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Your ref., Your message of Our ref., person in charge Extension Date

 BSBV 189/Egger/Ho 3141 8th Jan 2020

**EBA Consultation Papier – Draft Guidelines on the treatment of structural FX under 352 (2) of the CRR**

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as legal representative of the entire Austrian banking industry, appreciates the possibility to comment on the above cited Consultative Document and would like to note the following comments and remarks.

**General comments**

Given the region Austrian banks operate in, the issue of Structural FX positions is of a high priority. Therefore, it is necessary to achieve clarity on the areas that are currently not or not precisely addressed in the draft EBA GL and introduce to and change in the GL the following **main points**:

* The **possibility for a phasing-in** and **individual timelines** set by competent authorities are necessary in order **to implement the complex changes** presented in the draft GL and in order **to prepare the exemption application** considering the **different starting points** for the treatment of structural FX. Given the large impact an alignment with the FRTB implementation seems advisable.
* With regards to the future necessity to hedge open currency positions, we would ask to **extend the number of material currencies from 3 to at least 5**.
* In order to foster a level playing field across institutions we propose that all **calculations for MaxOP and Sensitivities should be based on standardized approach methodology** (current STA or FRTB-STA).
* The **partial** **exemption of items held at historical costs for the calculation of net open position should be explicitly foreseen** considering that the **hedging requirements from consolidated structural positions may not be fully matching the book values on the solo level**.
* We propose to **include a paragraph that banks need to include only material contributions** in the **sensitivity calculation**.
* We believe that due to the structural nature of the position a **quarterly computation process** for **the maximum open position and the sensitivity** should be sufficient.
* The **efficiency threshold for the target boundary** should be set on **the overall target range using a multiplier of 25% instead of 5%** in alignment with similar thresholds (e. g. threshold of hedge efficiency in hedge accounting).

**Timing and phase-in**

Given the foreseen changes in the calculation of capital requirements with FRTB we propose to align the implementation of the guidelines for Structural FX with FRTB implementation.

A statement that competent authorities (e.g. the JST) may provide a phasing-in on a case by case basis depending on the impact and complexity of the changes necessary to be compliant with the new EBA GL and that competent authorities may set individual timelines for banks to prepare the exemption application needs to be considered and should be included in the final EBA GL.

The currently proposed application date beginning 2021 does not seem realistic. The draft EBA GL are still in consultation and will probably not be finalized before Q2 2020. Institutions will then have to file permission requests already in 2020 and competent authorities need to handle several requests in parallel within a short timeframe. In addition there are critical points that are left open in the draft EBA GL. Assuming that these points will not be clarified in the final version and remain subject to the discretion of the competent authorities the timing with an application beginning 2021 becomes even more challenging and unrealistic.

In addition, technical implementation has to be ensured by institutions to fulfill the on-going monitoring requirements at consolidated and solo level. Such an implementation can only be initiated based on the final GL and after alignment with the competent authority.

In addition we want again to emphasize the adverse economic effects and unintended consequences of the general inclusion of Structural FX positons into the Pillar 1 framework (which is assumed in the EBA GL). First, it punishes well and over capitalized subsidiaries that might lead to capital reductions in order to reduce hedging costs and P&L volatility. Second, the GL may lead to intensified and concentrated hedging in CEE currencies within a short time period with possible effects on the national currencies and national banks’ reserves. In general, market liquidity in CEE currencies might not be sufficient for the required size of hedging transactions.

**Impact on Business Model**

Eurozone cross-border institutions owning subsidiaries outside the monetary union will have to re-assess their business model due to the potential negative impacts stemming from the new guidelines. Institutions deliberately took the decision to invest in non-Eurozone subsidiaries taking into consideration all positive and negative impacts from such investments. Both the business and capital plans factor in the volatility in the profit and loss account and in the other comprehensive income as institutions have internal management buffers and macro-hedge strategies in place to properly handle the volatility.

In order to minimize the impact from the guidelines, institutions would need to take the following measures which are in our view contradicting:

* Reduce the overcapitalization in the subsidiaries to an absolute minimum, having very limited internal management buffers.
* Engage in fully financed business activities in local currency in order to reduce the maximum open position eligible for exemption from the guidelines.

**Relation to capital buffer regime**

We see a possible overlap between EBA GL and systemic risk buffer and O-SII buffer that would lead to double coverage of the same risks.

