

ZENTRALER KREDITAUSSCHUSS

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Rei/Me 100111 Questions

Consultation Document
Review of directive 2002/87/EC
Financial conglomerates directive

Dear Sir or Madam,

We¹ thank you for the opportunity to respond to the questions posed in the above-referenced consultation paper as follows:

Question 1

For which of the following a review with respect to the transparency of group structures would be justified? Please select all that apply and explain why:

Yes, for all conglomerates

Yes, for all conglomerates larger than 100 billion euro total assets

Yes, for all groups, banks or insurers or conglomerates

Yes, for all groups larger than 100 billion euro total assets

X No, I don't think that a review of transparency of group structures is justified

¹ The Zentraler Kreditausschuss (ZKA) is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) for the cooperative banks, the Bundesverband deutscher Banken (BdB) for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB) for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV) for the savings banks financial group, and the Verband deutscher Pfandbriefbanken (VdP) for mortgage banks. Collectively, they represent more than 2,300 banks.

Why?

A revision of the FCD with regard to greater transparency of the group structures is not necessary. The sectoral regulations (CRD, Solvency II) as well as the FCD itself already require the monitored companies to disclose their group structures. In cases in which something is not clear with regard to the structures, the regulatory authorities have the power to demand further information from the groups at any time. Should it be extremely difficult in an individual case to understand the legal group structures of a corporate group, as asserted in the consultation document, in our opinion this is not the result of insufficient regulation but of the lack of full utilisation of the legal possibilities available. Thus, a revision of the FCD to increase transparency is not required.

Question 2

Do you think that a more in-depth investigation is justified with respect to the supervisory scope of supplementary supervision, especially in relation to the non-regulated parts of financial conglomerates? Please explain why.

No

Why?

Fundamentally, we believe that the regulatory scope of application should not be expanded. However, insofar as considerations are weighed, not to extend it to non-regulated companies, for example, it should be done in the individual sectoral regulations in order to maintain the level playing field between conglomerates and non-conglomerates.

Question 3

In your opinion, would the debates on the definition of capital in the banking and insurance sector respectively, justify a more in-depth investigation of the cross-sectoral perspective? Please explain why.

Yes

Why?

If the definition of own funds in the banking and/or insurance sectors changes, it is necessary to investigate what effect this would have on the own funds of financial conglomerates. An impact study should be carried out for the financial conglomerates.

Question 4

With respect to the group wide remuneration policies in financial conglomerates, would you regard it as useful to consider the compatibility of these policies across the banking and insurance sectors within the conglomerate?

No

Why?

We see no reason why the remuneration policies currently being drafted throughout Europe and worldwide should lead to problems for conglomerates if they are applicable to banks and insurance companies. Thus, in our opinion further investigation is not required.

Question 5

Are you identified as a financial conglomerate, either waived (Art 3(3) FCD) or not?

Yes, waived.

Yes, not waived.

No, I'm not a financial conglomerate.

Don't know.

As a representative of the German banking industry, we are not a conglomerate.

Question 6

Please indicate the size of your banking and insurance businesses in terms of total assets and gross premiums, respectively, as of 30 June 2009.

Banking business total assets (BA, all authorized banking business types):

BA < €10 billion

€10 billion < BA < €100 billion

€100 billion < BA < €500 billion

BA > €500 billion

Decline to state

Insurance total gross premiums (IP, all authorized insurance types):

IP < €5 billion

€5 billion < IP < €10 billion

€10 billion < IP < €25 billion

IP > €25 billion

Decline to state

See question 5

Question 7

Please indicate the number of authorized legal entities in your banking (incl investment) and insurance (life, non-life, re-insurance) businesses, your conglomerate held in Q2 of 2009.

Banking

Less than 10

Between 10 and 99

Between 100 and 199

200 or more

Decline to state

Insurance

Less than 10

Between 10 and 99

Between 100 and 199

200 or more

Decline to state.

