EUROPEAN CENTRAL BANK

BANKING SUPERVISION

PUBLIC CONSULTATION

Draft ECB Regulation on the exercise of options and discretions available in Union law

Draft ECB Guide on options and discretions available in Union law

Template for comments

Institution/Company

Austrian Federal Economic Chamber, Division Bank and Insurance

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

In each comment, please indicate:

- the document to which the comment refers (Regulation and/or Guide)
- 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.

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Name of Institution/Company Austrian Federal Economic Chamber, Division Bank and Insurance

Country Austria

Comments

Regulation	**Guide**	**Issue**	**Article**	**Comment**	**Concise statement why your comment should be taken on board**
☒	☐	Text of Recital (6)	0	Amendment	We request the deletion of the word "currently". It is not upon the ECB to decide whether or not EU regulations will or will not grant options and discretions for Member States. Recital (6) states that in accordance with the SSM regulation, the ECB “should apply the national legislation exercising ... options and discretions as far as those national rules do not affect the smooth functioning of the SSM”. The last part of this sentence is not actually part of the SSM regulation, so it is questionable

					whether the ECB has the right to change options and discretions in the way envisaged.
☒	☐	Text of Recital (7)		Clarification	We request clarification of what is meant by "Such options". Recital (7) does not seem to make sense as separate recital - perhaps it was meant as last sentence of Recital (6).
☒	☐	Text of Recital (7)		Amendment	We request amendment of the second sentence to introduce a burden of proof on ECB that national rules do affect the smooth functioning of the SSM.
☒	☐	Too restrictive exercise of exemption of Art. 400(2)(c) CRR	9 (Comments are in eventu - in case Art. 9.7 of the regulation ceases to apply because of amendment to Art. 493.3 CRR acc. to Art. 507 CRR and/or	Amendment	We request amendment of number 2 of Article 9 referring to Art. 400(2)(c) CRR. First, all types of subsidiaries (included in consolidated supervision) shall qualify for the exemption as is the case in Art. 400(2)(c) CRR, treatment shall not be limited to the mentioned types of subsidiaries (no legal basis in CRR for limitation) and financial institutions shall not be limited to those subject to appropriate prudential requirements. Second, equivalent third countries shall not be restricted to Annex 1 to COM Implementing Decision 2014/908/EU, as the progress in evaluating third countries is very slow, as long as EBA/COM have not finalized the evaluation of third countries, credit institutions shall be entitled, for the purpose of number 2 of Article 9, to apply own judgment to evaluate additional third countries as equivalent. Third, we request to refine the drafting to be in line with Art. 400(2)(c)

	to the respective transitional provision in § 103q No. 4 Austrian Banking Act)	CRR in that exposures incurred to parent institutions and other subsidiaries of parent institutions (which need not be subsidiaries of the subconsolidating credit institution incurring the exposure) are explicitly covered by the exemption. We request Annex 1 to the Regulation to be amended accordingly to reflect the requested amendments. Art. 9.7: The regulation states that the “article shall only apply where the relevant Member State has not exercised its option under Art. 493(3)” of Reg. 575/2013 “prior to the entry into force of this Regulation”. As the referred regulation gives the discretion to the Member State we do not see the right of the ECB to overrule any regulation by the Member State just because it is done after this (ECB) Regulation came into force. Therefore we suggest an amendment that complies with art. 493(3) of the CRR. Point (1) states that the “exposures listed in Article 400(2)(e) to (k) CRR shall be fully exempted” from the calculation of exposures. Since point (i) refers to a possibility to exempt 50% and 80% respectively of certain exposures, we assume that ‘fully exempted’ means the exemption of 50% and 80% of the relevant exposures. Since the wording is ambiguous, this should be clarified in the final version of the regulation. Point (2) allows for the exemption of intra-group exposures (exposures under Art. 400(2)(c) CRR) from the large exposure limit under certain conditions, which are further specified in Annex I. Point (2)(b)(v) of Annex I requires banks to take into account whether “there is evidence that the management of concentration risk is consistent with the group’s resolution strategy, as reflected

in the recovery and resolution plans". Point 3(f) states that the ECB may request "documentation showing that the management of concentration risk is consistent with the group's resolution strategy as reflected in the recovery plan".

