ensures that the institution has in place a robust framework for the management of its risks and their evolution, the interaction and integration of capital and liquidity management, including interaction between ICAAP and ILAAP, also referring to ICAAP and ILAAP integration into risk management, and the overall management of an institution, including pricing and performance management;* Greater clarity would be appreciated.

**5.2.23e:** We express concerns in relation to the request to provide a "description of separation of tasks within the banking group, institutional protection schemes or cooperative network concerning risk management." In our view, the disadvantages associated to the additional burden and complexity to provide such information for those multinational banks operating in several jurisdictions would far outweigh the benefits resulting from the transmission of this additional information to competent authorities. We would recommend the EBA to reconsider such a provision, in consideration also of the other information on risk management framework that the competent authorities will receive.



**5.4.25:** The ICAAPs/ILAAPs will be very extensive if all technical aspects of all data should be described as part of the documentation. The competent authorities already receive a lot of information regarding the Group's systems, models etc. as part of A-IRB applications, but here it is suggested that the ICAAPs/ILAAPs should gather all this as well. The information requested is therefore somewhat redundant.

**5.5.26:** We fail to understand the usefulness of the requirements relating to the Pillar III disclosure and are therefore strongly opposed to these. We suggest dropping paragraph 26 in its entirety. It should generally be sufficient to inspect an institution's current disclosure report as part of the audit. These reports are publicly available, so that they do not need to be requested separately from institutions. More in particular:

**5.5.26a:** The relevant disclosure requirements are set out in the CRR (mainly Article 435 (1) and Article 438 (a)). We see no sense in having these explained again separately.

**5.5.26b:** This requirement would, if at all, only be of relevance to financial institutions with a capital market focus. Yet, in their case too, any impact on capital adequacy and funding emanates mainly from annual reports and possible ad hoc reporting, as well as from direct communication with investors. Disclosure under Pillar III only plays a subordinate role here in our experience. Furthermore, we wonder how the influence of Pillar III information is to be assessed separately from the other public relations activities. In order to conduct such an assessment, individual investors would have to be specifically interviewed to determine how helpful they found the disclosure report for their decisions. We believe this imposes an absolutely unreasonable burden and strongly oppose the requirement.

**5.5.26c:** Because of the principle of confidentiality and materiality inherent in Pillar III, there are always deviations between internal information and disclosed information, particularly in the level of detail. Explaining these would impose an unnecessary additional burden on institutions. Furthermore, deviations e.g. on level of granularity of information provided can arise in order to communicate addressee-specific and/or to answer specific information needs which are often different internal/external. Deviations can also arise e.g. in case of different data sources. Against this background we doubt if an explicit requirement is needed. Respective supervisory reconciliation requests can easily become IT- and effort-wise very cumbersome with limited added value.

## Section 6. ICAAP specific information

**6.2.1c and 6.2.2.2c:** Reference is made to the approach for intra-risk and inter-risk diversification benefits when aggregating internal capital estimates. The possibility of recognition of diversification effects between risk categories should be reconsidered.

**6.3:** The purpose of supplying a detailed breakdown of internal capital allocation in an ICAAP is not clear. We therefore recommend describing the link to the SREP process. Furthermore, internal capital is defined and capital allocation is implemented very differently across banks which significantly reduces comparability, thus the value of this information is likely limited. If this topic is of interest to competent authorities, it could be provided upon request.

**6.27a:** The following sentence is not clear: "description of scope of ICAAP including an overview of and reasoning for any deviations from the scope of entities covered by the minimum own funds requirements". Do we understand correctly that it refers only to the reporting of any deviation of the Legal Entities' approach vs the Group approach?

**6.27b & 30c:** The EBA should specify more clearly what is meant by "risk concentrations." It seems to refer to accumulations of risk positions which react homogeneously to developments of events, and in particular, to a situation where concentrations can affect risk positions within one risk type (intra) or across several risk types (inter). If this is the case, risk concentration looks like opposite to risk diversification. Therefore we do not deem appropriate to emphasise the risk concentration impact and completely neglect or narrow the benefit coming from inter-risk diversification. As per the EBA GL the ICAAP is an internal process and banks are required to describe the approach to intra-risk and inter-risk



diversification. However, banks have also received a message from NCAs saying that “Institutions should be aware that the supervisor will not take into account inter-risk diversification in the SREP”. This would create a misalignment between the management approach and the approach for capital assessment and in particular disadvantage cross-border groups.

