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French Banking Federation Comments on draft Guidelines proposing harmonised definitions and templates for funding plans of credit institutions (EBA/CP/2013/47)

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

I- General comments

We appreciate the opportunity to provide some comments to these draft guidelines and set of templates in spreadsheet format to be reported by institutions to their competent authorities and from the latter to the EBA.

We fully share the EBA conclusion that :" The monitoring and assessment of credit institutions' funding risks and funding risk management by competent authorities is fundamental to the evaluation of the institutions' capacity to execute their own funding plans and reduce reliance on public sector funding sources. Analysing credit institutions' funding plans, in aggregate, is an important element in assessing their coherence and feasibility, and in turn this helps to ensure that funding plans will not adversely affect the supply of credit to the real economy."

<u>II- Answer to the questions</u>

Q01. Are the proposed templates feasible in terms of completion?

Regarding the **perimeter of application**, we would like to complete the EBA conclusion “The analysis of funding plans should be carried out at the level of each institution being monitored and of each Member State, as well as at the level of the Union as a whole” as following: “**in fully consistency with the perimeter for liquidity review under SREP and the additional monitoring tools reporting”,** as the three are interconnected and need to be analyzed together**.**

Another key point, in order to build a strong and feasible framework for funding plans, is to **align with LCR and NSFR referential under CRR and not FINREP referential:**
-As banks operationally manage their balance sheet and funding plans under LCR and NSFR constraints
-As the comparison between end of year LCR and NSFR with the projections of the LCR and NSFR over a 3 year time horizon is facilitated

In addition, we fully support the proposal on an **annually collection**.

Finally, though the guidelines are very much report oriented, we agree when the consultation paper mentions that “monitoring and assessment of funding plans…is a complex process, which starts with a **conversation with competent authorities**…”

Q02. Are the reporting templates and instructions sufficiently clear? Should some parts be clarified? Should some rows/columns be added or deleted?

Generally speaking, **we would like to propose to delete some notions**, that are not required in LCR, NSFR and that require a heavy operational process to implement:

- **“resident / non-resident”** borrowers (this notion has been deleted in the Additional Monitoring Tools)
- “**domestic / international”** operations

In Table 2A2 - Public sector sources of funding, we do not understand the aim/ use of row 70 “National and supra-national term (greater than one year) credit supply incentive scheme to the real economy - amount of funding outstanding under such programs”

In Table 2A3 - Innovative funding structures, we do not understand the aim/ use of row 100 “o/w offered to customers already holding deposits at the bank”.

Q03. Do you agree that the information to be gathered on the pricing of assets and liabilities (Section 2B) would provide effective insight into the expected development of funding costs within the broader scope of medium-term strategic planning? If not, do you have concrete suggestions as to what other information would be more suitable?

From our perspective, the pricing of assets and liabilities section (2B) is both not appropriate and redundant with Additional Monitoring Tools reporting.

This section does not provide relevant information to understand the projection of the pricing:

- It makes no sense to calculate an average price on a position basis (*vs* on a flow basis) without mentioning the underlying volumes
- It makes no sense to report the pricing in bps, without specifying the rules for the underlying indexes (that should be different depending on the maturity deal and the currency)

Moreover, in Additional Monitoring tools, a template is required relating to prices for various lengths of funding; this seeks to collect information about the average transaction **volume** and **prices** paid by institutions for funding with different maturities ranging from overnight to 10 years. This reporting should be sufficient to capture the information on the pricing.

As a conclusion, we propose to delete this report from the Funding Plans framework.

Q04. Do you agree that information on currency breakdown (Section 2C) will provide effective insight into possible currency mismatches? If so, will such information be easily available, and can it be reliably projected by credit institutions to the required horizon?

We have no comments.

Q05. Are all the main drivers of costs and benefits identified in this CP? Are there any other costs or benefits missing? If yes, please specify which ones.

We have no comments.

Q06. Do you agree with our analysis of the impact of the proposals in this CP? If not, please provide any evidence or data that would explain why you disagree or which might further inform our analysis of the likely impacts of the proposals.

We have no comments.

Q07. Will firms subject to this template be able to report the data by 28 February for a reporting date of 31 December previous? Should the EBA explore other options, such as a split submission date (different deadlines for different parts of the template)?

A two month reporting timeframe is too short when banks might only finalise their year-end results at the end of February. The submission date should be by the end of March at the earliest.

The dates used for forecasting and reporting that are required by the EBA do not match. For instance, forecasting is usually done in Q1 where reporting is based on Q4 data of the previous year, i.e. based on the assumptions from the year before. We would expect firms to be able to report by end of March, however the question raises a point for clarification.

In practice institutions will generate funding plans in advance of the year end and these plans will have been through the appropriate governance before 31 December. The plans will typically have included 31 December forecasts. Does the EBA intend that institutions should restate their plans using actual year end balances? If so, most institutions would expect to have to reapply its complete governance processes on this restatement of the position for year end balances. Is the EBA cognizant of that possibility and is this what was intended?

Collection of data should be no more frequent than annually per 31 Dec to be reported by 31 March the latest. Bank multi-year planning processes are not necessarily identical with regard to the calendar year. For instance, for some banks, the planning process starts after annual results have been published in March lasting for 3-4 months with board approval by July/Aug.