See question 5

Question 8

Your (identified; waived or not) conglomerate level is:
an MFHC

a regulated banking entity

a regulated insurance entity

See question 5

Question 9

The level of your group, where capital for the group is attracted and where chief officers (CEO, CFO, CRO, COO, etc) are responsible for group-wide policies and strategic decisions, is organized at:

the MFHC level,

the highest sectoral regulated entity level,

otherwise. Please specify:

See question 5

Question 10

The entity referred to in Question 9 is:

in the same member state as the highest level regulated entity,

in a different member state,

outside the European Union

See question 5

Question 11

Do you want to share any other relevant information with the Services regarding the supervision problems at the top level?

See question 5

Question 12

Please indicate the relative importance of the AMCs in your group in terms of revenue

<1% of total gross revenue

< 5% of total gross revenue

>5% of total gross revenue

Not applicable.

See question 5

Question 13

Do these AMCs serve

- the banking business only
- the insurance business only
- both of the above

If both,

as separate entities for each sector, or

as entities serving both sectors at the same time

– None of the above.

– Don't know.

See question 5

Question 14

If the AMCs are serving both the group itself (proprietary business, risk for the group) and external clients (non-proprietary business, risk for the client), do you separate the two types of business in separate legal entities?

Yes/no

See question 5

Question 15

If you separate proprietary (risk for the group itself) from non-proprietary (risk for the client) business of your AMCs, could you indicate their relative importance in terms of revenue (choose the closest answer)?

10 prop / 90 non-prop (most risks of asset management born by clients)

50 prop / 50 non-prop

90 prop / 10 non-prop (most risks of asset management born by conglomerate itself)

See question 5

Question 16

Would you like to share any other relevant information regarding the inclusion of AMCs? Could you, for example, illustrate how you make the distinction between proprietary and non-proprietary business in an operational and legal sense, such as how do you allocate resources to the two types of business?

According to article 4, par 5 CRD, AMCs are already included in the consolidation of the banking group, as they are financial institutes. We believe that the inclusion of AMCs is appropriate in principle. However, the inclusion should be undertaken in the individual sectors as part of the sectoral regulatory authority and not via the FCD. We wish to point out that there are different types of AMCs. Depending on which individual activities these carry out and which assets are held for whom, the offsetting of balance sheet and off-balance-sheet items must be undertaken in differentiated fashion. In our opinion the sectoral regulations are better suited for this purpose as well.

If an AMC holds assets for third parties as well, i.e. parties who do not belong to the conglomerate, it would not be appropriate to attribute these assets to the conglomerate.

Question 17

Which of the following indicators could be used in addition to or instead of 10% of solvency and of total assets in the other sector to make the identification process of a financial conglomerate more risk-based? Select all that apply:

(a) income structure: not applicable

(b) off balance sheet activities: not applicable

(c) relative size of respective businesses in their respective markets: not applicable

(d) business structure, i.e., relations between the respective sectors within the conglomerate: not applicable

(e) other, please specify: none

Question 18

Do you think that bancassurance groups whose smallest sector is smaller than 6 billion euro *and* smaller than 10% of its solvency and of total assets would never be materially exposed to group risks?

Yes

Question 19

Would you like to share any other relevant information with respect to the identification process of financial conglomerates?

Question 19

Please indicate the absolute and relative size of the aggregate of minority participations (regulated and non-regulated) MP in your conglomerate in terms of total assets?¹⁵

MP < 1%

1% < MP < 5%

MP > 5%

See question 5

Question 20

Please indicate how much of these minority participations are holdings of more than 10% but less than 20%?

< 20%

20% < 10-20MP < 50%

10-20MP > 50%

See question 5

Question 21a

Please, if possible, estimate likely impacts in terms of incremental benefits (including capital and information provision-related costs) for your organisation.¹⁶ Please assess separately the most material impacts by referencing to the relevant articles of the FCD which matter to your organisation.

See question 5

Question 21b

Please, if possible, estimate likely impacts in terms of incremental costs (including capital and information provision-related costs) for your organisation.¹⁷ Please assess separately the most material impacts by referencing to the relevant articles of the FCD which matter to your organisation.

See question 5

Question 22

What would be the implications, if any, for the competitiveness of your businesses in the EU and internationally?

See question 5

Kind regards,

On behalf of the

ZENTRALEN KREDITAUSSCHUSS

Bundesverband der Deutschen
Volksbanken und Raiffeisenbanken e.V.


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p.p.


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