In our view, the risks associated with cross-border business and the CESEE cluster risk (such as vulnerability vis-a-vis CESEE) are reduced by the new EBA GL. These risks should therefore not be taken into account again by the competent authorities in the individual Member States when introducing a systemic risk buffer.

**Further comments on specific topics in the consultation paper that are not covered by received questions:**

On page 60 it would be helpful to include an illustrative example for the interpretation of the following sentence in paragraph 3: “Accordingly, the size of the range depends on which strategy the institution performs; in other words, the size of the range is relatively small for under-hedges, and gets larger moving from under-hedges to overhedges”.

Since the treatment of non-monetary items at historical costs as described in this and abovementioned paragraphs has also an (indirect) impact on consolidated level, the paragraph 110 on the page 29 has to be amended in a way that the last sentence of this paragraph should be deleted.

**Legal Analysis of Art 352(2) CRR in the light of EBA/CP/2019/11**

**(1) No Requirement for Dedicated Hedging**

Besides the questions explicitly asked by the EBA we have encountered open legal issues resulting on the current application of the CRR and the foreseen treatment according to the EBA/CP/2019/11 (hereinafter the “CP”) .

The Consultation Paper mainly discusses under which circumstances and subject to which prerequisites authorities may (continue) to allow to exclude so called ‘structural f/x positions’ from the calculation of an institution’s net open position pursuant to Art 352(1) CRR. The CP seems to aim at a uniform interpretation of this provision to be applied by all competent authorities since its implementation “*seems to be quite uneven across jurisdictions and* [since] *there is a lack of clarity around what constitutes a structural position for the purposes of Article 352(2).*”. Indeed, Art 352(2) includes not defined terms giving room for a tremendously broad range of interpretation. The starting point for such uniform interpretation is the CP stating that “*the EBA clarified that such items should be considered as part of the FX-open position*” (second sentence of fourth bullet point on page 5 of the CP). The “*items*”, the CP is referring to are items held at historical cost and – since being booked at historical cost - include participations in other companies and other assets booked at transaction date.

However, the CP itself does not specifically tell in which document or in which context the EBA provided such clarification. Prior to the CP, the treatment of structural FX under Art 352(2) has been discussed under EBA/DP/2017/01 (hereinafter the “DP”) to which the CP is explicitly referring to (see third para of section 2 of the CP, page 4). Though labelled as “*Discussion Paper*”, the DP concludes that, because of “*the fact that Basel allows the exclusion of items held at historic cost as part of the structural FX treatment (as previously noted) … these positions should be included in the calculation of the net open position.*”. And, even more explicit, the DP immediately after this say: “*Although this is not clearly stated in the CRR, the EBA considers at this stage that this is the appropriate treatment under the current CRR.*” (see item 21 of the DP, page 11).

As it seems, the EBA did not reconsider in the discussion following the publication of the DP. In any event, the CP does not touch further on this topic, but rather assumes that mentioned items should be considered as part of the FX-open position (see above). It seems however worthwhile to have a closer look on how the EBA arrived at this assumption: The DP rightly endorsed that the CRR is following the rationale of the Basel framework (see item 13 of the DP, page 9) and for interpretation of Art 352(2) of the CRR consequently referred to paragraphs 718(xxxvii) to 718(xxxix) of the Basel framework.

Looking into these provisions Basel made it clear that even a matched currency provision will not protect an institution against a potential deterioration of its capital adequacy ratio, which may and will always occur if the currency, in which such institution does its reporting (the “domestic currency”) is depreciating against the total value of its assets held in other currencies. Basel also anticipated that banks may run a short position in the domestic currency (i.e. a long position in the foreign currency/ies (against which the domestic currency depreciates), hereinafter the “foreign currencies”) and thereby protect their capital adequacy ratio.

Now, a bank may either gain such protection from its asset generating business activities in foreign currencies or it may specifically hedge the depreciation risk of the domestic currency. The Basel framework is not only allowing banks to gain such protection, but is also neutral about the method, provided that such hedging (i) has been allowed by the national authority, (ii) is of a non-dealing nature (i.e. is ‘structural’), (iii) does not result in an overhedging of the position at risk (i.e. the adequate capital ratio), (iv) is consistently applied and (v) has been deliberately taken in order to hedge against the position at risk.

