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Brussels, 12/04/2010

**CP 32, Guidelines on Stress testing, Febelfin comment**

Dear Sir,

Febelfin, i.e. the Federation which regroups four trade associations from the Belgian financial industry<sup>1</sup>, welcomes the opportunity to express its views on the consultation document mentioned above.

While the proposed guidelines do not materially differ from the requirements which are valid already, it should be noted that the guidelines are difficult to implement for smaller banks. Febelfin therefore requests that the proportionality principle could be taken into account more rigorously than today.

In particular we do not see the need for smaller banks to be submitted more than once a year to a stress test exercise. In order to reduce the work burden we also suggest to use the same scenarios as the ones being used in 2009.

We endorse the proposed principle which states that: '*Stress testing programs should be actionable and impact decision making at all appropriate management levels of an institution*'. Nevertheless we note that the practicality of this principle depends to a large extent to the detail asked for. Here again we advocate a more rigorous application of the proportionality principle.

We agree with the conclusion that feedback effects are very difficult to quantify. For this reason we prefer qualitative assessments of feedback effects.

It is not clear to us what is meant with reverse stress tests as described in guideline 11, in particular the difference with normal stress tests. May we ask to receive more clarification on this issue?

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<sup>1</sup> The following trade associations are constituents of Febelfin: the Belgian Bankers' and Stockbroking Firms' Association (ABB/BVB); the Professional Union of Credit Providers (UPC/BVK); the Belgian Asset Managers Association (BEAMA), the Belgian Leasing Association (BLA). In addition, the following federations have joined Febelfin as associate members : the Belgian Private Banking Association, the Belgian Private Equity and Joint Venture Association. Equally, other financial market infrastructure providers, such as Euroclear, SWIFT and Euronext have taken the status of associate members.

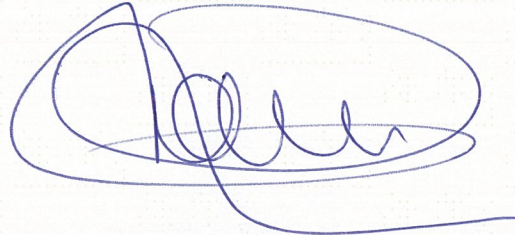


We hope these remarks will be taken into account. Our more detailed comments can be found in the annex to this letter. Please do not hesitate to contact our services and our working group, should you want any further information.

Yours sincerely,

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Michel Vermaerke  
Chief Executive Officer

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Daniel Mareels  
General Manager

cc. Mr. Jean-Paul Servais, Chairman, Banking, Finance and Insurance Commission.

### **CP 32, Guidelines on Stress testing, Febelfin comment, annex**

Guideline 5: We are of the opinion that internal audit should not be part of the process & contribute to evaluating the effectiveness & robustness of stress tests. This is the role of risk mgt. Internal audit should focus on the assessment of the process vis-a-vis existing policies/guidelines/best practices.

Guideline 8, §41: "The chosen scenario should be applied to all **relevant** (on and off-balance sheet) positions of the institution" (add the word relevant).

Individual risk areas: we note that when is written "applicable to all institutions" this should mean "... for which this is relevant ", indeed not all institutions have the same activities.