

MESSAGE SENT ON BEHALF OF KEITH ASTILL, CORPORATE HR DIRECTOR, NATIONWIDE BUILDING SOCIETY

Dear Sir,

Nationwide Building Society including its subsidiaries and regional brands welcomes the opportunity to respond to the EBA consultation regarding the identification of categories of staff whose professional activities have a material impact on an institution's risk profile under Article 90(2) of the proposed Capital Requirements Directive.

We are the UK's third largest mortgage lender, second largest High Street savings provider and sixth largest High Street Financial Services organisation, with around £190 billion in assets. We are the only building society that provides a viable alternative and challenge to the banks through our size and scale, product proposition, pricing structure, branch network and brand strength. As a modern mass-market mutual, we are owned by and run for the benefit of our 15 million members. We are naturally consumer focused and, though we must take a commercial approach to remain competitive, we do not compromise our mutual principles.

Overall, we believe that the criteria used to identify staff who have a material impact on an institution's risk profile need to be sufficiently flexible to reflect the nature, scope and complexity of an organisation's activities. The current parameters specified within Article 3 are overly prescriptive and may result in individuals being identified who do not have any material impact on risk. The necessary flexibility might be most simply achieved by allowing firms to apply their own internal criteria for identifying individuals with a true material impact on risk after the criteria specified, such that individuals who were not considered to have such an impact could be excluded from the list.

Our response to the specific questions raised is as follows:

Q1) Is the list of specific functions listed appropriate or should additional functions be added?

We do not believe it is appropriate to identify individuals solely on the basis of job title as this may not reflect their level of influence on the overall risk profile of the firm. In particular, the individuals within Nationwide who head our taxation, economic analysis and business continuity functions are not considered senior enough to have a strategic influence on the firm.

Q2) Can the above criteria be easily applied and are the levels of staff identified and the provided threshold appropriate?

We would be able to apply this criteria, however we do not believe the levels of staff identified are appropriate as this captures some junior staff who do not have a material influence on the risk profile of the firm. We believe the wording should be amended as it is more appropriate for individuals who are 'authorising' the risk to be caught rather than the staff who have the authority to commit to the transaction. In order to ensure the focus is on individuals with a material impact on risk, we would prefer the threshold to be set at a considerably higher level.

Q3) Can the above criteria be easily applied and are the levels of staff identified and the provided thresholds appropriate?

Nationwide does not have a trading book and as such would not apply this criteria.

Q4a) Is this criterion appropriate to identify risk takers?

We do not believe this criterion is an appropriate way to identify risk takers due to the level at which the thresholds are set (see 4b).

Q4b) Are the thresholds set in the criterion appropriate?

A threshold of EUR 75 000 represents a comparatively small amount in the context of typical practice amongst UK financial institutions and so is not considered a helpful way of identifying risk takers. If a monetary threshold of this type is included within the final regulations, it would be helpful if national regulators were able to set an equivalent level in their applicable currency to avoid year on year fluctuation in the level of this threshold due to exchange rate movements.

Q4c) What would be the number of staff members identified in addition to all other criteria within the RTS?

Ultimately we do not believe any additional staff members would be identified as a result of this criterion. Based on the exemptions provided in Article 4 we do not believe this criterion would identify any further individuals with a material impact on the firm's risk profile, as such individuals will already have been identified by our internal criteria in line with Article 2.

Q4d) What would be the additional costs of implementation for the above criterion if an institution applies Article 4 in order to exclude staff from the group of identified staff?

Although it is difficult to specify the additional costs that will result from this criterion, there will be substantial work involved in tracking individuals who will then be excluded under Article 4, and as such this will create an unnecessary administrative burden.

Q5a) Can the above criterion be easily applied?

This criterion is more complex to apply than the others specified in paragraph 2 as any changes to individuals identified via other criteria during the course of the year will require a re-assessment for this criterion. Given the carve out offered under Article 4, we do not believe any additional staff members would be identified as a result of this criterion, however substantial administrative costs would be incurred in demonstrating this.

Q5b) Would it be more appropriate to use remuneration which potentially could be awarded as a basis for this criterion?

We do not think this would be more appropriate, and note that this might be more complex to assess.

Q5c) What would be the difference in implementation costs if the potentially awarded remuneration would be used as a basis?

If potentially awarded remuneration were used as a basis, we estimate that this would increase implementation costs.

Q6) Can the above criterion be easily applied and are the threshold and the levels of staff identified appropriate?

This criterion can be easily applied and we believe that the levels of staff identified are appropriate.

Q7) Can the above criteria be easily applied and are the levels of staff identified appropriate?

This criterion can be easily applied, however we do not feel that this is an appropriate way of identifying individuals with a material impact on the risk profile of the firm. We would welcome the potential carve out in Article 4 being applied to this criterion.

Q8) Are there additional criteria which should be used to identify staff having a material impact on the institution's risk profile?

We do not think there are any additional criteria which should be specified as it is preferable to allow institutions to incorporate any additional criteria relevant to their circumstances within their internal processes as per Article 2.

I trust our thoughts will be of assistance to the EBA in further developing its policy in this area. Should you have any queries, or require clarification on any of the points raised in our response, please do not hesitate to contact me.

Yours sincerely

Keith Astill
Corporate HR Director