It should be noted that the recovery plan does not contain any information about resolution strategies; as such, any references to recovery plans should be deleted in Points 2 and 3. Furthermore, the resolution plan, including the resolution strategy, is determined by the resolution authority and may not be communicated to the bank (or the competent authority) at all. As such, it is not possible to undertake the assessment required in Point 2. On a practical level, even where the resolution strategy to be communicated to the bank, it is unclear when this will occur, as the SRB is not yet fully operational and has not yet developed a resolution plan for any bank/ banking group. It would, therefore, be impossible to comply with the requirement in 2(b)(v) at this stage, making it impossible to avail ourselves of the (currently allowed) exemption for intra-group exposures for large exposure purposes.

We therefore suggest deleting Points 2(b)(v) and 3(f) in its entirety.

Point (3) of Annex II allows for the exemption of exposures to regional or central credit institutions (exposures under Art. 400(2)(d) CRR) from the large exposure limit under certain conditions, which are further specified in Annex II. Similar to the point above for intra-group exposures, the documentation requirements in point 3(f) include "documentation showing that the management of concentration risk is consistent with the network's resolution strategy as reflected in the recovery plan". There is, however, no requirement to consider the resolution strategy similar to that of point 2(b)(v) of Annex I. We again suggest deleting point

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3(f) in its entirety.

The point provides for an exemption of 80% of the nominal value of covered bonds (exposures under Art. 400(2)(a) CRR). This represents a significant change from the current treatment in some SSM member states such as Austria and Germany, where such exposures are fully exempted from the calculation basis. Given the importance of these instruments for these markets and their role in liquidity risk management (they partly qualify as Level 1 assets, otherwise as Level 2a), an exemption of only 80% of their value is deemed inappropriate.

Given the legal environment for the issuance of covered bonds in both Austria and Germany, the established deep, liquid markets and their classification as Level 1 assets for liquidity purposes, a full exemption should be granted.

ad Annex 1

We request amendment of Annex 1 in line with amendment of Art. 9. First, all types of subsidiaries (included in consolidated supervision) shall qualify for the exemption as is the case in Art. 400(2)(c) CRR, treatment shall not be limited to the mentioned types of subsidiaries (no legal basis in CRR for limitation) and financial institutions shall not be limited to those subject to appropriate prudential requirements. Second, equivalent third countries shall not be restricted to Annex 1 to COM Implementing Decision 2014/908/EU, as the progress in evaluating third countries is very slow, as long as EBA/COM have not finalized the evaluation of third countries, credit institutions shall be entitled, for the purpose of number 2 of Article 9, to apply own judgment to

					evaluate additional third countries as equivalent. Third, we request to refine the drafting to be in line with Art. 400(2)(c) CRR in that exposures incurred to parent institutions and other subsidiaries of parent institutions (which need not be subsidiaries of the subconsolidating credit institution incurring the exposure) are explicitly covered by the exemption. We request further amendment of Annex 1 with regard to the references in para. 3 in (a), (b), (c) and (d) to the approval from the management body which we request to deleted. Corporate law is not harmonized neither in the EU nor in the SSM - whether or not the CEO of a credit institution requires approval from the mangagement body to sign the letter is a matter of corporate law and/or statutes and internal regulations - accordingly, we do not deem adequate to generally demand approval from the management body if corporate law, statutes and internal regulations do not foresee such requirement for CEO signature.
☒	☐	liquidity outflows for trade finance off-balance sheet items	11	Deletion	We request deletion of Article 11 in the Regulation and instead insertion into the Guide as there should be no automatism and no fixed outflow rate with respect to trade finance off-balance sheet items, instead, it should be decided case-by-case depending on the actual outflow risk a bank has with its trade finance off-balance sheet items which can lead to a lower than 5% outflow rate. amendment (in eventu, if not deleted) We request an amendment to set a lower than 5% outflow rate as Art. 23.2 of the LCR Delegated Regulation allows for a lower rate

