



## Public consultation

### Draft ECB Guide on the approach for the recognition of institutional protection schemes (IPS) for prudential purposes

#### Template for comments

Institution/Company

PWC POLAND

#### Contact person

Mr  Ms

First name

PIOTR

Surname

BEDNARSKI

E-mail address

[REDACTED]

Telephone number

[REDACTED]

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

Please make sure that each comment only deals with a single issue.

In each comment, please indicate:

- the relevant article/chapter/paragraph, where appropriate
- whether your comment is a proposed amendment, clarification or deletion

If you require more space for your comments, please copy page 2.

## PUBLIC CONSULTATION

Draft ECB Guide on the approach for the recognition of institutional protection schemes (IPS) for prudential purposes

### Template for comments

Name of Institution/Company PWC POLAND

Country POLAND

#### Comments

Issue	Article	Comment	Concise statement why your comment should be taken on board
1	113.6e	Clarification	Neither CRR art. 113 para.6e nor the Guide clearly define what exactly is understood by "transfer of own funds or repayment of liabilities" and what kind of material and practical impediments will be considered as violation of this criterion. Illustrative examples and clarification would be very helpful.
2	1137	Amendment	Point iii) should however point out clearly that IPS does not exclude in principle possibility of liquidation or - in some, justified cases - resolution - of problem banks, member of IPS. Otherwise, inefficient and economically non-viable banks may benefit (free rider, moral hazard behaviour) unjustly from the IPS. In many countries where IPS have been implemented, DGS and National Resolution Mechanisms are also in place and IPS members are not excluded from the measures of Resolution Mechanism. Hence, it is possible to imagine refusal of



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			assistance to IPS member in the sense that such member must continue its operation instead of ensuring that services will be continued (under another bank which might take over ailing member)
3	113.7b	Amendment	<p>There should be a limitation added to the general requirement on the ex-ante contribution to IPS, and especially extraordinary contributions which in no case should deplete the capital and liquidity of the members so they no longer adhere on the individual basis to prudential requirements on capital or liquidity. A good example of making sure that such limits exists is a declaration one of the prospectus for debt issuance of one of the EURO zone bank operating under IPS " Ad-hoc payments should not lead to any self-endangerment of an IPS member. This shall be secured through the establishment of maximum thresholds: the contractual maximum threshold for ad-hoc payments shall amount to 50% of the operating result average of the last three financial years. In any case, the payment obligation of each member is limited with the supervisory minimum equity ratios (Common Equity Tier 1 rate, Tier 1 rate and own capital overall rate) plus a 10% puffer. If such ad-hoc payments would not be sufficient to serve the purpose of the Federal-IPS contract the risk council would be able to request from its members additional ad-hoc payments and other measures. If the risk council is not able to render a unanimous decision, the IPS members are obliged to provide a maximum amount of 25% from their own funds that are above the supervisory minimum ratios." This is a prudent approach and does not create illusion that IPS offers blanket support no matter how such support and related contributions influence position of individual members which are separate legal entities.</p>
4	113.7c	Amendment	<p>In point iv) there is a clear suggestion that one confidence level and one time horizon should be applied for all IPS members - which is in line with "one fits all" approach but departs from proportionality principle; especially this is important in case of non-homogenous IPS association where a central (apex, association</p>

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			<p>commercial bank) might have different risk profile and business model that most of relatively simple cooperative banks, members of IPS. in point vi) there should be some criteria added indicating how ECB would assess sufficiency and adequacy of the disciplinary measures that are at IPS disposal. It should be clarified to what extent and how deeply interfering such measures should be as cooperative banks are autonomous entities with own supervisory boards and subject to banking supervision national authorities; what if such measures taken by IPS do not help to stabilize situation in a member bank but rather worsen it due to its inefficiency and poor design. Perhaps also some additional clarification should be added explaining that such measures are aimed at counteracting free rider (moral hazard) behaviour and not to move powers from autonomous and legally separate banks to IPS as central governing bodies. Hence, appropriate balance of powers between members and IPS in line with sound corporate governance rules should be ensured with checks and balances for IPS and - on the other hand - ensuring timely and effective reaction against free riders.</p>
5	113.7e	Clarification	<p>Clarification on aggregation assessment criteria used by ECB should be provided as aggregation is not a clear concept from accounting perspective (vs. consolidation); clarification should also indicate that aggregated own funds of all IPS members are not a base (denominator) for application large exposure limits based on sum of own funds of IPS members as in case of large exposure limits applied on consolidated basis in case of consolidated banking groups. IPS is not subject of accounting consolidation (vs. consolidated banking group)</p>
6	1137.h	Clarification	<p>Criteria of homogeneity should be clarified and when homogeneity cannot be recognized.</p>
		Choose one option	

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