

A response by the British Bankers Association to the EBA’s consultative document on:

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

*March 2016*

***Draft response***

**Introduction**

The BBA is pleased to respond to the European Banking Authority’s consultation paper on guidelines on ICAAP and ILAAP information collected for SREP purposes [[1]](#footnote-1).

The BBA is the leading association for UK banking and financial services representing members on the full range of UK and international banking issues. It has over 200 banking members active in the UK, which are headquartered in 50 countries and have operations in 180 countries worldwide. Eighty per cent of global systemically important banks are members of the BBA.

As the representative of the world’s largest international banking cluster the BBA is the voice of UK banking.

All the major banking groups in the UK are members of our association as are large international EU banks, US and Canadian banks operating in the UK as well as a range of other banks from Asia, including China, the Middle East, Africa and South America. The integrated nature of banking means that our members are engaged in activities ranging widely across the financial spectrum from deposit taking and other more conventional forms of retail and commercial banking to products and services as diverse as trade and project finance, primary and secondary securities trading, insurance, investment banking and wealth management.

Our members manage more than £7 trillion in UK banking assets, employ nearly half a million individuals nationally, contribute over £60 billion to the UK economy each year and lend over £150 billion to UK businesses.

**Key Messages**

We welcome the EBA’s guidelines on ICAAP and ILAAP information collected for SREP purposes, as we believe that they facilitate a consistent supervisory assessment of firms’ ICAAP and ILAAP. We recognise that the CP does not introduce new criteria for ICAAP and ILAAP to be addressed by institutions, and believe that the guidelines overall achieve their purpose of specifying the information regarding ICAAP and ILAAP that competent authorities will need to collect from institutions in order to perform their assessments as per the SREP guidelines. Nevertheless, we have a few comments on the content of the consultation. First of all, we understand that the CP aims at a more consistent implementation of the SREP guidelines, and does not intend to explicitly specify how ICAAP/ILAAP should look like; nonetheless, some of our members have expressed a concern that the current content seems to be aiming towards a standardised information provision. Thus, it should be stressed in the final guidelines that the EBA does not seek a ‘template’ approach to ICAAP and ILAAP information provision, recognising that both processes are internal and specific to each institution. Furthermore, we note that the guidelines are in some ways similar to the PRA’s expectations on firms’ ICAAP[[2]](#footnote-2) and ILAAP[[3]](#footnote-3), an alignment that we support.

**Information that is common to ICAAP and ILAAP**:

We understand that such information is required in order to put ICAAP/ILAAP into context for individual firms and also to be used in assessment of other SREP elements. However, we feel that in some cases the information specified in the CP requires some clarification on what level of detail is expected. This applies in the case of information on business model and strategy, where it is stated that competent authorities should receive from institutions a description of the changes planned by the institution to the current business model and its underlying activities. This element may be particularly challenging for larger institutions, which typically undergo a plethora of change programmes (large and small alike) every year on different parts of the organisation. Hence, more clarity is required on the scope of these changes that need to be communicated, as well as clarification on the point at which these changes need to be communicated to the authorities (i.e. how much in advance before the change takes place). Furthermore, clarification on the level of detail expected is also welcome in the case of information on risk data, aggregation and IT systems. A description of the framework and process to gather, store and aggregate risk data, as well as data flows, structure and checks can be very time consuming to produce, and further clarification on the scope of such documentation to be provided is required.

Moreover, it is also important to indicate that some elements included in the guidelines may result in duplication of effort from institutions. With respect to the latter point on risk data, aggregation and IT systems, it should be noted that such elements are already covered by other regulations, such as the BCBS 239 requirements[[4]](#footnote-4). Hence, inclusion of such information elements under these guidelines may result in duplication of effort from institutions.

**ILAAP specific information**:

With respect to information on intraday liquidity risk management, we are of the belief that introducing the notion of materiality would simplify the information collection process without affecting the ability of competent authorities to assess institutions’ ILAAP. More specifically, the CP outlines that with respect to the full implementation of intraday liquidity risk management, authorities should ensure that they receive from institutions an overview with explanation of any payments missed or obligations not met in a timely manner. This requirement could be amended to include only missed payments above a certain threshold, as a few missed payments of small materiality may have no significant impact on a bank’s liquidity.

Furthermore, some further clarification would also be welcome regarding information on Contingency Funding Plan. First of all, a Contingency Funding Plan can be quite broad, covering measures for generating liquidity ranging from selling off assets to the market, to divesting parts of the business. Further clarity on the level of detail required with respect to the CFP would be appreciated. In addition, some clarification on the type of testing procedures that need to be described to competent authorities would also be welcome.

***Responsible executive***

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1. https://www.eba.europa.eu/documents/10180/1307235/EBA-CP-2015-26+%28CP+on+GL+on+ICAAP+and+ILAAP+Information%29.docx [↑](#footnote-ref-1)
2. http://www.bankofengland.co.uk/pra/Documents/publications/ss/2015/ss3115update.pdf [↑](#footnote-ref-2)
3. http://www.bankofengland.co.uk/pra/documents/publications/ss/2015/ss2415.pdf [↑](#footnote-ref-3)
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