



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

## Template for comments

### Public consultation on revisions to the ECB's polices concerning the exercise of Options and Discretions (O&Ds) in Union law

**Institution/Company**

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**

## Template for comments

### Public consultation on revisions to the ECB's policies concerning the exercise of Options and Discretions (O&Ds) in Union law

#### ECB Guide on Options and Discretions under Union law

Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate the relevant article/chapter/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

**Deadline:** midnight CET on 23 August

ID	Section	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board
1	2	5	Clarification	<p>We wonder if the discretion related to the preferential treatment of assets associated with certain non-standard, temporary operations conducted by central banks provided for in Articles 428p (7) and 428aq (7) of the CRR will be exercised.</p> <p>Specifically, we refer to the targeted longer-term refinancing operations (TLTROs), which provide funds to Eurosystem credit institutions with maturities longer than one year, and are designed to improve the functioning of the monetary policy transmission mechanism by stimulating bank lending to the real economy.</p> <p>For the calculation of the NSFR, the regulatory framework generally requires to apply a 100% weighting factor to the government bonds pledged as collateral for funding with a maturity of more than 1 year. This gives a high degree of immobilization to these assets, consequently reducing the NSFR. The exercise of the above-mentioned discretion would lead to the application of a 0% weighting with evident benefits on the risk indicator.</p> <p>According to our preliminary estimates, the application of a 100% weighting factor to government bonds pledged as collateral for TLTROs should have a significant negative impact on the risk indicator, especially for small- and medium-sized banks. Given these banks' poorly diversified security portfolio, this could consequently require necessary changes in their asset &amp; liability management strategies.</p> <p>Finally, it is important to point out that these transactions were carried out before the regulatory threshold set on the NSFR came into force. At that time, banks were not aware of whether or not such discretions would be exercised. The decision not to participate to the TLTROs in order to ensure a higher level of the NSFR would have had negative repercussions both on the supply of credit to the economy and on income profile of each bank.</p>	<p>In our opinion the recent long-term operations carried out by the ECB meet the requirements indicated by the legislation in relation to the impact on the NSFR for small and medium sized banks.</p> <p>In addition, for future operations belonging to the area of non-standard and temporary operations, it would be important to know from the beginning if they are considered to deserve the discretion or not.</p>

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2	II	29	Amendment	<p>The ECB considers appropriate to require a fixed maturity at 2.5 years in case that institutions have not received permission to use their own loss given default (LGD) and conversion factors for exposures to corporates, institutions or central governments and central banks. This will imply, for a given PD and LGD, a unique risk weight whatever the maturity of the exposure is, reducing consequently the risk sensitivity of the IRB formula. We think that don't allowing for the actual maturity for those exposure classes subject to the foundation approach will create a disparity in risk weighted assets. Given the absence of any internal model for the calculation of the maturity we suggest the ECB to apply the national discretion that allows to use the cash flow maturity for portfolios treated under the FIRB. The introduction of a maturity mitigation should be foreseen especially for trade finance products under the foundation approach under the following circumstances: (i) short term self-liquidating trade transactions (ii) issued as well as confirmed letters of credit that are short term.</p>	<p>Allowing for the effective maturity instead of the regulatory parameter set at 2.5 for exposure under the FIRB approach would lead to a more accurate risk weight of short-term exposure thanks to a better model accuracy due to the application of a parameter based on actual contracts (for which conservative assumptions are not warranted). This waiver is particularly relevant in view of the future implementation of the Basel III framework, under which all large exposure portfolios will be treated under the FIRB approach. In particular, appropriate arrangements as regards the maturity are needed in respect of the treatment of Trade finance exposures, that are typically short term and are overly penalised by the application of a 2.5 fixed maturity. Since the trade finance under the Basel III standard would already face a relevant increase of the average CCFs applied to this business, recognising a different maturity would help the business sustainability over time.</p>
3	Section II - Chapter 6 Liquidity	43-44	Clarification	<p>The Paragraph Additional Outflows for other products and Service of the Guide (Chapter 6 - Liquidity) is related to the products and services that fall under the Art. 23 of Commission Delegated Regulation (EU) 2015/61, without giving clarification on the provisions of the article 428.p.10 of the REGULATION (EU) 2019/876. In our view the Guide should also clarify the provisions of the article 428.p.10 of the Regulation (EU) 2019/876 on the Net Stable Funding Ratio (NSFR)</p>	<p>Clarification request on the provisions of the article 428.p.10 of the Regulation (EU) 2019/876 (NSFR)</p>

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### Public consultation on revisions to the ECB's polices concerning the exercise of Options and Discretions (O&Ds) in Union law

#### ECB Regulation on Options and Discretions under Union law

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1	Section II Net Stable Funding Ratio (NSFR) Article 12a	Amendment	<p>The article 12a of the Regulation (linked to the article 428p(10) of REGULATION (EU) 2019/876) related to the required stable funding factors to be applied to the off-balance sheet exposure states that "Unless the ECB determines different required stable funding factors, for the off-balance-sheet exposures [...] institutions shall apply to off-balance sheet exposures [...] required stable funding factors that correspond to the outflow rates that they apply to related products and services in the context of Article 23 [...]".</p> <p>In our view it could be useful to have a clarification on:</p> <ul style="list-style-type: none"><li>- how the ECB is going to determine different required stable funding factors and</li><li>- on the evolution of the article 23 of the Commission Delegated Regulation (EU) 2015/61 from the perspective of the Net Stable Funding Ratio. In this regard we underline that Article 5 of Commission Delegated Regulation (EU) 2015/61 defines stress scenarios for the liquidity coverage ratio. These stressed conditions affect the outflows rate estimated for off-balance-sheet exposures. The same stress scenarios are not applied to the NSFR (art. 428p.10 of the REGULATION (EU) 2019/876): we ask to take this into account otherwise RSF that match outflow rates will be too severe.</li></ul>	Clarification on the evolution of the required stable funding factors for the off-balance sheet exposure from the perspective of the Net Stable Funding Ratio and revision of inconsistent RSF given that the stressed conditions affecting outflow rates are not sound for NSFR.

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### Public consultation on revisions to the ECB's policies concerning the exercise of Options and Discretions (O&Ds) in Union law

#### ECB Guideline on Options and Discretions under Union law

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### Public consultation on revisions to the ECB's polices concerning the exercise of Options and Discretions (O&Ds) in Union law

#### ECB Recommendation on Options and Discretions under Union law

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