**6.29b:** We would appreciate a clarification in relation to the request of “specification of actual data used, including explanation of the link between the data and scope of group entities covered by ICAAP, including length of time series” to better understand how the link between the data and the scope of the group entities has to be specified? Does the EBA refer to the proportionality principle?

**6.35b:** The paragraph refers to the “integration of ICAAP stress testing into the overall stress testing program of an institution and interaction between ICAAP stress testing and other stress testing”. The provision foreseen is in line with the “EBA draft guidelines on stress testing and supervisory stress testing” currently under consultation. In the proposed EBA draft guidelines on ICAAP/ILAAP the implementation of a reverse stress test into the ICAAP is foreseen as useful to set the severity of the scenarios for ICAAP stress tests. However, it is not clear how to define the reverse stress test within ICAAP compared to the reverse stress test within the recovery plan. Based on the indications provided in the EBA guidelines on stress testing and supervisory stress testing, they should be different (due to the different set of objectives), “not interlinked, but compared to one another” (par 96, p. 31). However, if the reverse stress test within ICAAP should aim at identifying what could bring an institution to becoming not viable (as per the indication foreseen in the EBA guidelines on stress testing), it is not clear what the difference is compared to the reverse stress test within the recovery plan, since also the latter is based on a “near-default” scenario.

**6.37:** It is very extensive to send minutes of each and every committee/management body meeting etc. as well as management actions and *even* non-actions. This point should be deleted – competent authorities should request this information on an ad-hoc basis, if they wish to do so.

## Section 7. ILAAP specific information

**7.39d:** We assume that the requirement mainly refers to LCR and (upcoming) NSFR requirements, but the language in this paragraph is vague and the EBA should provide clarity on their exact requirements. The time horizon of the requested forecast is also not specified. Explicit reference to the EBA funding plan templates where a LCR/NSFR forecast is required could be made, including a statement that the information provided in these templates would normally be sufficient to fulfil para 39d.

With reference to the required information on liquidity and funding risk management framework and particularly to the monitoring of compliance with minimum and additional prudential requirements related to liquidity and funding, it is important to point out that current and future compliance with these requirements is ensured by banks in the context of their Financial Planning Process. This generally aims to determine the evolution of the financial structure, verifying its sustainability via the analysis of the liquidity uses and sources and ensuring the compliance to limits and triggers set for short term and structural liquidity metrics and balance sheet indicators, both regulatory and internal.

Banks go through the Financial Planning Process contextually with the annual Budget and/or Multi-Year Strategic Plan - according to an internal calendar – or whenever a review of the Financial and/or the Funding Plan is necessary. The Budget process as well as the Multi-Year Strategic plan is generally based on a unique macro-economic scenario that is shared with all the relevant functions within the Group.

The expected evolution of all the main financial items (Profit and Loss and Balance Sheet structure) and of the main risk management KPIs - liquidity as well as capital related metrics included in the Risk Appetite Framework – is defined based on the above mentioned scenario, providing a homogeneous and comprehensive forward looking view on group development sustainability and soundness.



Moreover, it should be recalled that simulations on liquidity risk indicators are also performed in the context of the internal stress testing exercises where different stress test scenarios are taken into account to verify the soundness of the group liquidity position.

Given the above, we are of the view that no other analyses on the expected compliance of the liquidity indicators in going concern with prudential requirements are necessary, above those produced during the official planning processes.

**7.40b & c & d:** With reference to the required methodology and policy documentation of Funding Strategy, and particularly on a policy on maintaining presence in markets in order to ensure and periodically test market access and fund raising capacity of the institution (paragraph 40.c), we do not deem a policy necessary for active market making banks, given its continuous and coordinated access to the wholesale funding markets through its relevant subsidiaries. Moreover, the effectiveness of their debt market franchise is confirmed by the track record of successful operations realised through the years. To this extent, the establishment of procedures related to periodic testing of fund raising capacity is not considered appropriate, as the testing actions would be possibly implemented only effectively being on the market, therefore impacting/altering the actual and/or planned liquidity profile of the group. With reference to other policy documents on funding, it is worth mentioning that not all banks deem them as relevant. In particular, with reference to concentration risk (paragraph 40.c), it should be noted that in the context of the Financial Planning process, the Funding Plan (i.e. Medium Long Term Funding Strategy, including instrument type and average maturity) is defined by the Chief Financial Officer Competence Line and then independently assessed by the Risk Management functions. The latter verify *inter alia* that the concentration risk possibly arising from the execution of the Funding Plan remains at manageable and prudential level.

