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Ihr Zeichen, Ihre Nachricht vom	Unser Zeichen, Sacharbeiter	Durchwahl	Datum
	BSBV 53/Horvath	3141	4 Jan 2016

Re: **Consultative Document "Guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank ("G-SIB")"**

The Austrian Banking Industry appreciates the possibility to comment on the Consultative Document "Guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank ("G-SIB")" and would like to forward the following position.

1. Are the principles on temporary funding in resolution identified in the report appropriate? What additional elements, if any, should be considered for inclusion?

We believe that the principles on temporary funding in resolution are appropriate.
We, however, point out that confidence of the market in the soundness of the recapitalization (Point 1. lit (iv) page 10) will mainly depend on planned future cash flows of the resolved and recapitalized of the then maybe no-more G-SIB. This might be included in the word "restructuring plan", but we suggest making a remark in footnote 5).

2. What are your views on the most effective means for maximising the availability and use of private funding sources in resolution in a manner consistent with orderly resolution? Are there particular formats of private funding that should be considered?

The implementation of a resolution plan by the resolution authority will - to some degree - have to be backed by public sector risk sharing if it should attract new private sector funding. Public sector backstop guarantees in a limited volume and over a limited period are a very appropriate measure. This will also provide some back-testing for resolution plans, but may increase cross border risk sharing issues to be solved in Crisis Management Groups.

Super priority resolution funding (in German: Massedarlehen) could be of help to attract private sector financing of resolution as well, although this will have to be adapted for resolution purposes (i.e. limit super-priority only for a certain period of time also in bank resolution). General insolvency rules normally do not apply to bank resolution. Presently the BRRD does not include this, just like it does not include subordination of MREL/TLAC (EU issue; see German, Italian and Spanish proposals/amendments of national insolvency law).

3. In cases where public sector backstop funding is needed in resolution, how should such funding ideally be structured so as to minimise the risk of moral hazard, reduce the

need for temporary liquidity support from the public sector, and allow the firm to return to private sector funding (i.e. timing of disbursements, term of funding, pricing, collateral requirements, potential use of public sector guarantee authority where available, exit incentives, etc.)?

We agree with Section 3. Public sector guarantees should be of limited volume (not cover all exposure to the resolved entity) and maturity (not longer than 12-24 months after entry of resolution) and not be free of charge. Such public sector support will have to fulfill all state-aid rules applicable (EU issue).

4. Do you agree with the suggested elements of resolution planning for temporary funding in Section 5? What additional elements, if any, should be considered for inclusion?

We agree with the proposals of Section 5. Measures & time buckets covered by ongoing liquidity planning, recovery planning and resolution planning should interact.

5. Do you agree with the approach outlined for cross border cooperation between home and host jurisdictions? What additional principles or procedures, if any, should be considered?

Unless pre-resolution burden sharing agreements are in place, we are afraid the envisaged cooperation between home and host authorities might end when it comes to footing the bill at the end of the day. In fact there is a high probability that most liquid funds will be frozen where they are at the point of resolution.

As far as intragroup funding for foreign subsidiaries is concerned there is a high probability that this will be bailed-in and converted to equity as shareholder loan by the host authority. On the other side deposits from subsidiaries to its parent will normally not qualify as TLAC (or MREL) and thus be hard to bail-in and consequently be withdrawn at maturity. In case of intragroup cross border derivatives close-out mechanisms may leave failing entities without hedging or interest or FX risks.

We just want to point out that host authorities may not necessarily be at a disadvantage in case of resolution, but rather the contrary as can be seen in the case of intragroup funding. When the overall exposure of the parent towards the subsidiary is small, the host authority is in a weaker position than when intragroup exposure to the parent is substantial. Reducing intragroup funding to reduce parent exposure might, however, have negative impact on host economies where the host banking sector is dominated by foreign banks.

We do not understand how there can be „any limits on the ability of public backstop mechanisms in host authorities to provide funding to subsidiaries in their jurisdiction that are not themselves subject to resolution powers in the host jurisdiction". We are afraid that this regulation could be used as basis for discrimination of foreign owned subsidiaries. Such rule would imply that foreign subsidiaries are exempted from paying into local DGS or resolution funds as well and may not have to pay local taxes as they will not profit from local public backstop measures.

6. Are there any other actions that could be taken by firms or authorities with regard to the temporary funding needed to support the orderly resolution of a G-SIB?

As mentioned above we strongly encourage resolution authorities to conclude pre-resolution burden sharing agreements.

We kindly request you to consider our remarks.

Yours sincerely,

Dr. Franz Rudorfer
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