

Template for comments

Consultation on the draft ECB guide to fit and proper assessments

Institution/Company

OP Financial Group

Contact person

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First name

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[Redacted]

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

General comments

In some Member States such as Finland co-operative networks within the meaning of Art. 21 of the CRD and Art. 10 of the CRR play a significant role in the national financial market. OP Financial Group has operated in this structure for more than 20 years and is currently the largest domestic financial group in Finland with more than 170 member banks and 1,7 million customer-owners. Practically all local banks have now adopted this structure and there are now two such networks in the co-operative sector and one in the savings banks sector.

Co-operative networks have specific features such as

- full prudential consolidation at the level of the group
- joint and several liability for each others' liabilities
- obligation to comply with instructions issued by the central body
- possibility to waive the prudential requirements for individual member banks.

As these network operate under the centralized risk management by the central body and a single brand they are comparable to single institutions and (centrally managed) groups consisting of a parent undertaking and its subsidiaries, they are treated as a single entity in the EU legislations for several supervisory purposes including:

- prudential requirements
- calculation of deposit guarantee fees
- recovery and resolution plans.

Given the significant role of these networks it is crucial that they are recognized in all relevant pieces of EU legislation including corporate governance rules. It should be taken into account in particular that individual member banks are not significant for the overall stability and reputation of the entire group and the proportionality principle should be explicitly applied to them. Full application of the regulatory framework would cause disproportionate administrative burden to these networks as applying the supervisory requirements in full at the level of individual member banks would multiply the administrative burden compared to other types of financial groups.

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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: 20 January 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	4 - Scope			9 Amendment	We propose an additional paragraph e.g. as follows: "In the case of credit institutions affiliated to a central body within the meaning of Art. 21 of the CRD and Art. 10 of the CRR these guidelines shall apply at the level of the central body only".	In co-operative networks where there is a large number of relatively small local banks the administrative burden is disproportionately multiplied if all requirements are fully applied to member banks, where the number of fit & proper assessments can be several hundreds. It is also unnecessary for the following reasons: 1) in local banks the local customers nominate the supervisory board members from well-known locally respected people, which significantly reduces the need for detailed fit & proper supervision; 2) the mismanagement of a single member bank cannot risk the stability and reputation of the entire group like it would in single institutions or ordinary groups. Individual member banks are therefore more comparable to the branches of commercial banks than independent institutions. Co-operative networks are treated as a single institution for several supervisory purposes such as prudential regulation, recovery and resolution plans, calculation of covered deposits and financing of DGSs etc. It should be adequate to carry out the supervision of member banks by random samples in addition to the internal control system by the central body.	Sarsa, Erkki	Publish
2	5 - Assess crit			10 Amendment	In the fourth paragraph the wording "all members of the management body are expected to possess.." should be replaced by "the members of the management body are expected to possess, at least on a collective basis,..."	The proposed guidelines go beyond the explicit text of the Directive and national law, as Art. 91.7 explicitly lays down that "the management body shall possess adequate collective skills.." The ECB has therefore no legal competence to require that all members have all the qualifications on an individual basis. Such a requirement would also be impossible to apply in practice in local member banks of the co-operatives networks. Nor would it be necessary because the local member banks only pursue basic bank activities such as granting residential and SME loans and collecting deposits on basic accounts.	Sarsa, Erkki	Publish
3	5 - Assess crit			17 Clarification	It should be clarified that the notion of group also includes the co-operative networks.	Co-operative groups operate as a single business entity in a way comparable to groups consisting of a parent company and its subsidiaries.	Sarsa, Erkki	Publish
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