



Template for comments

Public consultation on the Guide to on-site inspections and internal models investigations

Institution/Company

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

General comments

Whereas detailed comments are provided in the relevant sheet, ISP intends to summarize here below its main overall considerations, as follows:

- 1) Meetings by the JSTs at the bank's premises, supervisory visits conducted by the JSTs as part of their overall supervisory function, thematic reviews, deep dives, etc. should also be regulated by a relevant Guide, first and foremost because of their nature, involving even more subjective processes than OSIs and IMIs themselves.
- 2) More synergy among DG MS IV Divisions, the JSTs and the NCAs would be required, so as to avoid inefficient, time-consuming overlaps (e.g. topics covered, documentation requests, etc.).
- 3) Minimum/maximum deadlines for each phase of the OSI-IMI process should be defined when not provided. On the other hand, some of the given deadlines would require amendments to ensure adequate preparation by the inspected legal entity.
- 4) Inspection Report findings should come with a relevant ranking so as the legal entity is able to thoroughly capture the outcome of the inspection and prioritize its efforts in terms of remedial actions accordingly.
- 5) Formal acknowledgement/validation of the Action Plan as well as its completion should be delivered by the JSTs to the inspected legal entity.

Template for comments

Public consultation on the Guide to on-site inspections and internal models investigations

Please enter all your feedback in this list.

When entering your feedback, please make sure:

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

Deadline: 15 September 2017

ID	Chapter	Paragraph	Page	Type of comment	Detailed comment	Concise statement why your comment should be taken on board	Name of commenter	Personal data
1	2	2.2.1	9	amendment	While acknowledging that, generally speaking, the availability and readiness of all parties involved in an on-site inspection should normally be an ECB internal procedure, major extraordinary events affecting the legal entity to be inspected (e.g. mergers) should be taken into careful consideration and discussed during the initial step of the preparatory phase.	Ensure efficiency of Supervision under extraordinary situations at the institution	[REDACTED]	Don't publish
2	2	2.2.1	10	amendment	Decision to launch an inspection should always be communicated at least four weeks before the inspection is due to start. A five-day notice does not allow for relevant logistics organization, especially in case of more than one OSI/IMI running at the same time, which should be restricted to exceptional cases, considering the need to ensure appropriate operating conditions to large inspection teams (see Par. 3.3.3 Working conditions). Also, kick-off meeting normally takes place a few days after the start of the on-site, thus further reducing the time available for preparatory works. The following rewording is therefore suggested: <i>[...] the ECB notifies the inspected legal entity of its decision to launch an inspection. This usually happens a few weeks, but in any case at least five working days, four weeks before the inspection is due to commence, i.e. five days four weeks before the kick-off meeting.</i>	Allow sufficient time for the institution to prepare for the activity	[REDACTED]	Don't publish

3	2.2.2.1	10	amendment	<p>The following rewording is suggested: <i>If the inspection is conducted on a group of credit institutions with a parent company located in a participating Member State, or if the inspected legal entity is the subsidiary of a parent located in a participating Member State, the notification is generally sent to the Parent [...]</i></p>	Ensure relevant information flow to the Parent Company	[REDACTED]	Don't publish
4	2.2.2.1	10	amendment	<p>The scope of the inspection should be stated more precisely in the notification letter (it is currently extremely generic) so as to allow early engagement of key staff of the inspected legal entity.</p>	Ensure adequate response is provided	[REDACTED]	Don't publish
5	2.2.2.1	10	amendment	<p>In light of the possibility for the Inspection team to require preliminary documents or information by the inspected institution to be provided before the kick-off meeting, a minimum notification time should be defined, with possible extension should the requests be more cumbersome than ordinary ones (e.g. data tapes).</p> <p>The following rewording is therefore suggested: <i>Once the notification letter has been sent and before the kick-off meeting is held, the HoM should inform the inspected legal entity of the identity of the team members who will participate in the inspection and send a first request for information to the inspected legal entity as soon as possible: at least two weeks before the kick-off meeting.</i></p>	Ensure reasonable deadlines are set for each step of the process	[REDACTED]	Don't publish
6	2.2.2.2	11	amendment	<p>The following rewording is suggested: <i>The kick-off meeting [...] is organized and chaired by the HoM and is held on the premises of the inspected legal entity at least five days four weeks after the inspection notification letter has been submitted.</i></p>	Allow sufficient time for the institution to prepare for the activity	[REDACTED]	Don't publish

7	2.2.2.2	11	deletion	<p>Especially when it comes to big institutions, it is not reasonable to expect the CEO to attend the kick-off meeting. The following rewording is therefore suggested: <i>During this meeting, the HoM introduces the team to the inspected legal entity's management, presents the objectives and scope of the inspection and details the various steps involved, notably the planning of the first meetings. A senior representative of the inspected legal entity should attend the kick-off meeting. This should be either the CEO or a member of the executive board.</i></p> <p>The above rewording would also be consistent with the statement under Par. 3.3.3 "Seniority of the inspected entities' representatives": <i>It is expected that the CEO or executive board-level representatives of inspected legal entities will be present <u>or represented at a sufficiently senior level</u> when making contact at the start of the investigations [...]</i></p>	Ensure coherent representation of the legal entity		Don't publish
8	2.2.2.2	11	amendment	<p>The following rewording is suggested: A tentative schedule regarding the length of the investigations may shall also be communicated.</p>	Ensure accountability of Supervision and sound planning for the institution		Don't publish
9	2.2.2.2	12	amendment	<p>To ensure accountability in the framework of a constant communication flow among the involved parts, the inspection team should be requested to hold regular progress status meetings. The following rewording is therefore suggested: <i>Over the course of the investigation phase, the inspection team has the possibility to shall hold regular status meetings with the inspected legal entity at working level to discuss preliminary facts and findings before the exit meeting is held.</i></p>	Ensure accountability of Supervision		Don't publish
10	2.2.2.3	12.13	amendment	<p>The institution should be aware of the severity of the findings so as to be able to thoroughly capture the outcome of the inspection and to prioritize its efforts in terms of remedial actions accordingly. The following rewording is therefore suggested: <i>The report stems from the conclusions of the investigations conducted throughout the inspection. It includes an executive summary, a table of findings and their ranking, and the body of the report.</i></p>	Ensure accountability of Supervision and effective handling of inspection findings		Don't publish

