

Basel Committee on Banking Supervision

Brussels, 11 September 2015

Re: Interest Rate Risk in the Banking Book

Dear Sir/ Madam,

Eurofinas, the voice of consumer credit at European level, welcomes the opportunity to respond to the Basel Committee on Banking Supervision's (BCBS) consultative document on interest rate risk in the banking book.

Eurofinas brings together associations throughout Europe that represent consumer credit providers. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. In 2014, consumer credit providers that are members of Eurofinas helped support European consumption by making more than 356.3 billion EUR goods, services, home improvements and private vehicles available to individuals¹. By providing access to finance to individuals and households, consumer credit supports the social and economic well-being of millions of consumers across Europe.

We do not believe there is a need for the development of a standardized supervisory model requiring a capital charge for interest rate risk in the banking book under Pillar 1. We think this new approach would have a significant impact for institutions specialised in lower risk transactions such as consumer credit, vehicle and asset finance. Credit and financial institutions subject to international prudential standards should remain free to set individual parameters with regards to interest rate risk.

¹ Eurofinas 2014 Annual Statistical Enquiry

Appropriate monitoring of interest rate risk is best facilitated by Pillar 2 measures through the establishment/reinforcement of a clear supervision process and enhanced disclosure. Against this background, we agree in principle with the BCBS draft principles.

We would like to draw your attention to the following additional observations:

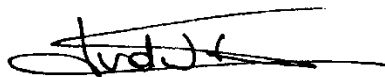
We understand that the measurement of interest rate risk in the banking book shall be based on outcomes for both economic value and earnings arising from a wide and appropriate range of interest rate shock scenarios. We believe the administrative burden from this requirement has not been sufficiently taken into account. The resources required for the measurement of the six supervisory prescribed interest rate shock scenarios would be disproportionate for smaller firms.

We think consistency between the various set of standards should be ensured. For example, new liquidity standards require credit institutions to hold a substantial amount of high liquid assets in the banking book. Many of these assets are subject to interest rate changes. The introduction of a standardized supervisory model under Pillar 1 for interest rate risk would impose a double burden on institutions who would see their capital charges increase for risks that arise from assets they are required to retain for liquidity purposes.

Within the European Union (EU)/European Economic Area (EEA), early repayment for consumer credit facilities is a legal right of borrowers². This means that credit institutions are legally required to terminate a loan contract, in most cases without compensation, should a borrower indicate his willingness to repay early his loan. As highlighted in the consultation document, this could be the result of a change in interest rates. We think the introduction of capital charges for interest rate risk would also impose a double burden on institutions in this case.

I remain at your disposal, should you be interested in discussing any specific issue. Alternatively feel free to contact my colleague Alexandre Giraud (a.giraud@eurofinas.org - tel: + 32 2 778 05 64).

Yours sincerely,



Tanguy van de Werve
Director General

² See Article 16, EU Directive 2008/48/EC on credit agreements for consumers, OJEU L 133/66