In this context the DP is even considering that “*the provision* [(i.e. Art 352(2) CRR)] *would be relevant … for a group with … exposure from lending activities in cross border subsidiaries or branches*” and it should be added here that such relevance would be given if the bank isdirectly (or through its branches, - but not in relation to its subsidiaries) granting loans in foreign currencies (or is otherwise generating asset value to be booked in foreign currencies). Not only lending business, but obviously all such business which the bank has entered into for non-trading (i.e. dealing) purposes, would be able to satisfy the above prerequisites (next to the formal approval requirement), but for item (v).

Item (v) aside, a bank which has assets of a non-trading nature in a foreign currency therefore is protected against a depreciation of the domestic currency and hence against a deterioration of its capital adequacy ratio in form of what still is known as ‘natural hedge’.

Banks are however aware that a requirement to ‘deliberately’ hedge against the potential adverse effect on its capital ratio (which requirement is discussed in the paragraph below) ignores the benefits of a natural hedge and requires to enter into hedge agreements dedicated for this purpose.

If one agrees that there is or should be a strict requirement to only allow dedicated hedges ‘deliberately’ done for keeping the adequate capital ratio rather than any other method of a hedge, the discussions on what can be considered as a ‘structural position’ and on if and if so which positions are to be booked on the banking (versus the trading) book can be skipped in their entirety. If so agreeing, however there still remains the question why, both the authors of the Basel framework as well as the provider of the CRR required that such positions need to be ‘structural’. In any event, no indication could be found for arguing that there was a clear intention to disallow ‘natural hedges’ per se. If the law-makers/authors of EBA would have intended to only allow such dedicated hedges, they would not have spoken of “*any positions*” (see beginning of Art 352(2) CRR and paragraph 718(xxxviii) Basel framework, first para) in this context but rather of such dedicated hedge.

But even if it is argued that only such dedicated hedges can satisfy such requirement, this does not say anything about the requirement (if any) to apply a capital charge to a longterm participation denominated in foreign currencies which are reported in the published accounts at historic costs. Paragraph 718(xxxix) of the Basel framework (to which the DP rightly refers to) provides that such positions (including long-term participations) are not required to be charged with capital without stating any further requirements (or even the same requirements as referred to in paragraph 718 (xxxviii) of the Basel framework), which is neither mentioned nor consequently considered under both, the DP and the CP. Hence, it would make perfect sense to apply the requirement for taking a hedging deliberately only for non – structural positions.

This being said, it shall also be endorsed that Article 352(2) allows to exclude all positions which are of a structural nature (to the extent they have to be included at all in the first place - see item (2) below) from the calculation of the net open position. Consequently we see no room to argue for a calculation of sensitivities or to limit the range for a potential exclusion only to a limited number of currencies.

Finally, such conclusion is also supported by the fact that anyway all assets, which are being recorded in the books at historic cost are subject to mandatory value impairment adjustments which obviously includes any adjustments required for f/x fluctuations. In relation to this, we understand that this topic is subject to a different EBA RTS (RTS according to Article 325 (9) CRRII “on the calculation of own funds requirements for market risk for non-trading book positions that are subject to foreign exchange risk or commodity risk”), which is planned to be released in September 2020. Until its publication, the subject of net open positions stemming from investment in foreign currency denominated equity of subsidiaries is not legally specified. This results in a situation in which the CP is forestalling the anticipated future legal situation. The resulting legal uncertainty should be avoided which is why we recommend postponing the publication of the final GLs on the treatment of structural position acc. to Art 352 (2) CRR until after the RTS on the calculation of own funds requirements for non-trading book positions has been formally approved by the European Commission and has been published in the official journal of the European Union. Thereby, legal uncertainty could be avoided and a true level playing field could be maintained.

**(2) Assets to be Included**

But even prior to considering if Art 352(2) CRR indeed requires to make a dedicated hedge for being allowed to omit assets booked at historic cost from a requirement to be charged with capital, it is also noteworthy that both the DP as well as the CP assess that all asset items which are subject to an f/x fluctuation risk are to be included in the calculation to be applied according to Art 352(1) CRR.

Under the CP (see item 10 on page 8) the EBA seeks to clarify that “*by FX position … the Fxrisk stemming from any item/asset/liability held by the institution [is meant]…*” (underline byauthor).