11	2.2.2.3	13	amendment	<p>Timely delivery of the draft report is essential to ensure effective management of findings; the HoM-DG MS IV should be made accountable for precise maximum length of their respective tasks for the completion of the draft report.</p> <p>The following rewording is therefore suggested: <i>The HoM sends the draft report of the inspection together with a standardized feedback template to the inspected legal entity within ten weeks after the end of the on-site visit.</i></p>	Ensure deadlines are set for each step of the process		Don't publish
12	2.2.2.3	13	amendment	<p>The following rewording is suggested: <i>The draft report should be sent a few days at least one week in advance to enable the inspected legal entity to adequately prepare for the meeting.</i></p>	Allow sufficient time for the institution to prepare for the activity		Don't publish
13	2.2.2.3	13	clarification	<p>With reference to the following lines: <i>If the inspected legal entity is the subsidiary of a parent located in a participating Member State, the draft report can also be shared with the parent.</i> <i>In the case of inspections of groups with a parent located in a participating Member State, the draft report is sent to the parent.</i></p> <p>It is worth clarifying: a) The difference between these two sentences b) The different approach in terms of draft report delivery to the parent (this distinction is not applied to the final report which is sent to the parent in both instances)</p>	Ensure clarity		Don't publish
14	2.2.2.3	13	amendment	<p>The exit meeting being a crucial step of the supervisory dialogue, the direct stance of the inspection team is key input driver for possible comments.</p> <p>The following rewording is therefore suggested: <i>During the exit meeting, the HoM presents the outcome of the inspection which opens the opportunity for the inspected legal entity to provide written feedback within two weeks of receiving the draft after the exit meeting.</i></p>	Allow sufficient time for the institution to prepare for the activity		Don't publish
15	2.2.2.3	13	amendment	<p>The definition of a maximum length for the Final report to be sent to the inspected legal entity would ensure accountability and sound planning, preventing at the same time delayed execution of the final steps, i.e. preparation of draft follow-up letter / draft decision, and organization of the closing meeting (if applicable).</p> <p>The following rewording is therefore suggested: <i>The final report is then sent to the relevant inspected legal entity within two weeks after the bank has provided its feedback.</i></p>	Ensure deadlines are set for each step of the process		Don't publish

16	2.2.3.1	14	amendment	<p>Timely delivery of the draft follow-up letter is essential to ensure effective planning of remedial actions; the JSTC-DG MS IV should be made accountable for precise maximum length of their respective tasks for the completion of the draft follow-up letter.</p> <p>The following rewording is therefore suggested: <i>After consulting with the relevant division of DG MS IV, the JSTC sends a draft of the follow-up letter, which includes any recommendations, to the inspected legal entity, within four weeks after the delivery of the final inspection report.</i></p>	Ensure deadlines are set for each step of the process		Don't publish
17	2.2.3.2	16	amendment	<p>The following rewording is suggested: <i>In a second stage, by the date set by the ECB at least two months after the final follow-up letter/decision is delivered, the inspected legal entity is required to send an official response [...]</i></p>	Allow sufficient time for the institution to prepare for the activity		Don't publish
18	2.2.3.2	16	amendment	<p>Besides assessing the content of the response, the JSTC should formally acknowledge/validate the action plan submitted by the inspected legal entity by a set deadline or request any modifications to it.</p> <p>The following rewording is therefore suggested: <i>The content of this response is assessed by the JSTC that will acknowledge/validate it or request any modifications to it within 4 weeks after receipt.</i></p>	Ensure remedial actions meet Supervisory expectations		Don't publish
19	2.2.3.2	16	amendment	<p>A process should be set up in the Guide so that the JST will formally acknowledge completion of the action plan. In this sense, the legal entity shall send formal request to the JST, who shall, in turn, provide feedback within a set deadline (e.g. 4 weeks).</p>	Ensure closing of actions is formally acknowledged by the JST		Don't publish
20	3.3.3.1	20	amendment	<p>The following rewording is suggested: <i>[...] the ECB notifies the legal person subject to an inspection of its decision to conduct the inspection at least five working days four weeks before the start date.</i></p>	Allow sufficient time for the institution to prepare for the activity		Don't publish

21	3 3.3.2	22	deletion	<p>When it comes to requests for information, it is worth highlighting that “relevant related information” is an excessively broad concept to be defined, while implicit requests may or may not be identified, even in good faith. Because of the above reasons, no obligation shall reasonably be placed upon the interviewees.</p> <p>The following deletion is therefore suggested: <i>The requests for information should be answered with careful consideration and delivered within agreed timelines. The persons concerned should also inform the inspection team members of any relevant related information, even if it is not explicitly requested by them.</i></p>	Ensure reasonable Supervisory expectations are set	[REDACTED]	Don't publish
22	3 3.3.2	23	amendment	<p>It is good practice that the contact person attends all meetings to ensure cross-functional coordination, thus facilitating the effective and efficient handling of the inspection team's needs. As we do not deem that this approach might hamper to any extent the course of the investigation, deviations should be duly anticipated and motivated by the HoM.</p>	Ensure a smooth deployment of activities	[REDACTED]	Don't publish