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CONFEDERACION ESPAÑOLA DE CAJAS DE AHORROS

CECA response to CEBS Consultation paper (CP14) on the first part of its advice to the European Commission on large exposures

Julio 2007

The Spanish Confederation of Savings Banks (CECA) represents 46 independent retail banks that act and are organized as private enterprises. They have the legal status of private foundations and they operate mainly throughout Spain, with no limitations in terms of their territorial presence or expansion. The aggregated market share of the members represents more than 50% of the national market

CECA was founded in 1928, and it has dedicated its best efforts to promote the development of its affiliates and to defend their interests in all available fora. As an association, CECA represents the Savings Banks with regard to public power and in the international environment, acts as a common study centre for all matters affecting the Savings Banks, collaborates with the financial authorities and serves as an operating coordination centre for information, advising and communication and marketing.

We would like to express our sincere appreciation for this opportunity presented by CEBS to share our views regarding the CP14 and the revision of the large exposures regime in general.

After our review of the document presented by CEBS on 15 June, we believe that it represents positive step forward to re-define the new large exposures regime. Nevertheless, our final evaluation will come once the work is completed with the forthcoming advice on the second part of the Commission Call for Advice.

We concur with the view that a large exposures regime is helpful if its serves as a backstop against unforeseen event risk. In addition, as it was mentioned at the hearing, most of the confederated Spanish savings banks rely, one way or another, on the regulatory regime for their internal measurement and management of large exposures.

Regardless of costs and benefits, the current regulatory limit system is assumed by the institutions and integrated, in some cases, with additional internal management systems. In line with this, the 25% is considered relevant by the confederated savings banks. Also

following the general opinions expressed at the meeting, the 800% does not seem to "hit the spot" and it is considered irrelevant.

In addition, at the moment and as they stand, we see no potential problems or overlapping between the expected treatment of Pillar 2 requirements on concentration risk and the regulatory limits for large exposures. Is precisely in these Pillar 2 requirements where the incentives for institutions to improve their management of concentration risk are clearly presented.

We consider of key importance keeping the design of the regime as simple as possible. Given the objective of the framework and the nature of these "unforeseen risk events", difficult to be considered or they would have been included on Pillar 1 already, to complicate the regime or designing it away from the lines of the CRD seems unnecessary. This scheme would facilitate the introduction of the framework and reduce the costs for institutions.

Despite the fact a consistent application throughout the 27 Member States would be desirable; we understand the difficulties to achieve convergence on this matter. Thus, we welcome any initiative to achieve convergence as the consideration of specific exemptions of exposures which we see in line with the objective of the LE regime.

As for the time table, the efforts being carried out by institutions at the moment to adapt to Basel II requirements have to be taken into account. Any amendment of the current framework should be presented once the new regulation is "settled" and fully assumed by the institutions. This is especially relevant in jurisdictions where the adoption of the CRD and its transposition into national regulation remains unfinished. The actual framework seems to have work in the past and, therefore, we believe that there is no real pressure to change it immediately.