					and a 5% general outflow rate is too high. We further request specification of the scope of trade finance off-balance sheet items, reference to Art. 429 CRR is not helpful.
☒	☐	treatment of minimum reserves	12 and 13	Amendment	We request an amendment to simplify the approach of banking groups and to level the playing field. The approach outlined on Art. 12 with 3 different treatments is overly complex. Internationally active banks will end up with 3 different treatments for different entities within their perimeter. We strongly recommend to keep the approach as simple as possible and to avoid undue complexity and lack of comparability for different entities within a banking group. There should be the option to follow one leading treatment (e.g. treatment provided for SSM entities) for the whole banking group. The treatment specified in Art. 12 (2b) disadvantages exposures to central banks of other Member States - credit institutions to which Art. 12 does apply. This does not have any influence as to if and when such agreement will be concluded between the relevant competent authority and the central bank. The treatment specified in Art. 12 (2b) disadvantages as well exposures to central banks of third countries that have introduced a liquidity regulation compared to third countries that have not done so (Art. 12 (2c)) - it is not understandable why minimum reserve excesses can be included in case of third countries with no liquidity regulation while no inclusion shall be possible in case of third countries with liquidity regulation. Article 12(1)(c)(i) includes the statement “In the absence of any decision from the competent authority or public authority in relation to major stock indexes, credit institutions shall regard as such a

					stock index composed of leading companies in the relevant jurisdiction". The ECB seems to not allow this possibility in its proposal. Since the delegated Act on the LCR is a legally binding text, we do not view the exclusion of this part of the rules as within the remit of the ECB and therefore disagree with the statement made in Article 13. This Article does not represent a national option or discretion but states the treatment to be followed when no designation has taken place at country level. Furthermore with reference to Art 12 (1)(c)(i) there is no understanding why only shares of a major stock shall be included if the competent authority has identified the major stock index.
☒	☐	Exemption form the IRB treatment granted in accordance with Art. 154 (6) Directive 2006/48/EC	26	Clarification	In Austria, Article 154 (6) of Directive 2006/48/EC was directly transposed into the transitional provisions of the Austrian Banking Act (§103 e No. 11), no discretion was granted to the Austrian NCA. We are of the opinion that the first sentence of the proposed Art. 26 of the Regulation applies nonetheless to Austrian banks ("as implemented in the Member States").
☒	☐	Art 3 – Art 89 (3) CRR	3, 4 and 6	Clarification	Art 3: Whether the exceeding amount of qualified holdings will be deducted from the CET 1 or credit institutions apply a risk weight of 1.250 % is not an option or a discretion of the competent supervisory authority. Art 89 (3) (a) CRR determines a risk weight of 1.250 %- and Art 90 in conjunction with Art 36 (1) (k) CRR grants rather institutions the option of a deduction of the exceeding

amount from their CET 1 as an alternative.

Art 4:

The Article imposes a general ’90 days past due’ definition of default, even for portfolios where national regulators currently make use of the permitted discretion in Art. 178(1)(b) CRR to use 180 days past due.

It is unclear how this requirement could actually be implemented by banks under the IRB approach that currently use the longer time period for their default definition.

The default definition is a central element of the PD model used; therefore, the imposed change to the default definition would result in a material change to the PD model of the firm. This would entail significant development and validation work for the bank to establish a new PD model as well as requires a new model approval (presumably by the ECB).

Furthermore, where banks use own LGD estimates (which will be the case for residential property exposures in all cases), the change of the default definition also has a material effect on the LGD model for these exposures, resulting in the same development, validation and approval needs for these models as mentioned above for PD models.

The regulation fails to appreciate these effects and does not provide for any transitional period for the implementation of this rule. In addition, it fails to appreciate the underlying reasons for the extension of the default definition, namely specific customer behaviour, which makes modelling PD and LGD with a default definition of 90 days significantly less reliable than using the longer time period.

At a minimum, there should be an appropriate transition period that would allow for the full cycle of model development, validation and approval to be completed before imposing the different default definition as the basis for IRB RWA calculations. In addition, a detailed impact analysis of the effects of this switch should be undertaken to base the policy decision on an appropriate factual base. The explanatory memorandum does not provide any information on impact assessments conducted, and it is unclear whether the implications of this proposal have been fully appreciated by those drafting the Regulation.

Art. 6

The article states that national approaches should be used “pending the adoption by the ECB of its own approach pursuant to Article 327(2) CRR”. Article 327(2) CRR not only allows competent authorities to develop their own approaches, but also refers to a requirement for the EBA to monitor these approaches and issue guidelines. The CRR does not set a deadline as to the provision of these guidelines; therefore, it is not clear whether these will be available by the time the ECB plans to issue its approach. However, it should be made clear that any approach developed by the ECB will be subject to changes if it is not in line with the EBA guidelines as and when they come into force.

