



19 September 2014

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2, CH-4002 Basel
Switzerland

Banco Popular
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Dear Sir,

Banco Popular welcomes the opportunity to respond to the consultative document regarding *Supervisory Guidelines for Identifying and Dealing with Weak Banks* and agrees with the importance of these tasks to promote financial stability and protect taxpayers.

While certain degree of supervisor flexibility could be useful for adapting to the variety of situations, Banco Popular maintains that the regulatory framework should constrain supervisory discretion in order to reduce uncertainty. As a result, the Bank considers that the Guidelines should in general be more comprehensive and precise, helping to ensure level playing field and to avoid regulatory arbitrage.

Therefore, Banco Popular finds within the text, some examples of concepts and principles which could have been more precisely defined:

- Definition of weak banks (page 6, paragraph 10). The Guidelines explicitly states that “*the problems of a weak bank include, but are not limited to poor governance or management, inadequate financial resources ...*” Banco Popular considers that the possible problems of a weak bank should be comprehensively defined to ensure level playing field in the global competition.
- Guiding principles for a supervisor when dealing with weak banks (page 6, paragraph 12). Principle three describes a cost-effectiveness evaluation that should guide the supervisor in making choices among alternative options. However, the Guidelines omit the specific approaches of this evaluation, i.e.: cost-effectiveness for taxpayers? Cost-effectiveness for the financial system? Cost-effectiveness for the Bank’s stakeholders? Banco Popular considers that the text should identify and prioritize among different angles.

Use of peer groups (page 13, paragraph 26) is convenient for judging banks data in the supervisory monitoring process and identifying outliers. However, experience has shown that a too-wide peer group definition might lead to mistakes in assessments. This is why Banco Popular considers that a peer group definition within this regulatory framework is needed to ensure the consideration of the idiosyncratic geographies and business models among banks.

Finally, regarding resolution techniques, Banco Popular perceives the bail in tool (page 44, paragraph 197) could have been explained in more detail, considering there are some



jurisdictions where the Directive has already been published (i.e.: Europe). More concreteness on this topic could lead to more homogeneous bail-in strategies across jurisdictions.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Juan Echanojáuregui".

Juan Echanojáuregui

Head of Global Relations with Supranational Institutions