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## OP Financial Group's response to ESMA and EBA Public consultation on Draft Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/CP/2016/17)

OP Financial Group welcomes the opportunity to comment above-mentioned Draft Guidelines. As we fully support the European Association of Co-operative Banks EACB's position on the matter, we would nevertheless like to highlight the following aspects on our own behalf:

### Questions 4 and 5 – Proportionality

In some Member States such as Finland co-operative networks within the meaning of Art. 21 of the CRD and Art. 10 of the CRR play a significant role in the national financial market. OP Financial Group has operated in this structure for more than 20 years and is currently the largest domestic financial group in Finland with more than 170 member banks and 1,7 million customer-owners. Practically all local banks have now adopted this structure and there are now two such networks in the co-operative sector and one in the savings banks sector.

These co-operative networks have specific features such as

- full prudential consolidation at the level of the group
- joint and several liability for each others' liabilities
- obligation to comply with instructions issued by the central body
- possibility to waive the prudential requirements for individual member banks.

As these network operate under the centralized risk management by the central body and a single brand they are comparable to single institutions and (centrally managed) groups consisting of a parent undertaking and its subsidiaries, they are treated as a single entity in the EU legislation for several supervisory purposes including:

- prudential requirements
- calculation of deposit guarantee fees
- recovery and resolution plans.

Given the significant role of these networks it is crucial that they are recognized in all relevant pieces of EU legislation, including corporate governance rules. It should be taken into account in particular that individual member banks are not significant for the overall stability and reputation of the entire group and the proportionality principle should be explicitly applied to them. Full application of the regulatory framework would cause disproportionate administrative burden to these networks as applying the supervisory requirements in full at the level of individual member banks would multiply the administrative burden compared to other types of financial groups.



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We remain at our disposal for any further questions and inquiries. Please do not hesitate to contact Mr. Antti Makkonen, Head of EU Public Affairs ([antti.makkonen@op.fi](mailto:antti.makkonen@op.fi), +358 50 310 8244).

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