

28 June 2010

**UniCredit Group's reply  
to the CEBS CP 39 on risk-based capital adequacy of cross  
border groups.**

**GENERAL REMARKS**

The recent crisis has clearly shown that there is a need for stronger prudential supervision enforced by a supra-national, well-informed and resourced European Banking Authority (EBA). EBA needs to be empowered ex-ante with a coordinating, authoritative role and be legitimate to settle disagreements with a final say and binding powers.

We fully support steps towards increasing the capability of CEBS/EBA to promote the level playing field in Colleges of Supervisors' (CoS) practices, standards, scope and tools, under normal and stress conditions. EBA should be a full participant in each CoS. This will enable EBA to assist in the decision-making process, ensure consistency, settle disagreement and make sure that supervisory standards across the system are high. Furthermore, EBA should have a coordinating role in crisis management.

We are aware that the proposed changes are out of the competence for CEBS. We also note that the above suggestions are part of a more complex set of measures which currently are being debated by the EU institutions. We share the growing consensus that safeguarding of the Single European Market and its financial stability implies substantial changes to the European supervisory, regulatory and legislative framework.

Importantly, more explicit cross-border arrangements for burden sharing, national deposit guarantee schemes and recovery/resolution funds need to be developed. As a precondition to our reply, we envisage an efficient and effective European financial supervisory framework as well as a crisis management architecture and regime to be in place.

We appreciate the coordination role that has been attributed to the consolidating supervisor to initiate the cooperation process, chair the CoS and prepare the work programmes.

The parent company should become the single entry point to implement joint decisions taken by the CoS in the banking group. As such, the parent company's responsibility should be formally recognised, and its necessary powers and tools to implement decisions ensured and acknowledged.

We see benefits from convergence in supervisory expectations related to ICAAP/SREP reporting, as it should result in diminishing the discrepancy between reports and the information prepared for consolidating and local supervisors.

Specifically concerning emergency situations, a stronger EBA, in coordination with the European Systemic Risk Board, a well-functioning college and a properly empowered and governed parent company can be fundamental to manage a crisis in the most effective manner. The parent company should be the primary tool for authorities to access and manage a crisis in a banking group. It should have the power, the information, the knowledge and the data. It understands best the group's business model and systemically important business activities.

*As the parent company of a cross-border banking group UniCredit SpA and key group entities – Bank Austria and UniCredit Bank AG - support the objective to improve group stability and wish to see a stronger and more effective cross-border supervisory framework in the EU. To this end, we also consider that diversification benefits should be properly taken into account in the joint capital assessment. This joint task could be assigned in EU legislation to the EU CoS, provided the role of EBA allows balanced (between home and host authorities) and appropriate decisions to be taken. However, certain UCG components do not necessarily agree with all of the detailed proposals described in this document, which in some cases would require changes to national legislation or supervisory regime.*

**GENERAL CONSIDERATIONS ON THE GUIDELINES**

The guidelines leave open points that may be addressed by CEBS:

- the key issue is the undefined future decision-making process amongst the supervisors. We support the idea of giving a primary role to the consolidating supervisors. EBA should also have a crucial role, with a last say – to be exercised in a timely manner - in the case of disagreement among competent authorities.
- to effectively develop a level-playing field, national discretion and differences in accounting principles and definitions should be neutralised to the maximum possible extent.

It is extremely positive that both Capital Adequacy at Group Level and Capital Buffers over the minimum of the Legal Entities are to be defined according to Basel II Pillar 2 principles and under the coordinated supervision of all relevant authorities.

The UniCredit Group already adopts a common Pillar 2 framework based on a common principle but proposed guidelines require a further alignment (e.g. common stress test analysis, same timeline,...)

In the evaluation of the solo level, we think it important that the CoS specifies how and to what extent intra-group positions should be dealt with from a capital requirement perspective. We would encourage the college to assess under what conditions a consolidated approach, where all intra-group positions are eliminated consistent with the consolidated approach, could be applicable.

Taking into consideration existing legislative constraints, we would suggest that a common agreement should be reached with regard to the role of entities acting on supervisors' behalf, such as external auditors.

**Contact persons:**

**UniCredit SpA** Parent company

Heads of departments/units

- Gabriele Stinco, Strategic Risk Management And Control, SRMC
- Valeria De Mori, Head of Risk Integration and capital adequacy (RI&CA), SRMC,
- Sergio Lugaresi, Regulatory Affairs, RA,
- Guido Moscon, Banking Supervisory Relations
- Maurizio Cravero, Capital Management, CM

CEBS contact:

Marco Laganà, Regulatory Affairs, [Marco.Laganà@unicreditgroup.eu](mailto:Marco.Laganà@unicreditgroup.eu)

Experts

Andrea Cremonino, *Coordinator*, RI&CA

Alessandro Barchietto, CM

Regulation & Documentation Management

Andrea Mantovani, Group Organization & Logistics

**Bank Austria**

Ulrike Felfer, Regulatory Reporting,

**UniCredit Bank AG**

Reiner Meisinger, Accounting, Regulatory, Tax and Shareholdings

Löbke Christian Risk Management

\* \* \*