The DP states (see item 19 on page 10) that “*the scope of positions to be considered for the overall net foreign exchange position pursuant to Article 352 CRR comprises the items mentioned in paragraph (1) of that article which are denominated in foreign currency irrespective of their accounting treatment.*”

Whilst the DP statement above focuses on the accounting treatment and insofar obviously seeks to include assets (to be) booked at historic costs and assets subject to market value adjustments, the DP do not further elaborate on which assets are to be included at all, but rather assume, when going forward, that all assets are comprised.

The CP goes one step further by (see above) comprising any item/asset/liability. However, this ignores that Article 352(1) CRR is not requiring to include any item/asset/liability into the calculation of the overall net foreign exchange position. Rather, only the “*net spot position …*” (item (a)), the “*net forward position …*” (item (b)), “*irrevocable guarantees …*” (item (c)), “*the net delta … equivalent … of … options*” (item (d)), and “*the market value of other options*” (item (e)) are comprising all of the elements required to be included for the calculation of the overall net foreign exchange position.

When looking on whether, or not, to include items booked at historic costs into such calculation, one needs to consider if any such items can be subsumed under any of the above stated subitems of Article 352(1) CRR. It seems obvious that any such items (i.e. items booked at historic cost) do not qualify as any of the elements included in items (b) through (e) (inclusive) of Article 352(1) CRR.

However, item (a) of Article 352(1) of the CRR specifies the “*net spot position*” by adding, next to this term (which term is not being defined in the CRR) and in brackets “(*i.e. all asset items less all liability items …*)” and this is, eventually the part of the legal text which may mislead a reader to understand that indeed all assets are to be understood to be included in the calculation, where in fact, only all of those assets which are to be booked as ‘net spot position’ are to be included under this item (a) (otherwise the implementation of a conclusive list in Article 352(1) CRR would not be required at all).

Now, to see, if an asset which is to be booked at historic cost is, at the same time, a ‘net spot position’ one needs to understand which position is to be booked under ‘net spot’. All dictionaries of economic terms describe a ‘net spot position’ as a position resulting from a spot transaction, being typically a transaction for selling or buying securities, financial instruments, foreign currency or commodities and where – in any event – the transaction is intended to be settled within a short term.

None of this applies to assets which are (required to be) booked at historic costs.

**(3) No Additional Requirements**

We noticed that the CP assesses that for making use of the deduction under Article 352(2) CRR there is to be an additional requirement introduced, namely that any institution is required to have obtained prior permit pursuant to Article 325 CRR if it wishes to benefit from the deduction opportunity under Article 352(2) (see items 54 et subsequent starting from page 17 as well as item 25 on page 44).

Even without taking into account what is outlined in items (1) and (2) above, we do not see room for arguing that indeed such additional requirement subsists (at least in relation to ‘structural assets’) for the following reasons:

Article 325 CRR allows institutions (on the consolidating level) “*to offset positions in another institution or undertaking*” within the same group whilst Article 352(2) CRR gives detailsabout how to calculate the overall net foreign exchange position for one specific institution without setoff by and between to different institutions playing any role. Participations in subsidies of such institution can only and are only booked on the balance sheet of such institution and in lieu of any other party a setoff is not even possible to apply. For such positions it would not make any sense to apply different scenarios as the CP is envisaging (‘Cases A, B and C’).

**(4) Consequences**

Consequently, Art 352(2) CRR has always been seen to allow for an exclusion of such assets (i.e. ‘structural’ ones) from the calculation of the overall net foreign exchange position (see e.g. BFS/KWG, Schulte-Mattler, Rz 25 zu Art 352(2)) without ever mentioning a requirement to make a dedicated hedge for any f/x-risk as may be coming along with such assets or any other requirement. Any changes intended in relation to such treatment should be implemented in the lawmaking process, if intended at all. If so, one should however be aware of the huge economic impact an inclusion of indeed all assets in the calculation of the overall net foreign exchange position would have.

**Specific answers to the EBA-CP questions:**

**Q1. Would you consider beneficial to limit the S-FX provision to hedge the CET1 ratio aiming at creating a level playing field in the EU? Please provide a rationale.**

Currently, we do not see it beneficial to limit the provisions to hedging the CET1 ratio as it would confine the scope contrary to the CRR. The CRR explicitly states that the positions shall be taken to “hedge against the adverse effect of the exchange rate on its ratios in accordance with Article 92 (1)”. Therefore, a restriction to hedging the CET1 ratio would not be in line with the CRR, rendering it void. Within banking groups, some entities might issue capital instruments in the local currencies. The FX risk stem-ming from these positions needs to be managed from a group perspective.

