

*Set up in 1990, the Czech Banking Association (CBA) is the voice of the Czech banking sector. The CBA represents the interests of 39 banks and foreign branches operating in the Czech Republic: large and small, wholesale and retail institutions. The CBA is committed to supporting quality regulation and supervision and consequently the stability of the banking sector. It advocates free and fair competition and supports the banks' efforts to increase their efficiency and competitiveness.*

We appreciate the opportunity to comment on the **DRAFT IMPLEMENTING TECHNICAL STANDARDS ON PROCEDURES AND TEMPLATES FOR THE IDENTIFICATION AND TRANSMISSION OF INFORMATION BY RESOLUTION AUTHORITIES TO THE EBA, ON MINIMUM REQUIREMENTS FOR OWN FUNDS AND ELIGIBLE LIABILITIES UNDER ARTICLE 45(17) OF DIRECTIVE 2014/59/EU (EBA/CP/2016/15)**.

The ITS should support standardisation of reporting, improvement of MREL impact analysis and harmonisation of approaches to MREL targeting. We propose that RAs send this template on yearly basis not only to EBA but also to institutions concerned in order to support the same flow of information. In general, the template is well structured and clear. The requirements in the template follow the RTS on MREL (Commission Delegated Regulation (EU) 2016/1450). Thus, in case there are changes in RTS on MREL (e.g. due to setting of MREL as a percentage of RWA instead of total liabilities) the ITS would have to be updated.

We provide answers to EBA specific questions and also bring further comments. The major comment relates to adjustments outside of Loss Absorption Amount (LAA) and Recapitalisation Amount (RCA).

### **Answers to questions for consultation**

**Question 1:** *Do you consider that any of the components of the ITS Templates presented in the Annex I and Annex II to inform the EBA of the minimum requirement for own funds and eligible liabilities are not appropriate, and if so why?*

**Question 2:** *Do you consider that any additional components are needed to be included in the templates presented in Annex I and Annex II, and if so why?*

Comments to Question 1 and 2, Annex 1, r. 35-41: Adjustments related to impediments to resolvability, size, systemic risk and DGS contributions, specifically item 230 Adjustment for size and systemic risk.

**Concerning Systemic risk**, the adjustment can be done either in rows (items) 140 for LAA and 190 for RCA.

In row 140, LAA adjustments: Resolution authorities should assess the systemic importance for LAA while considering whether the systemic risk buffer is needed to ensure losses can be absorbed in resolution as reflected in RTS on MREL, Article 1 (5b ii): *...part of the **combined buffer requirement** referred to in paragraph 2(c) is assessed by the resolution authority **not to be relevant** to the need to ensure losses can be absorbed in resolution.*

In row 190, RCA adjustments: Resolution authorities should assess the systemic importance for RCA while considering whether the systemic risk buffer is needed to ensure losses can be absorbed in resolution as reflected in RTS on MREL, Article 2 (9): *The resolution authority may determine, in consultation with the competent authority and taking into account information received from the competent authority relating to the institution's business model, funding model, and risk profile pursuant to Article 4, that, notwithstanding the provisions of paragraph 3, it would be feasible and credible for all or part of any additional own funds requirement or **buffer requirements** currently applicable to the entity **not to apply after** implementation of the **resolution** strategy. In this case that part of the requirement may be disregarded for the purposes of determining the recapitalisation amount.*

If a further adjustment is possible **in row 230 we propose further specification of this item.**

**Concerning Size**, the expected size of bank in resolution should be reflected in RCA, i.e. in case the bank in resolution has a lower amount of risk weighted assets (RWAs), the required amount for recapitalisation should be calculated from the expected lower amount of RWAs. The size and RWAs in resolution should be reflected in all items for RCA (160 - 200).

If a further adjustment is possible **in row 230 we propose further specification of this item.**

The size of the bank in resolution is reflected in rows 90 (Total risk exposure amount) and 110 (Leverage ratio denominator). We propose to include **a new row also for Total liabilities and own funds after resolution**. There are different resolution scenarios, some of them leading to different level of RWAs and total liabilities. While RWAs are important for calculation of a new required capital, liabilities (without own funds) are also necessary to specify whether it is expected that the balance sheet will be reduced and the bank will change its systemic importance. The size of the balance sheet might not be the only criterion for systemic importance after resolution but it is important.

**Question 3:** *Do you consider it necessary to split the line 190 of the Annex 1 'downward adjustment taking into account information received from the competent authority relating to the institution's business model, funding model, and overall risk profile' into individual lines for each component i) business model, ii) funding model, and iii) overall risk profile?*

No – it is not necessary, the Resolution authority probably takes into account a combination of these factors. We would however suggest to include a justification if no such adjustment is made.

**Question 4:** *Do you consider it necessary to add additional lines to gather information on MREL subordination requirements? If yes, how granular information is needed?*

Yes. It would be helpful to have a comparison of required subordination.

Possible requirements:

- Percentage of total MREL requirement to be covered by T2 or more subordinated instruments
- Specific categories (e.g. MREL eligible deposits, senior unsecured bonds) with “MREL“ flags (yes/no)
- Text cell: what instruments are considered as MREL eligible

### **Other comments**

**Draft Technical Standards Art 1 (1): 1a.** *The resolution authority shall on a best effort basis, where indicated, provide appropriate qualitative information explaining the reasons for MREL decisions. This may include reference to group resolution plans, **public decisions** or policy statements of the resolution authority, or other supporting documents.*

Qualitative information explaining the reasons for MREL decisions may include a range of argumentation, among others public decisions. This may cause a very wide interpretation. Whose decisions are supposed to be considered as a public decision (Central bank, Supervisory authority, Resolution authority, Ministry of Finance/regulator, Government)?

We believe that our response is sufficiently clear and our views are helpful.