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EACB comments on EBA DP on new prudential regime for investment firms

(EBA/DP/2016/02)

The members of the EACB welcome the opportunity to comment on the EBA Discussion Paper on the design of a new prudential regime for investment firms, our views are as follows.

In principle, there may be good reasons for certain requirements to be tailored to the needs of investment firms' different business models and inherent risks, in a way that does not affect competition and financial stability, provided that the following conditions are fulfilled:

Level playing field

➢ It should be ensured that the expectations and the requirements for investment firms that are part of a banking group are not more demanding than those required for stand-alone investment firms, and that their need and specificities are looked at and treated in the same manner.

Waivers

➢ If the new regime for investment firms turned out to be sensibly different from the one applicable to credit institutions, supervisors might use a stricter view on granting waivers for prudential and supervisory requirements on a solo basis. It should be clarified that this would not be the case where waivers are already in place, otherwise this would affect in a material way the structures, processes, and risk management of banking groups.

Administrative burden

➢ If the current regime is maintained for non-systemic investment firms (classes 2 and 3) it would become operationally burdensome, in terms of processes and administrative costs, to reconcile the consolidated perspective and the needs at solo level. For instance, for market risk the move towards the new trading book framework (FRTB) would be required at consolidated level, while at solo level there could be a need to maintain the current approach for market risk (i.e. simplified standardised approach). This could generate a very burdensome situation in terms of operational follow up and reporting, even more if the boundary between Trading Book and Banking book is reviewed according to the FRTB.

The voice of 4.050 local and retail banks, 79 million members, 210 million customers

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