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

BSBV 99/Horvath 3141 1st March 2016

**EBA/CP/2015/26**

**Draft Guidelines on ICAAP and ILAAP information collected for SREP purposes**

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the above cited Draft Guidelines and would like to submit the following position:

1. **Overarching document “reader’s manual” – Section 4, point 10**

In section 4 point 10 of the Draft Guidelines it is mentioned that the institutions shall include an “overarching document (‘reader’s manual’) that facilitates the assessment of ICAAP and ILAAP documents by providing an overview of the documents and their status, an overview of where the information can be found in the documentation provided by the institution and any other information that may be relevant for the competent authority at the start of the assessment”.

As the Guidelines are meant to facilitate a consistent approach to the assessment of the institutions’ ICAAP and ILAAP we believe that it would be useful for the institutions to use a **common template for the ‘reader’s manual’ specified by the EBA**. In our view, this would contribute to the goal that all institutions structure and organize their documentation in a similar manner.

In the absence of a template, we would at least like to express our interest in an overview of the methodology and description of processes. We believe it would be helpful if the EBA considered publishing such a document.

1. **Operational documentation – Section 6.2.2, point 30.b**

In section 6 point 2.2 which refers to the operational documentation it is mentioned that the results of the calculation of all material risk categories and subcategories covered by ICAAP have to be provided.

The risk materiality assessment of a bank is based on the taxonomy framework and outlines all material risk types the bank is exposed to. However, some subcategories comprised in main risk types (e.g. country and political risk within credit risk) are not quantified with economic capital and mitigated in a qualitative manner. Similarly, some categories might not be provided on a more granular level. Only a unified taxonomy across Europe would allow comparability among banks and an alignment across the sector. However, if changes to the bank’s specific taxonomy were not intended, it would be unclear how banks should proceed in case risk types are not quantified with economic capital.

1. **Quality Assurance – Section 8, point 55**

The Draft Guidelines mention in section 8 point 55 that competent authorities “receive from institutions conclusions on the findings of the internal capital and liquidity adequacy assessments and their impact on the risk and overall management of an institution”.

In our experience there have been cases when the observations of the competent authorities regarding ICAAP and ILAAP are done at very high level and consist of rather vague terms, making the difficult to address and follow up.

Therefore we suggest that the Guidelines provide guidance to competent authorities regarding a clear and uniform formulation of their observations in a manner that can be easily followed and acted upon by the institutions.

1. **Quality Assurance – Section 8, point 57**

The Draft Guidelines mention in section 8 point 57 that competent authorities should “receive from institutions adequate explanation of how institutions ensure that the ICAAP and ILAAP frameworks and models used provide reliable results (validation concepts, validation reports) and a description of both the validation approach (process, frequency) and the validation content. “

It is not clear to us what, in the ICAAP and ILAAP context, is required from a validation perspective above and beyond the regular validations of the internal models used for Pillar I and Pillar II purposes which are performed by the independent validation unit. Validation reports and validation concepts are submitted on a regular basis to the competent authorities.

If the EBA had any additional expectations towards what is required we would appreciate a clear description thereof. Specifically, it would be helpful to lay down in the Guidelines what is meant by “internal validation/reviews of ICAAP and ILAAP methodologies”.

1. **General Comments**

According to the provisions within the executive summary the guidelines are planned to be applicable from 30 June 2016. The consultation period is defined to end on March, 11th 2016. Depending on the further proceedings it may happen that the final publication of the guidelines occurs almost at the same time as the guidelines become applicable. Due to this fact the institutions will not be provided with any necessary implementation period. Such consequences should be avoided in this particular situation as well as with regard to any future regulatory publications.

The ICAAP and ILAAP reporting requirements, that have been issued by the ECB on January, 8th 2016, in order to perform the SREP-process 2016, are ambitious according to both, time and content. We call for a coordinated and aligned procedure regarding the gathering of information and the required content. As a result of the tight time schedule for the submission of the information, the quality and granularity of the information can probably not achieve the required extent.

Concerning the level playing field, we want to point out that the requirements of the internal risk management have to be proportionate to the business model and risk profile of individual banks. Therefore the EBA guidelines should especially reflect the elements and considerations of the principle of proportionality in a proper manner.

Para 14 stipulates for non-Category 1 institutions that competent authorities may determine different than annual frequency of information submission. Due to the minor complexity of these institutions it should be clarified that the required information submission may only be less frequent.

Additionally, the ECB’s and EBA’s proceedings should be aligned to avoid redundancies, dissents and any additional burden for institutions. Regarding any requests of supplementary information (e.g. para 15) it is necessary to stipulate a minimum lead time between the request of the authority and the submission of the information by the institution.

We ask you to give our remarks due consideration.

Yours sincerely,

Dr. Franz Rudorfer

Managing Director

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