☒	☐	Art 19 – Art 473 (1) CRR	19 and 21	Amendment	Art 19 According to this provision competent supervisory authorities may permit institutions that prepare their accounts in conformity with the international accounting standards to add to their CET 1 capital the applicable amount in accordance with Art 473 (2) and (3) CRR during the period from 1 January 2014 until 31 December 2018. The fact that the ECB exercises this discretion in the institutions' favor is seen in a positive light. Art 21 Point (7) states that "in the event of an unforeseen increase in the impact of the deductions … which the ECB determines is material, credit institutions shall be allowed not to apply" the deductions in Points (2) and (3). This statement raises a number of issues. The first is that there is no definition of materiality, which makes it difficult to assess the potential effect of this statement. In addition, it is unclear whether the exemption applies to the entire period up to 2019 or only to a specific year where the effect is deemed to be material. Finally, the possibility to exempt some institutions from the application of these rules does not appear in line with the objective of creating a level playing field in the Eurozone.
☐	☒	Chapter 1 and 2, 5.: Art 49 (2) CRR		Clarification	Chapter 1 – Waivers of prudential requirements

				Paragraph 3(1)(vi) Waivers for solo requirements of subsidiaries will in many cases be granted for relatively small institutions that are not material entities for the purposes of a Group recovery plan. As such, these subsidiaries would in most cases not be mentioned explicitly in the Group recovery plan and it is unclear what the ECB expects with respect to the requirement that they are “duly taken into account”. We consider the waiver for deductions of holdings of own funds instruments of a financial sector company according to Art 49 (2) CRR as an essential part of the effects of consolidated supervision. Therefore such deductions should only be required for reporting purposes and not for own funds requirements. The withdrawal of such permissions should also be restricted to reasonably determined cases where certain deductions are essential for structural separation and specific resolution planning. Additionally, if there is an unavoidable need of deductions in the case of a consolidated supervision, such deductions should be limited on the merits and to the extent being considered and determined as necessary. The prohibition of a waiver for a consolidated group as a whole would cause a disproportionate financial and technical drag and therefore the need of such deductions should be strictly limited.
☐	☒	Section II Chapter 2 No 6 (2) (i) – Art 49 (3) (a) (iv) CRR	Clarification	According to Art 49 (3) (a) (iv) CRR the information on the consolidated balance sheet or aggregated calculation must be reported at least on a biannual basis (see the reference to Art 99 CRR). It is not comprehensible why the ECB intends to reduce the

				reporting-timeline for an IPS on a quarterly basis as the CRR obviously enables to report on a biannual basis. Therefore we ask to maintain the biannual reporting. A requirement of the reporting of FINREP-data by an IPS is not justified by level I textes. This would imply - with huge spillover effect for LSIs - that all member of an IPS have to report full FINREP-data. We understand this provision in a way that only IPS which draw up a consolidated balance sheet have to report full FINREP, while IPS which choose to make an extended aggregated calculation (where they are applying nGaaP) do not have to apply FINREP but the simplified supervisory financial reporting. We ask to clarify that this provision is to be interpreted in such a way. It is not consistent with the principle of proportionality to force smallest institutions to adopt full FINREP requirements and to apply IFRS by means of these guidelines. These obligations would not be in line with Recital 19 and 39 of the SSM-regulation 1024/2013 (Recital 19 and 39 of the SSM-regulation state that “nothing in this Regulation should be understood as changing the accounting framework applicable pursuant to other acts of Union and national law”). Besides our major concerns for a hypothetical changeover to FINREP on the basis of Regulation (EU) 2015/534 sufficient long transitional periods would have to be stipulated as changes in the short run would not be possible
☐	☒	Section II Chapter 9	Clarification	In normal practice mandates of the members of the supervisory

		No. 4 (v) – Art 91 (6) CRD IV		board are not permanent. They are not elected for lifetime. It should be clarified what the term "permanent" means in this context.
☐	☒	Section II Chapter 9 No. 4 (iv) – Art 91 (6) CRD IV	Deletion	Criteria 4 (iv) states that the ECB has to examine whether the person already benefits from the privileged counting of directorships. We urge to delete this criteria 4 (iv), otherwise the legally provided privileges as laid down in Art 91 (4) CRD IV would be sanctioned by way of the back door. Such a scenario would not be acceptable as it would undermine the intentions by the legislator. In general, when laying down the criteria for the authorization to hold one additional non-executive directorship Art 91 (12) (a) CRD IV should be kept in mind. According to this provision EBA shall issue guidelines on the notion of sufficient time commitment of a member of the management body to perform his functions, in relation to the individual circumstances and the nature, scale and complexity of activities of the institution. There’s the manifest danger, that contradictions between the ECB criteria and the EBA Fit & Proper-Guidelines are to be expected. Hence the ECB should postpone laying down the criteria for the authorization to hold one additional non-executive directorship until the EBA Fit & Proper-GL have become into force next year. Involvement in committees may enhance management body members’ experience and knowledge and therefore increase their efficiency. Thus, such committee membership is not necessarily implying the increase of the burden for performing an extra non-