Institutions should be free to decide which capital ratio they choose. Despite of the bank’s internal strategy and the composition of the balance sheet, the targeted ratio defines also the amount of maximum position to be exempted and consequently the size and hedging strategy for remaining open positions. Choosing CET1 ratio gives the smallest amount for MaxOp and therefore the highest amount of remaining Open Position to be hedged. Hedging strategy and size of hedges will be influenced by market liquidity, cost of hedging (negative carry) and risk estimation in the respective currency.

**Q2. Which of the three ratios is your institution hedging?**

**Q3. For how many and for which currencies do you currently have the permission to exclude some positions from the corresponding net open position? For how many and for which currencies do you plan to request the permission following the adoption of these guidelines?**

From our perspective, using only 3 material currencies as a starting point is too restrictive.

We expect that at least 5 currencies will be in scope of a request for permission. Thus, we would suggest to change the wording in para 19 accordingly and generally extend the scope.

The decision on which and how many currencies banks are planning to request permission depends on whether the JST will invoke the current permission. If they do invoke the permission because of changes in the framework, banks will probably (re-)apply for RUB, CZK, RON, HUF, HRK, UAH, ALL, BAM, BGN, RSD, BYN.

Although, banks currently comply with requirements requested by the authorities, banks have a diverging legal opinion regarding on the necessity of including all assets into the calculation of the net open position. Please see legal opinion above.

**Q4. Could you please provide the list of the 10 most material currencies if the materiality of a currency were assessed in accordance with measure A and measure B? Please provide also the value taken by measure A and measure B for those currencies.**

**Measure A: percentage of the open position in the foreign currency (without considering any waiver) with respect to the open position in the reporting currency.**

**Measure B: percentage of the open position in the foreign currency (without con-sidering any waiver) with respect to the total own funds of the institution.**

**Q5: Do you deem the provision included in paragraph 25 clear or do you think it could lead to a different interpretation than the one outlined in the text above included in the box? Please elaborate.**

No comments, paragraph 25 seems to be reasonably clear.

**Q6: Are the structural positions for which you plan to ask the permission mainly positions of type A (i.e. meeting the condition in the paragraph above), or positions of type B? Could you please provide a rough estimation of the percentage of positions of type A on the total foreign-exchange position that you will potentially include in the request to the competent authority? For example, if the institution plans to request to exclude a net position = 100, and 80 of such net open position is due to positions of type A, then the percentage of positions of type A on the total foreign-exchange position that the institution will potentially include in the request to the competent authority is 80%.**

**Q7. Could you please provide the percentage of the net open position that you plan to request to exclude with respect to the net open position that your institution has without any waiver?**

**Q8. Do you agree with the exclusion of positions that are not eligible to be structural from the sensitivity that is used for assessing the intention of the institution to hedge the ratio, or would you prefer to have those positions included although they cannot be exempted? Please elaborate.**

Yes, we agree because in the maximum open position, the own funds requirements for all positions (banking book, trading book) in the currency for which the waiver is applied are excluded.

The inclusion of trading book positions would probably not have a big impact as the majority of the open FX positions stems from banking book business.

**Q9. Are there currently FX-risk positions that you kept open in the trading book for the purpose of hedging the ratio? Why did you not include such positions as part of the banking book since the main purpose of those positions is to hedge the ratio?**

**Q10. Do you think that by excluding positions that are non-eligible to be exempted, it will be easier for institutions to meet the requirement of keeping the sensitivity stable over time? Please elaborate.**

Yes, we agree that positions that are non-eligible should be exempted from the sensitivity calculation. It should be easier to keep the sensitivity stable, especially for the institutions with large trading book portfolios. However, for institutions with smaller trading book posi-tions, the sensitivities would be mainly affected by the RWA developments.

**Q11. Is your institution currently required to keep the sensitivity of the ratio stable over time where requesting the permission referred to in Article 352(2)? If not, how do you justify the intention of hedging the ratio? Please elaborate.**

**Q12. Do you agree with the definition of the range in paragraph 27(d)? Do you think that 0.05 is an appropriate value?**

We think that 0.05 is too small. This leads to tight boundaries and results in an overly sensitive measure where minor variations in the exchange rate, RWA or Equity composition can lead to a breach of the boundaries and henceforth need frequent actions. We think that wider boundaries are consistent with the overall target of Art 353 (2), the institutions hedging strategy and the structural nature of the exposures.

