POSITION PAPER

WSBI-ESBG common response to the FSB consultation on common international standard on Total Loss-Absorbing Capacity (TLAC) for global systemic banks

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WSBI ESBG

1. **General remarks:**

First of all, WSBI-ESBG would like to thank the FSB for this opportunity to share our comments on this important consultation on the common international standard on Total Loss-Absorbing Capacity (TLAC) for global systemic banks.

In our opinion, the TLAC framework should be flexible enough to adapt to the already existing resolution framework at national level, taking into account that some jurisdictions have already developed frameworks for the recovery and resolution of credit institutions with similar requirements, as it is the case for the MREL in the EU. Moreover, WSBI-ESBG is very concerned about the potential extension of this framework to institutions that are not global systemic banks as it is very likely that due to market discipline also non G-SIFI banks will be obliged to apply these rules.

2. **Response to questions:**

3. What factors or considerations should be taken into account in calibrating any additional Pillar 2 requirements?

Regarding any additional Pillar 2 requirement, we consider that the common Pillar 1 minimum TLAC requirement must be sufficient as a first step to enhance the loss-absorbing capacity of G-SIBs.

8. Are the conditions specified in the term sheet (Section 8) under which pre-funded commitments from industry-financed resolution funds to provide resolution funding contribute to TLAC appropriate?

WSBI-ESBG considers that the contributions to national resolution funds (or in the European case to the Single Resolution Fund) should be fully taken into account for the purpose of the building up of the TLAC requirement since both share the same objective; the creation of a common fund to be used in case of resolution of an institution. Otherwise, institutions will be subject to two requirements for the same purpose.

10. Do you agree that the TLAC requirement for G-SIBs should be integrated with Basel III such that the minimum TLAC requirement should be met first, and only after TLAC is met should any surplus common equity tier 1 (CET1) be available to meet the Basel III buffers?

In the European Union, the CRD IV establishes three additional capital buffers (i.e. systemic risk buffer, G-SII buffer and other systemically important institutions buffer) to the conservation and countercyclical buffers introduced by Basel III accord. Thus, European institutions are subject to additional buffer requirements than other institutions based in countries which only apply Basel III. Should the treatment proposed by the FSB be finally adopted, European institutions will be penalised since they will need more CET1 to comply with all the capital buffers and with the TLAC.

11. What disclosures (in particular in terms of the amount, nature and maturity of liabilities within each rank of the insolvency creditor hierarchy) should be required by

resolution entities and material subsidiaries to ensure that the order and quantum of loss absorption in insolvency and resolution is clear to investors and other market participants?

With regards to the disclosure requirements, we consider that in order to achieve transparent information to investors while avoiding further burden to financial institutions they must be as simple as possible and they should not be additive to the Basel Pillar III requirements already in place. Otherwise, banks, in particular small and medium sized financial institutions, would be obliged to face an unjustifiable administrative burden due to the implementation of different disclose information reports for the same purpose. In this sense, it could be a good idea to integrate the TLAC disclosure in Basel Pillar III.

13. Should G-SIBs be required to conform to these requirements from 1 January 2019? Why or why not? What, within the range of 12 to 36 months following the identification as a G-SIB, should be the conformance period for banks identified as G-SIBs at a future date?

In our opinion, the range has to be as great as possible in order to give new G-SIBs enough time to comply with the TLAC requirements. However, the introduction of a very exigent TLAC requirement may discourage institutions to expand their activities which would mean an incentive to remain local.

About WSBI (World Savings and Retail Banking Institute)

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WSBI brings together savings and retail banks in all continents and represents the interest of 6,200 financial institutions. As a global institution, WSBI focuses on issues of global importance, affecting the banking industry. It supports the aims of the G20 in achieving sustainable, inclusive and balanced growth and job creation around the world, whether in industrialised or less developed countries. WSBI favours an inclusive form of globalization that is just and fair, supporting international efforts to advance financial access and financial usage for everyone. It supports a diversified range of financial services that responsibly meet customers' transaction, savings and borrowing needs. To these ends, WBI recognizes that there are always lessons to be learned from savings and retail banks from different environments and economic circumstances. It therefore fosters the exchange of experience and best practices among its members and supports their advancement as sound, well-governed and inclusive financial institutions.

About ESBG (European Savings and Retail Banking Group)

ESBG brings together savings and retail banks of the European Union and European Economic Area that believe in a common identity for European policies. ESBG members support the development of a single market for Europe that adheres to the principle of subsidiarity, whereby the European Union only acts when individual Member States cannot sufficiently do so. They believe that pluralism and diversity in the European banking sector safeguard the market against shocks that arise from time to time, whether caused by internal or external forces. Members seek to defend the European social and economic model that combines economic growth with high living standards and good working conditions. To these ends, ESBG members come together to agree on and promote common positions on relevant matters of a regulatory or supervisory nature.

ESBG members represent one of the largest European retail banking networks, comprising of approximately one-third of the retail banking market in Europe, with total assets of over €7,300 billion, non-bank deposits of €3,480 billion and non-bank loans of €3,950 billion (31 December 2012).

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