				executive directorship mandate.
☐	☒	Section II Chapter 9	Amendment	Paragraph 7 Paragraph 7 states that the ECB, as the supervisor of a parent institution, will “seek to assume responsibility for supervising the subsidiary” in a non-participating member state by establishing bilateral agreements with the competent authority in the non-participating member state. Reference is made to Art. 115 (2) of the CRD. We believe that this guidance is not in line with Art. 115(2) as this article provides powers to the competent authorities responsible for supervising subsidiaries rather than to the ECB as the authority responsible for the parent company. Art. 115(2) reads “the competent authorities responsible for authorising the subsidiary of a parent undertaking … may, by bilateral agreement, … delegate their responsibility for supervision to the competent authorities which authorised the parent undertaking so that they assume responsibility for supervising the subsidiary”. This paragraph of the Guide should be deleted as it does not relate to an option available to the ECB. Paragraph 9 While sentence 1 of this paragraph appears to relate to the provisions in Article 120(1) CRD, the second sentence appears to be related to the provisions in Article 120(2). It should also be clarified that the choice between the two approaches cannot be taken alone by the ECB on a case-by-case basis, but has to be reached in agreement with the other competent authorities responsible for the mixed financial holding company.

Paragraph 10
This paragraph states that the ECB “may consider it necessary to require … the establishment of a financial holding company … in the participating member state” and makes reference to conditions stated in Article 127(3) CRD. The paragraph also makes reference to the SSM regulation; however, the SSM regulation does not contain any provisions in this regard.
Article 127 CRD refers to matters related to the equivalence of third countries’ consolidated supervision. As such, Art. 127(3) only relates to the requirement to establish a holding company in the EU when the parent company is located in a third country and where the supervisory framework is not considered ‘equivalent’ to that of the EU.
It is not clear whether the ECB is suggesting requiring the establishment of a holding company in a participating member state for third country parent institutions or – potentially – also in cases where the parent institution is located in a non-participating member state (e.g. in the UK). The intention of this paragraph should, therefore, be clarified.
Assuming the requirement is intended to relate to both cases mentioned in the previous paragraph, we have serious reservations as to the legal basis for this requirement. In the first case, the establishment of a holding company in a participating member state should only be considered where the (non-equivalent) third-country parent does not yet have a holding company in the Union, regardless of whether the country of incorporation of this holding is in a participating or non-participating member state. In the second case, i.e. where the parent company

					is located in the Union, no additional holding in a participating member state should be required. Paragraph 11 This paragraph largely mirrors the requirements set out in Article 142 CRD with the exception of the specification of a maximum time limit for rebuilding capital buffers which has been set at 2 years. In our view, the imposition of a maximum limit is not in line with the objective of setting timelines on a case-by-case basis. In extreme cases (or circumstances affecting not just the institution in question but the wider economy), a longer timeframe than 2 years may be warranted – while the ECB would in these cases be able to act against its internal limit of 2 years, we believe the necessary justifications required do not warrant the imposition of the limit in the first place. Any time limit imposed must be accompanied by a reasoned explanation for the choice of period, so in the exceptional case that a period of longer than 2 years would be deemed adequate, this would need to be appropriately justified. This would, however, not require the separate process of explaining why the ECB acted against its own guide.
☐	☒	Section III Chapter 1 No. 6	Art. 24 (2) CRR	Clarification	The ECB intends to oblige to use IFRS for prudential purposes. According to the provision the ECB intends to determine its policy on the exercise of the option in Art 24 (2) CRR. However it would not be consistent with the principle of proportionality to force smallest institutions to apply IFRS. These obligations would not be in line with Recital 19 and 39 of the SSM-regulation 1024/2013 (Recital 19 and 39 of the SSM-regulation

