EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS

The Co-operative Difference : Sustainability, Proximity, Governance

Brussels, 30th September 2020

ECB consultation on Guide on the the supervisory approach to consolidation in the banking sector

EACB Comment Paper

ID	**Chapter**	**Page**	**A**mendment **D**eletion **C**larification	**Detailed comment**	**Explanation**
1	1	1	C	We welcome the reference in footnote 2 that the Guide does not establish new regulatory requirements, and expectations set out should not be construed as legally binding rules. We would recommend making this statement clearer within the introductory chapter. We also appreciate that the ECB sees that mergers and takeovers are the result of market forces and shareholders decisions. However, this should be made much clearer in the Guide, also in order to avoid that supervisors may see a political role to play in such processes; this would indeed not be appropriate and beyond the mandate of prudential supervisors. Finally, we have some reservations with regard to indication that consolidation will help to preserve – or even encourage – diversity. It is more likely to have the opposite effect particularly if supervisory expectations and the regulatory framework do not give due consideration to the arrangements	

				and specificities of different business models and legal forms.	
2	1	2		We support the ECB indication that “*experience shows that there is no “one size fits all” approach when it comes to banking sector consolidation. Consequently, a case-by-case approach based on proportionality in the application of these principles should be expected.*”	
3	5	12	A	Para. 45 gives the impression that the application of the Guide to LSIs is the regular case ("The SSM supervisory approach to consolidation also covers LSIs [...]"). Instead, we believe that footnote 35 rather leads to the opposite conclusion. In fact, the ECB indicates that "*The vast majority of business combinations involving LSIs do not require a qualifying holding procedure given that they take place within the cooperative and savings banks sectors, usually at a local level, and do not result in a parent-subsidiary structure, but in a single institution, and as no qualifying holding threshold is met. They would thus not fall within the scope of the proposed framework.*" This element should be addressed more clearly. For the avoidance of any uncertainty and misunderstanding, we believe that the text from the footnote should rather be a direct and introductory part for para. 45 (e.g. “LSIs in general do not fall within the scope of the Guide, given that the vast majority of such transactions take place etc...”).	

4	5	12	C	As the draft Guide does not contain a specific section on scope, we believe it would be appropriate to add such a dedicated Section also clarifying in which cases LSIs do not (or do, e.g. in case of creation of a new SI) fall within the scope of the Guide.	
5	3	8	C	In para. 27 it is not sufficiently clear how the P2R and P2G weighted average after consolidation will be calculated. We believe that the appropriate reference would be RWAs.	

Contact:

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