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EBA - Consultation Draft Guidelines on methods for calculating contributions to Deposit Guarantee Schemes (EBA-CP-2014-35)

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the above cited consultation paper and would like to submit the following position:

1. Answers to specific questions

Q1: Do you have any general comments on the draft Guidelines on methods for calculating contributions to DGSs?

Art 13 (2) of the DGS Directive 2014/49/EU allows DGS to establish their own calculation methods which have to be approved by the competent authority. It is not clear how DGS would be able to establish their own calculation methods if the EBA-Guidelines proposes one single calculation method for all DGS. It has to be clarified if it is therefore still possible for DGS to establish their own calculation methods beside the calculation method of EBA. In the view of the Directive there should be an opportunity for DGS provided in the Guidelines. The Guidelines should not exclude DGSs from establishing their own risk-based methods for determining and calculating the risk-based contributions by their members according to Art. 13.2. DGSD.

Q2: Do you consider the level of detail of these draft Guidelines to be appropriate?

Yes, we believe that is the case.

Q3: Is the proposed formula for calculating contributions to DGS sufficiently clear and transparent?

The formula is sufficiently transparent. The introduction of the adjustment coefficient is welcomed. In our view it represents an adequate means to prevent over/undershooting contributions in economic down/upturns, respectively.

However, we would welcome further input on how the economic cycle is to be defined. We may stress the fact the business cycle of banks is generally lagging behind the economic cycle. Furthermore which aggregate should be in focus (country-wide vs. Euro zone)?

Moreover, a phase-in period of 5 years, for instance, to allow certain models to change and adapt to the logic of the EBA GL formula could also be envisaged.

Q4: Considering the need for sufficient risk differentiation and consistency across the EU, do you agree on the minimum risk interval (75%-150%) proposed in these Guidelines?

Yes, similar to risk weight factor for BRRD contributions 0,8 -1,5.

Q5: Do you agree with the core risk indicators proposed in these Guidelines? If not, please specify your reasons and suggest alternative indicators that can be applied to institutions in all Member States. Do you foresee any unintended consequences that could stem from the suggested indicators?

We note the recognition provided to Institutional Protection Schemes (IPS) in these draft GL. The existence of an IPS-fund is only one of several characteristics, and only an additional requirement set out by the competent authority. Early warning systems, obligatory ad hoc-support by all IPS-Members, quarterly reports and the uniform risk assessment are also elements of an IPS. All IPS members are contractually obliged to grant fellow IPS members immediate support, beyond the contributions to the ex-ante fund. In case the ex-ante fund does not suffice to fulfill its objective the solvent IPS members are obliged to make ad-hoc payments to the extent at which they fulfill their own minimum capital requirements (to avoid contagion effects). In the case of "mixed" DGS (DGS with many IPS-members and only few non-IPS-banks) the setting of reduced contributions for IPS members (based on IPS ex-ante funds or other characteristics) should not lead to undue additional burden for non-IPS banks.

Q6: Do you agree with the option to use either capital coverage ratio or Common Equity Tier 1 ratio as a measure of capital? Would you favour one of these indicators rather than the other, and why?

We think that the Tier 1 Ratio is overweighed, as it is heterogeneous in nature comparing SA and IRB banks. Therefore we would welcome the inclusion of additional capital indicators such as the leverage ratio.

Q7: Are there any particular types of institutions for which the core risk indicators specified in these Guidelines are not available due to the legal characteristics or supervisory regime of these institutions? Please describe the reasons why these core indicators are not available.

Q8: Do you think that more guidance, or specific thresholds, should be provided in these Guidelines with regard to calibration of buckets for risk indicators, or minimum and maximum values for a sliding scale approach?

Q9: Do you agree with our analysis of the impact of the proposals in this Consultation Paper? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

The formula is transparent and the proposed risk indicators are state of the art. We opt for the simpler multiplicative model as proposed in your formula.

We ask you to give our remarks due consideration.

Yours sincerely,

Dr. Franz Rudorfer
Managing Director
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