



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Template for comments

Public consultation on the draft Guide on the supervisory approach to consolidation in the banking sector

Type of respondent

Banking association

Institution/company

ABI - Associazione Bancaria Italiana (Italian Banking Association)

Contact person

Mr/Ms

First name

Surname

Email address

Telephone number

Please tick here if you do not wish your personal data to be published.

General comments



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ABI commends the ECB/SSM initiative, aimed at providing clarity and transparency as to the supervisory approach to consolidation in the banking sector, and welcomes the opportunity to comment on the draft Guide. Some comments on the proposed approach are reported in the template.

In addition, ABI would seize the opportunity of this consultation to draw the attention of the Authority to certain elements of the prudential framework which are deemed to represent obstacles to consolidation and especially cross border operations. Indeed, ABI acknowledges that the Guide is focused on the ECB/SSM supervisory approach, and therefore does not address aspects falling out of the Authority's remit. However, in ABI's opinion raising these issues is necessary to provide the ECB/SSM with a clear picture of banks' concerns in this respect.

First and foremost, the presence of multiple Authorities involved in the process is a major driver in the complexity of consolidation initiatives. Coordination among such Authorities is therefore crucial and, in this context, the Single Resolution Board plays a pivotal role. This is true especially with regard to the determination by the SRB of the minimum requirement for own funds and eligible liabilities (MREL) and total loss-absorbing capacity (TLAC) on the new combined entity.

More generally speaking, differences in the authorisation process and the Authorities involved, depending on the nature of the entities and the features of the transactions, should be limited as they represent obstacles to such operations.

Moreover, rules resulting in constraints to the liquidity flow and jeopardising the capital optimisation within the banking group represent a major disincentive to consolidation and should therefore be reconsidered. An example in this respect is the application of the large exposure framework to intra-group exposures in certain countries. The recognition of the liquidity waiver on non-discretionary basis should also be restated.

Also, the limited recognition of minority interests in consolidated own funds results in discouraging consolidation, insofar as the transaction is likely to give rise to significant amounts of minority interests.

Template for comments

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Please enter all your feedback filling in the table below as following :

- Fill in the 5 green columns only: "Paragraph", "Type of comment", "Detailed comment", "Concise statement as to why your comment should be taken on board", "Proposal for adjusted wording";
- Respect drop-down menus. Do not alter the drop-down menus.
- Other columns, blue columns, are filled in automatically; do not alter them;
- Each comment shall deal with a single issue only; you can enter two comments for the same paragraph if you see several issues in the same paragraph; you can enter the same comment several times if it applies to several paragraphs;
- Indicate whether your comment is a proposed amendment, clarification, deletion or addition to the guide;
- Propose an alternative wording when appropriate.

Please do not make any changes to the structure of the template. Any feedback provided in a modified template will not be processed.

To ease the feedback process, please ensure you provide your feedback in an xls format only (i.e. not pdf)

Deadline: 1 October 2020

Id	Paragraph	Page	Section	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Proposal for adjusted wording	Type of respondent	Institution/company	Name of commenter	Personal data
1	5	2	Introduction	Clarification	ABI welcomes that the ECB/SSM approach is intended to be based on proportionality. Indeed, in the draft Guide this is declared in principle but no information is provided as to its application in practice. In order to provide banks with more clarity about the ECB/SSM expectations, ABI would therefore suggest that further information be provided in the Guide on how the ECB/SSM intends to implement a proportionate approach, such as directions regarding the elements that will be taken into account.	While acknowledging that supervisory decisions will be tailored to the specificities of each transactions, nonetheless providing information on the concrete application of the proportionality principle in this context is deemed worth.		Banking association	ABI - Associazione Bancaria Italiana (Italian Banking Association)		Don't publish
2	19	7	2.2. Governance and risk management framework	Clarification	ABI welcomes that the ECB/SSM expectations as regards governance and risk will be subject to the proportionality principle. Consistent with the comment on paragraph 5, ABI would invite the ECB/SSM to provide further information (also via examples if deemed appropriate) on how such principle will be applied in practice.	More clarity, on how the ECB/SSM expectations regarding governance and risk will be adapted to the different situations, would be highly beneficial.		Banking association	ABI - Associazione Bancaria Italiana (Italian Banking Association)		Don't publish
3	27	8	3.2. Pillar 2 capital requirements and Pillar 2 guidance	Clarification	According to the draft Guide, an increase in P2R and/or P2G can be expected in the event of significant execution risks, where "complex IT integration" is mentioned as an example of significant execution risks. In this respect, ABI highlights that IT integration in this kind of transactions is usually complex. It is therefore deemed worth specifying in respect to which elements the ECB/SSM will assess the complexity of the IT integration and whether it will trigger or not an increase in P2R and/or P2G.	Given that IT integration is usually complex, in the absence of further clarity in this respect it might be concluded that an increase in P2R and/or P2G will be applied to any transaction.		Banking association	ABI - Associazione Bancaria Italiana (Italian Banking Association)		Don't publish

4	29	9	3.2. Pillar 2 capital requirements and Pillar 2 guidance	Clarification	<p>The recognition of the ECB about the coordination with other authorities is welcomed. However, there should be a stronger commitment on the public sector side as to timelines and conditions for their assessments. We think the ECB should liaise with the SRB or issue a public statement in order to obtain public communication from SRB stating that, in the context of the release of this ECB guide, SRB is receptive to the merits of consolidation and is articulating its approach for business combinations, especially on the determination of MREL and TLAC and the transitional arrangements. Additionally, the MREL issuances of the combined entity should benefit from a transition period, with intermediate MREL and TLAC targets, towards the full compliance with new fully loaded requirements.</p> <p>In particular, the determination by the Single Resolution Board (SRB) of the minimum requirement for own funds and eligible liabilities (MREL) and total loss-absorbing capacity (TLAC) on the combined entity is a key step. We think the ECB should liaise with the SRB or issue a public statement in order to obtain public communication from SRB stating that, in the context of the release of this ECB guide, SRB is receptive to the merits of consolidation and is articulating its approach for business combinations, especially on the determination of MREL and TLAC and the transitional arrangements.</p>	One of the aspects that can put at risk a merger transaction in Europe is the multiplicity of authorities involved.		Banking association	ABI - Associazione Bancaria Italiana (Italian Banking Association)		Don't publish
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