PUBLIC CONSULTATION

DRAFT ECB REGULATION ON SUPERVISORY FEES

TEMPLATE FOR COMMENTS

Name of Institution/Company	Bank of Valletta plc	Country	Malta

COMMENTS ON THE DRAFT ECB REGULATION ON SUPERVISORY FEES

Issue	Article	Comment	Concise statement why your comment should be taken on board
Subject matter	1	Clarification and Amendment	The draft regulation does not clearly state what mechanics will be used to consult with the Credit Institutions representations that will be paying “the new SSM supervisory fees”. In total the Single Supervisory Mechanism (SSM) will be collecting an estimated EUR 260 million per annum in Supervision Fees. Bank of Valletta is recommending the establishment of a Consultation Committee chaired by the European Central Bank having representatives from: (a) The Credit Institution Stakeholder Associations (i.e. including: the European Savings Banks Group, the European Banking Federation, the European Cooperative Banks and the European Mortgage Federation);

			(b) The European Commission DG Internal Market and DG ECFIN; and (c) The European Supervisory Authorities (i.e. ESMA, EBA and EIOPA). The role of this Consultative Committee would be to review the SSM budget and consult with the industry in order to ensure SSM is well funded, whilst compliance costs are kept to a minimum (i.e. value for money will be attained). In order to ensure clarify in the market a three year rolling budget should be presented by SSM to the Consultation Committee. This is currently required for the EBA, EIOPA and ESMA. It is recommended that the Secretariat of the Single Resolution Fund should be housed within the Single Supervisory Mechanism structures. Furthermore, it is very important that the "principles of fairness and proportionality" are adopted particularly vis-à-vis small euro zone Member State Credit Institutions. It is a know fact that due to the economies of scale and scope, Credit Institutions in small euro zone Member States pay a higher proportion of compliance costs compared to their larger European counterparts.
Annual costs	6 in conjunction with II.2(22)	Clarification	The Supervisory Fees paid by Credit Institutions should only be related directly with the Single Supervisory Mechanism (i.e. the "new" DGs I – IV). Any other direct or indirect costs that are related to "old" DG Macro-Prudential Policy and Financial Stability should strictly not be included. The ECB has not clearly explained its 'cost accounting framework methodology'. The Bank recommends that only one Supervisory Fee is paid and that would be towards the ECB.
Annual costs	6(2)(b)	Deletion	The yearly supervisory costs measured as the total amount of the yearly expenditure is the basis for determining the yearly fees. Including damages incurred to be paid to a third party into the calculation would lack any legal basis. Claims for damages stemming from sovereign ECB acts should not be funded through the fee levied on supervised Credit Institutions. The ECB's responsibility for its own misconduct cannot be attributed to the fee-paying credit institutions. Including Art 6(2)(b) in the Regulation would also increase the amount of supervisory fees for credit institutions due to incorrect performances of the ECB. Furthermore, the amount of damages incurred to be paid to third parties would be impossible to calculate in

			advance. Under no circumstances should supervisory fees follow the idea of an "open cheque" that has no capping on it. Therefore, Bank of Valletta strictly objects to the inclusion of Art 6(2)(b) that is *"any damages incurred in the relevant fee period to be paid to a third party for a loss directly or indirectly caused by the ECB in the performance of its supervisory tasks."*
Estimated and determining the annual costs.		Clarification	It is recommended that more information on the costs incurred by SSM can be provided. The ECB can follow the example of the newly established agencies (i.e. ESMA, EIOPA and the EBA), and provide the EU Institutions and Market Participants a three year running budget (financial projections). It is recommended that this three year budget is also presented to the European Parliament and reviewed by the European Audit Authorities.
Cooperation with NCAs	12(1)	Amendments and Clarifications	Bank of Valletta firmly believes that the introduction of the Supervisory Fees should be as cost neutral as much as possible and that the two concepts of "reasonable" or "cost-effective" need to be implemented. Since a significant amount of the current work being carried out by the National Competent Authority is going to be done by the Single Supervisory Mechanism, it would be logical that there should be a clear reduction in the national NCA Supervisory Fees that would be reduced towards covering the new ECB Supervisory Fees. In order to ensure prudence within the market, there should not be any increase in the overall Supervisory Fees (i.e. the new ECB SSM Supervisory Fees and the current NCA Supervisory Fees) that banks are currently paying. The European Banks are currently facing a wave of compliance costs which will be costing the industry millions of euros and will impact the profitability and competitiveness of the sector. Some of the compliance costs as a result of the Recast Depositor Guarantee Directive, the Single Resolution Fund, the caps on fees being placed on debit and credit card fees, the implementation of the new MiFID regulations, CRD IV / BASEL III amongst others.
Sanctions	Article 16	Amendment	Any proceeds from penalties should be solely allocated to the budget of SSM and not the general pool of the ECB. If SSM generated the funds, the funds should go to SSM.