ECB consultation on a draft Regulation on Supervisory fees

Contact information

We would be happy to discuss our comments with you further. Please contact:

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Introductory remarks

The Royal Bank of Scotland ('RBS') is grateful for the opportunity to provide comments on the European Central Bank's (ECB) draft Regulation. This response is in relation to RBS' entities that are under consideration for significant status in the Single Supervisory Mechanism: RBS N.V. and Ulster Bank Ireland Limited.

Comments on the draft Regulation

1. *'Checks and Balances' between ECB and National Competent Authority ('NCA') fees*

The draft Regulation does not establish a link between the fees charged by NCAs and those charged by the ECB for supervision. The ECB must establish that the fee that it imposes remains cost-effective and reasonable. However, the draft Regulation does not define these terms. It is possible that both forms of fee could increase over time to burden the financial institution and financial markets in Europe as a consequence. Therefore, we propose that a 'checks and balances' mechanism is included in the ECB's regime to take account of NCA fees, and the tasks and responsibilities that are undertaken by the respective supervisors.

2. *Improvements to ECB costs monitoring*

The terms 'reasonable' and 'cost effective' could be further supported by comparing the costs incurred by the ECB in the process of fulfilling its supervisory mandate with the costs incurred by other EU supervisors. The draft Regulation states that the ECB is accountable to the European Parliament and to the Council and will regularly issue a report that includes the costs the ECB incurred. It would be advisable for the report to contain a benchmark to further substantiate the reasonableness and cost-effectiveness of the fees levied.

3. Supervised subsidiaries established outside of participating Member States

Supervised subsidiaries established outside of participating Member States are also to be charged a fee. This fee will be treated separately and not consolidated when considering the fee to be imposed on the home entity. The manner in which the fee for these subsidiaries will be calculated is not described in the draft Regulation and therefore remains unclear. We encourage the ECB to set out the relevant metrics for consultation and eventual conclusion in the final Regulation.

4. Calculation of fee factors

In reference to Part III Article 10 Paragraph 3, the use of Total Risk Exposure in the fee factor does not allow for the difference in approach between the standardised methodology for calculation of risk weighted assets and the internal ratings based approach. As such, institutions with two similar asset portfolios and using different methodologies will pay a different supervisory fee. We are of the view that the supervisory fee charged to institutions should not unduly penalise an institution for using one approach over the other.

5. Minimum fee component

In reference to Part III Article 10 Paragraph 5, we are of the view that the minimum fee component for significant supervised entities does not use objective criteria relating to the importance and risk profile of the institutions. As such institutions in this category will pay the same minimum fee despite differing importance levels and risk profiles. We believe that the minimum fee component should reflect the different importance and risk profile of an institution.

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