

Template for comments

ECB Guide to the internal liquidity adequacy assessment process (ILAAP)

Institution/Company
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Contact person
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First name
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Email address
Telephone number
✓ Please tick here if you do not wish your personal data to be published.

General comments

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers

The FBF welcomes the opportunity to share its comments on the European Central Bank (ECB) draft Guide to the internal liquidity (ILAAP)adequacy assessment process

The FBF reiterates its support for a stable and resilient global financial system, while facilitating economic growth. To this end, while supporting the ECB's initiative on the intruduction of the Guide, we believe that the proposed consultative document raises some concerns and requires some clarification as regards to its implementation. In our view, it is essential that regulators and the industry engage in proactive discussions to assist institutions in strengthening their ILAAPs, encourage the use of best practices and explain the ECB's expectations on the ILAAP

:Summary of key comments

;We ask for a gradually and proportionately introduction of the ILAAP requirements as defined in the ECB Guide-

It should be considered for some banking groups, as regards to the very high level of their liquidity buffers, it is difficult to define credible ;reverse stress testing scenarios leading exhaust liquidity buffers

If we consider the introduction of stress-testing programme for normative perspectives, it is not clear enough if this requirement is about the inclusion of future normative and regulatory requirements or about the definition of revised and stressed conditions applying to stressed

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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:

4 May 2018

ID	Chapter	Paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
	Scope and proportionality	14	4	Clarification	The application date of the "ECB Guide to the ILAAP" is not mentioned. We wonder if credit institutions will have to comply by 2019. We ask for the introduction of a dedicated paragraph considering that the "ECB Guide to the ILAAP" should be considered gradually and proportionately by credit institutions, on a case by case basis.	In order to clarify requirements for both credit institutions and supervisory authorities, we ask for more clarification regarding the application date of the ECB requirements.	,	Don't publish
	2 Principle 1	19	6	Clarification	It should be clarified that ILAAP outcomes and assumptions backtesting do not concern Stress tests. Indeed, only a crisis can properly backtest a stress scenario.	We ask for clarification on how and on which scope ILAAP backtesting should be performed.	,	Don't publish
	3 Principle 2	The ILAAP and the risk appetite framework	10	Deletion	Considering the lack of guidelines covering the risk appetite statement, we ask for a deletion of the link between the risk appetite statement (RAS) and the risk appetite framework (RAF). We ask the ECB to define guidelines on the risk appetite statement.	We ask for dedicated guidelines on the risk appetite statement (RAS).	,	Don't publish
	Principle 2	28	10	Clarification	It should be clarified if the risk appetite framework (RAF) is either an input or an output of the ILAAP and how does they interplay.	It is not cristal clear how risk appetite framework (RAF) interplays with the ILAAP.	,	Don't publish
	5 Principle 3	44	15	Amendment	If we consider both paragraphs 39 and 44, it should be clarified in article 44 that forward-looking horizons are expected to capture: - one year for the liquidity position; - three years or more for the funding position.	We ask for more consistency between paragraphs 39 and 44.	,	Don't publish
	6 Principle 3	46	15	Clarification	It should be clarified that the same scenario and the same assumptions apply to the projections under economic and normative perspectives.	We ask for clarifications on scenarios and assumptions	,	Don't publish
,	7 Principle 4	54	18	Deletion	We ask for the removal of any specific risk in the ECB Guide. The "shadow banking" is a specific risk. We ask for its removal from paragraph 54.	We ask for the removal of the reference to the shadow banking.	,	Don't publish

8	Principle 4	57 and 58	19	Deletion	We ask for removal of the specific risks listed in the document as it deals with Principles	We ask for the removal of the specific risks.	,	Don't publish
9	Principle 7	76	26	Clarification	Some prudential ratios are regulatory stressed, it should be clarified that the prudential framework considers a stressed perspective.	We ask for clarification on the normative perspective of stress testing programmes.	,	Don't publish
10	Principle 7	77	26	Deletion	The transferability of the liquidity has to be taken into account and it is regarding the law and regulations in force in the countries . Under stressed conditions the regulations might change . That is what happened in 2011 during the liquidity crisis , local regulators changed the rules to prevent from a deeper crisis and forbid the liquidity transfer outside of the country (that was the case for Poland for instance). But it is very difficult to anticipate these changes in a stress scenario. The stress scenario cannot take into account hypothetical changes of the legal framework	As we cannot include in our stress scenario hypothetical changes of the legal framework, we ask for the deletion of this part	,	Don't publish
11	Principle 7	78 to 80	27	Clarification	Paragraph 80 adequately states that there are a « range of adverse scenarios » while paragraph 70 seems to imply there is only one particular degree of severity.	Please, clarify that paragraph 79 deals with « the most adverse » scenarios.	,	Don't publish
12	Principle 7	Example 7.1	28	Amendment	If we understand the example of interaction between ICAAP and ILAAP stress tests, we ask for an example of interaction between ILAAP and ICAAP stress tests.	We ask for another example.	,	Don't publish
13	Principle 7	Example 7.2	28	Amendment	It should be considered that for some banking groups, as regards to the very high level of their liquidity buffers, it is difficult to define credible reverse stress testing scenarios leading to exhaust liquidity buffers, except either on a mechanical basis (e.g. homogenous increase of all parameters) or by shocking risk drivers beyond liquidity.	We ask for a proportionate and credible approach of reverse stress testing scenarios.	,	Don't publish
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