Limit on upper thresholds, i.e. adverse sensitivity development: Art 352 (2) states “… to hedge against the adverse effect of exchange rate on its ratios …”. In our view this implies that the institutions ratio sensitivity should remain below the upper boundary (but on the other hand, a lower sensitivity (reducing the adverse effect) does not need to be limited.

Metric for sensitivity boundary: We propose that boundaries are set in relation to the overall sensitivity in currencies where exemption is approved.

Level of threshold: The efficiency threshold for the target boundary should be set on the overall target range using a multiplier of 25% instead of 5% in alignment with similar thresholds (e. g. threshold of hedge efficiency in hedge accounting).

**Q13. Could you provide a description of the risk-management framework within which your institution operates for managing structural positions that have been taken for hedging the ratio (e.g. how your institution currently computes the sensitivity of the ratio to changes in the exchange rate, the level of granularity at which the boundaries referred to in paragraph 27(i)(i) are defined, exc.)? Do you think that these guidelines are in line with the current risk-management within which institution operates for managing SFX positions? If not, which are the differences?**

**Q14. Is it easy for institutions to ‘transfer’ the concept of net open position in the context of the internal model? What are the methodologies that institutions may use for excluding positions for which they may receive the permission referred to in Article 352(2) from their internal models?**

Several issues are related to the application of the framework in the internal market risk model:

Treatment of exposures from entities which are not included in the internal model.

Requirements for actual and hypothetical back-testing are not clear.

Determination and application of the multiplier: back-testing overshootings resulting from Structural-FX positions will impact the capital requirement for trading book. As exposure from Structural-FX positions cannot be managed (reduced or closed) like a trading position the connection should be avoided.

Identification of positions and changes in the data process require time for implementation

Diversification effects between trading book capital charge and capital charge for Structural FX are not stable.

In order to foster a level playing field across institutions we propose that all calculation for MaxOP and Sensitivities should be based on standardized approach methodology (current STA or FRTB-STA).

Again, we have a diverging legal opinion regarding the calculation of the net open position acc. to Art 352 (1) CRR as shown in the annex.

**Q15. What is the size of non-monetary items that are held at historical costs with respect to the size of institution’s balance sheet?**

On consolidated level the items in FX held at historical costs are not material.

On solo level participations in subsidiaries held at historical costs are material (between 5-10% of solo balance sheet).

We propose to explicitly foresee full exemptions of items held at historical costs for the calculation of the net open position. Hedging requirements from consolidated structural positions may be not fully matching the book values on the solo level.

**Q16. Do you think that the formulas presented above provide a good estimate of the position that is offsetting the sensitivity of the ratio with respect to changes in the exchange rate? If no, why? Are there any adjustments that you would recommend? Please elaborate.**

Formulas in 31 are appropriate. The formula provides a good estimate of the position that is offsetting the sensitivity of the ratio with respect to changes in the exchange rate.

**Q17. Do you think that is operationally feasible to compute the maximum open position and the sensitivity on a monthly basis?**

Due to the structural nature of the position we think that a quarterly process should be sufficient.

We think that the reporting frequency should be aligned with regular reporting dates (i.e. quarterly). Due to the structural nature of position are not expected to change frequently.

The current version of the CP requires inclusion of all FX-sensitive RWAs. This implies high operational effort for some parts (e.g. CVA) although the contribution may be immaterial.

We propose to include a paragraph that banks need to include all material contribution. Materiality can be assessed as part of the waiver application and regularly (e.g. yearly) in the validation process.

**Q18. Do you currently include Additional Tier 1 instruments, and Tier 2 instruments that are issued in the foreign currency in the net open position referred to in 352(2)? Please elaborate.**

**Q19. What is in percentage the amount of Additional Tier 1 instruments, and Tier 2 instruments that your institution issued in foreign currency with respect to the total amount of own funds of your institution?**

**Q20. What is the percentage of the amount of Additional Tier 1 instruments, and Tier 2 instruments that your institution issued in a foreign currency with respect to the net open position that your institution has in that foreign currency?**

**Q21. Is there anything in the approach outlined in these guidelines that could create issues of compatibility with the treatment foreseen in any non-EU jurisdictions in which EU institutions operate? If so, please elaborate.**

No.

Yours sincerely,

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