	state that “nothing in this Regulation should be understood as changing the accounting framework applicable pursuant to other acts of Union and national law”). Nevertheless for "IFRS banks" it is in our interest that the envisaged impact assessment to be carried out in cooperation with the NCAs is performed swiftly. Therefore, we ask ECB to commit to a date by when this impact analysis shall be finished and a decision to this respect is taken. We prefer a completion date by 30 June 2016 enabling the credit institutions to apply such a decision for all reports based on the reporting date 30 September 2016 and later. Furthermore, we strongly foster a change of wording of article 24 (2) CRR in a way that clarifies which authority has the right (and duty) of decision and - even more important - whether the credit institution has the right of application. The rationale behind this request is as follows: An international/European banking group is operating under the framework of IFRS. For (sub-)consolidated regulatory reports the application of IFRS is already mandatory for "IFRS banks". For the consolidation process, all legal entities in scope of consolidation have to provide IFRS data in any case. Reports based on solo (separate) financial statements (e. g. FINREP and COREP) according to local GAAP create significant additional efforts and high complexity (e.g. two consolidation processes, additional reconciliation). Furthermore, reports produced under different accounting frameworks are not comparable with each other and do not "add up" to the consolidated reports produced under IFRS.

☐	☒	Section III Chapter 2 Own funds		Clarification	Paragraph 2 The ECB intends potentially “to develop further criteria following the assessment of future specific cases”. It is unclear whether ‘criteria’ is meant to be equivalent to ‘conditions’ stated in Article 78(4). If criteria are meant to be additional conditions, this would not be in line with the requirements in Article 78(4) CRR which lists the two conditions under which redemptions are possible and no additional conditions can be specified by competent authorities. The specification of additional criteria is only considered possible if criteria are meant to refer to assessment criteria for the competent authority to be used when determining either of the following: • whether a change in the regulatory classification is significant in line with Art. 78(4)(a)(i); or • whether an institution has demonstrated to the satisfaction of the competent authority that the reclassification was not foreseeable at the time of issuance in line with Art. 78(4)(a)(ii); or • whether an institution has demonstrated to the satisfaction of the competent authority that a change in tax treatment is material and was not foreseeable at the time of issuance in line with Art. 78(4)(b). The wording of this paragraph should be amended accordingly to clarify the issue.
☐	☒	Section III Chapter 3 No 1	116 (4) CRR	Amendment	Since the qualification as public sector entities in the meaning of Art 124 (4) is strongly dependant on individual circumstances, Member states themselves should appoint their public sector entities. This is also being considered as necessary due to the principle of subsidiarity. In case the ECB sticks to the proposal of

				setting up a list of eligible public sector entities we would warmly welcome if the ECB invites credit institutions to elaborate on these works as the ECB does not give any idea about the underlying criteria for the planned list
☐	☒	Section III Chapter 3 No 2:	Amendment	Immovable properties are one of the most important existing recoverable assets, in particular residential property. Therefore the setting of higher risk assets should be avoided and if any avoidance is not possible restricted to exceptional cases. The ECB plans to adopt a common methodology for higher risk weights for exposures in real estate markets. For credit institutions these intentions are of high interest therefore we ask the ECB to invite credit institutions to work together with the ECB in these matters. While no details are available at this stage, the ECB appears to suggest that it will establish a methodology for setting higher risk weights for certain types of exposures secured by residential or commercial real estate and may also set minimum LGD rates for these exposures under the LGD approach. With regard to this paragraph, the scope limitation of the Guide to SSM-supervised institutions potentially creates competitive distortions in local markets. We therefore disagree with the statement made by the ECB that the consideration of national measures already in force will ‘ensure a consistent approach within territories’. This would only be the case if the ECB methodology chose to keep applying the national measures to significant SSM banks; which does not appear to be the intention of the proposal.

			As the ECB rightly states, real estate markets differ by country, i.e. are local to each of the member states. SSM institutions compete in their local markets with non-SSM institutions and the application of different risk weights to the same exposures inside a country clearly creates an “un-level playing field” for these product sectors. Supervisory decisions should not influence the competitive dynamics in a market and, as a result, the ECB methodology will need to carefully consider the potential effects of this guidance on individual markets. The methodology should be subject to a rigorous impact study at the level of individual member states, beforehand.
☐	☐	Choose one option	
☐	☐	Choose one option	