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Ljubljana, 4 May 2018

European Central Bank
Secretariat to the Supervisory Board
D-60640 Frankfurt/Main
Germany

sent by email to SSMPublicConsultation@ecb.europa.eu

Subject: Public consultation – ICAAP / ILAAP

Dear Secretariat,

The Bank Association of Slovenia ("**BAS**") appreciates the opportunity to provide feedback on the ECB Guide to the internal capital adequacy assessment process ("**ICAAP**") and ECB Guide to the internal liquidity adequacy assessment process ("**ILAAP**") published on 2 March 2018 (together the "**Guides**").

The BAS fully supports the intention of the ECB to develop a more detailed set of supervisory expectations concerning ICAAP and ILAAP processes given their key role in the effective risk management of banks and undisputed importance of providing adequate capitalisation and liquidity levels by banks in general. Furthermore, we warmly welcome the ECB's efforts to provide transparency and assistance to banks in strengthening their ICAAPs/ILAAPs, setting examples of best practices and its steps towards convergence and harmonised supervision in these important areas taking into account the principle of proportionality.

Nevertheless, the BAS has four general concerns which we wish to highlight:

1. Considering the degree of complexity and ambiguity of both Guides, numerous dilemmas raised by the banking industry during the first (spring 2017) and second stage (spring 2018) of improvements of the Guides and, last but not least, the shortage of time for implementation which does not provide sufficient time for the banks to upgrade their ICAAPs/ILAAPs *we suggest to postpone their effectiveness at least for one year* (i.e. that the ECB Supervision will take them into account when assessing the banks' ICAAPs/ILAAPs as of 2020 or later).



2. On the topic of proportionality, we would welcome more specific definition of this principle in order to enable banks to be ensured in advance what the ECB expects for each of them (considering the nature, scale and complexity of their activities).
3. In our view, the contents of the 3rd Principle of the Guides (especially relating to ICAAP) needs to be clarified further, particularly the interaction between the economic and normative perspective, in order to provide a better understanding for all stakeholders.
4. We would welcome further clarification of the relations and interaction between Risk Appetite Framework ("RAF") and ICAAP/ILAAP and their hierarchy; interconnectedness and/or interdependence between RAF and ICAAP/ILAAP is not clear from the current wording of the Guides and we therefore suggest to either a) elaborate on this subject further in the final version of the Guides or b) exclude the existing paragraphs of the Guides which relate to RAF/RAS and publish a new unbinding guideline on this subject.

In addition to the above, we have also provided a number of technical comments on both Guides which are enclosed herewith in ECB excel templates for your ease.

Finally, it should be stressed that the BAS has been working in close co-operation with the European Banking Federation ("EBF") during the course of this consultation process. Some (but not all) of our contributions are highlighted also in official EBF's response and it should be noted that despite the fact that we are sending comments separately the BAS entirely supports the position of EBF and all of their comments.

All told, the BAS welcomes the efforts and supports the objective of the ECB but given the vague nature of some concepts (e.g. above mentioned and many others highlighted in the attached excel files) which still need to be clarified and significant work in progress we express our concern about the proposed implementation date. We propose the ECB to postpone the implementation of the Guides for at least one year and to clarify the concepts, provide explanations and examples in continued close dialogue with the banking industry and other key stakeholders in the meantime.

Thanking you once again for giving the opportunity to participate in this debate,

Sincerely,

Stanislava Zadavec Capriolo, M.I.A.

Director