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EBF response to CEBS¹ consultation paper on Guidelines on AMA changes (CP45)

EBF welcomes the willingness of CEBS (EBA from 1 January 2011) to gather the views of the industry as regards to the introduction of guidelines on the Advanced Measurement Approach (AMA) changes. The guidelines shall frame the communication process between credit institutions and the competent authorities in an orderly fashion. Clarity in the procedures will improve the effectiveness of the communication process between both parts.

The categorisation scheme proposed by CEBS shall encourage common understanding of the circumstances that should give way to an application with the competent authority. It would be useful if explicit recognition could be given to the case of takeovers. If a banking group takes over a subsidiary which had, in turn, an AMA in place, duly approved by the competent authority, the integration process may lead to ensuing extensions to the scope of the group's AMA or significant changes in the characteristics of the legacy AMA of the acquired subsidiary. It is understood that these changes should be communicated in observation of the guidelines. But if the banking group decides to maintain the legacy AMA of the subsidiary, the competent authorities should not expect any further communication.

EBF would like to insist on reinforcing the important role played by the internal validation function of the bank. In this vein, it is broadly understood that the requirement for an independent review of the AMA change policy, as envisaged in paragraph 16 of the consultative paper, could be adequately fulfilled by the internal validation of the bank. Explicit recognition of this possibility would be clarifying.

Regarding the time for the submission of the required documentation, both for significant changes and major changes (paragraphs 20 and 23, respectively), the EBF considers that six months prior to the planned implementation should be adequate for the delivery of all related documentation, with the exception of the independent review. The report of the internal

¹ The Committee of European Banking Supervisors (CEBS) launched this consultation on 15 December 2010 though responses shall be collected until 15 March 2011 by its successor, the European Banking Authority (EBA).

validation (or external upon the choice of the institution) would be timelier three months in advance of the implementation date. This way the competent authority could start reviewing the changes put forward by the institution and receive the complementary independent review report at a later stage.

In observation of article 129 of Directive 2006/48/EC, the competent authorities shall do everything within their power to reach a joint decision on the application within six months. Therefore, if the relevant documentation is submitted six months in advance of the planned implementation (and the independent review report three months later), the institution should expect the outcome of the supervisory decision by the planned implementation date.

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Related documents: [CEBS Consultation paper on Guidelines on AMA changes \(CP45\)](#).