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E-Mail

Preliminary Comments on Banking Structural Reform

Dear Mr Deckers,

The members of the European Association of Co-operative Banks (EACB) are seriously concerned about the possible impact of the Commission Proposal for a Regulation on structural measures improving the resilience of EU credit institutions. In particular, we fear that it could have a serious impact on the universal banking model. Therefore, before presenting our detailed comments on the text of the proposed Regulation, we would like to offer the following preliminary observations.

According to the Commission, operational objectives of the proposal are to “reduce the size of implicit public subsidies of *too big to fail banks*”, “reduce excessive trading by *too big to fail banks*”; and “increase the lending to non-financial customers as a percentage of total assets”. In our view, however, the impact of the proposal could go beyond these objectives and could threaten the model of European universal banks. We suspect that, contrary to the assertion that it would “maintain the universal banking model”¹, the separation could in fact induce significant losses in terms of resource allocation and client service.

We believe that the impact assessment delivered by the Commission services does not sufficiently reflect the actual or potential impact that we could expect from the future regulation. In addition, we believe that the current text of the Commission proposal does not in fact allow for an appropriate impact assessment:

The wording of a number of important provisions, such as the definition of trading activities and proprietary trading, the prohibition under Art 6(1), as well as the derogation under Art 21, is too vague to properly assess the substance of those provisions. It thus remains unclear, which activities are included in the definitions, and which activities could be exempted from the separation requirements.

Moreover, the proposal includes a number of mandates for delegated acts on crucial aspects especially under Article 9(4) and 10(5) (metrics for assessment); 11(3) (prudent management of risk); 12 (2) (provision of risk management services); and 15(2) (extra-group large exposure limits). The proposal hardly delivers any parameters as regards the limits of such delegated acts, leaving it practically open. We believe, that in order to allow for a proper assessment and understanding, some fundamental parameters for

¹ Page 53 Impact Assessment



these provisions have to be determined already in the regulation. Otherwise, in our view, a proper impact assessment would not be possible.

Furthermore, we do not see sufficient evidence from the Commission services demonstrating why the reforms adopted under CRR and CRD, as well as under the BRRD are not sufficient, and why the toolbox for authorities provided by the BRRD would not be appropriate to deal with the 'too big to fail' problem.

In conclusion, we encourage the Commission services to take the necessary steps to improve the proposal and provide further evidence on the impact assessment during the coming weeks. This, we believe, is crucial in order to achieve a legal act suitable for the European Union and its citizens.

Thank you for taking the time to consider our remarks.

We remain at your disposal should you wish to discuss in further detail.

Yours sincerely,

Hervé GUIDER
General Manager