**7.41c:** Taking into account the current budget process of many credit institutions, EBA should set up the horizon of the funding plan as a one year. Preparing a three-year plan on annual basis means a continuous review of already stated projections. We assume that the initial evolution of the balance sheet over a three-year horizon (also provided in the Basel III monitoring tools) and the planned evolution of balance sheet for a one-year horizon gives an exhaustive view on the development of the bank.

**7.42:** It should be clarified what is meant for “collateral” in the context of this item, e.g. if you are referring to the collateral involved in asset encumbrance in turn connected with the generation of liquid assets, such as retained covered bonds and/or retained ABS.

**7.42e:** It should be clarified – possibly by giving examples - what is meant by correlation between liquid assets and cash flows in the counterbalancing capacity.

**7.42 and 7.43:** Generally speaking these items consist of several provisions often similar and potentially interconnected and it is not that clear what is aimed at what. A clarification item by item by using specific example would be highly appreciated to prevent feedbacks not in line with expectations. As an alternative please also to consider simplifying the list of requirements (i.e. less items better explained)

**7.46.a:** It should be explained what is meant by “quantitative overview of its current calibration”.

**7.52.d + 53.b & c +51.c:** With reference to the information on the anticipated concrete management actions (paragraph 53.b), clarification by the EBA would be welcome as it is not clear whether the abovementioned actions are the ones already included in the Contingency Funding Plan (already required as information on ILAAP according to paragraph 53.a) or other possible additional initiatives. With reference to the required methodology and policy documentation on Contingency Funding Plan and particularly to the description of testing procedure (paragraph 52.d), it is worth mentioning that a bank’s Contingency Funding Plan is mainly made up of actions related to Counterbalancing Capacity creation, Fund Transfer Price calibration (for example for the purpose of deleveraging), sale of strategic/non-strategic participation and other minor initiatives. The effectiveness of the Plan is operationally proved considering the successful implementation of similar actions (e.g. the ordinary creation of counterbalancing capacity through the years) or the execution of Contingency actions in the past under stressed conditions. In this regard, the establishment of a regular testing procedure is not



considered feasible, as the testing actions would only be possibly implemented effectively on the market, therefore changing the liquidity position of the Group. It would be even disruptive for the business model of the bank when considering for example the testing of the sale of participation. We suggest that testing should be based on what is deemed an internal 'Dry Run', which also is a requirement for recovery plans.

**7.8:** The list of supporting documentation should be reviewed for what items must be provided and which should be available upon request or mapped out. For example, minutes from committees etc. will often not be final and approved within the timeline providing the report to the authorities and should therefore be only available upon request.



## Annex - Examples: “Gold-plating” of requirements in Chapter 7

Some of the more prominent requirements in the data collection GL that are “gold-plating” the requirements of the SREP Guidelines are:

40c. a policy document on funding concentration risk, including on the principles for measuring and monitoring of correlation between funding sources and economic connection between depositors and other liquidity providers (no equivalent in para 385, 389, 394, 396, 407, 433 of SREP GL)

41c. It is not clear, if the data collection GL requires more than the completed funding plan templates that is to be provided to supervisors on a regular basis based on the EBA GL on funding plans. Such information should be sufficient to meet the requirement specified in para 41.c. Bank-internal funding plans are normally produced yearly and therefore have a time horizon of only one year, whereas multi-year-plans will not necessarily be available yearly.

42b. policy document on collateral management, including principles in relation to the location and transferability of collateral as well as to their role in relation to meeting minimum prudential requirements (no equivalent in para 396 and 417 of SREP GL)

42c. policy document on asset encumbrance, ... linking the limit and control framework regarding asset encumbrance to the institution’s (liquidity and funding) risk appetite (no equivalent in para 394 to 396 and 404 of SREP GL)

42e. policy document on liquidity concentration risk in the liquidity buffer, including principles for measuring and monitoring of correlation between liquid assets and cash flows in the counterbalancing capacity (no equivalent in para 385, 389, 394, 396, 407, 433 of SREP GL)

48c. description of the interlinkage between intraday liquidity risk management and the Contingency Funding Plan (no equivalent in para 417 to 419 of SREP GL)

53d. description of the internal view on the impact of executing the management actions included in the CFP (no equivalent in para 417 to 419 of SREP GL)

54h. discussion on the regular testing of the Contingency Funding Plan and decisions on adjusting the management actions listed in the CFP (no equivalent in para 417 to 419 of SREP GL)

Such gold-plating requirements should be aligned with SREP Guidelines or be better removed from the data collection GL.

