

Brussels, 16 March 2016

Subject: BCBS consultation on *Identification and measurement of step-in risk*

Q1. What are commenters' views on the four overarching principles? Are there any others that should be included ?

- We would like to add to principle 3 ('the framework should be conservative, risk-sensitive and proportional') that the framework should also take into account an appropriate cost/benefit balance (the benefit of the identification and measurement of step-in risk should be realized at a reasonable cost).

Q2. What are commenters' views on the proposed indicators for step-in risk? Are there any additional ones that the Committee should consider?

- No remarks.

Q3. What are commenters' views on the proposed secondary indicators for step-in risk? Are there any additional ones that the Committee should consider? Should any of them be considered as primary indicators?

- No remarks.

Q4. What are commenters' views on the different potential step-in risk assessment approaches? Are there any other approaches that the Committee should consider to account for step-in risks?

- We consider the full consolidation approach to be impracticable given the substantial workload involved: e.g.
High number of entities potentially involved (especially funds under management and real estate certificates).
Closing date not necessarily equal to calendar year (as is the case for KBC Group).
- The full consolidation approach could be used of the insurance company (as is already the case for KBC Group in the accounting scope).
- The conversion approach seems to be the only feasible approach for funds under management and real estate certificates.

Q5. What are commenters' views on the proposed mapping between the primary indicators and the potential approaches?

- No remarks.

Q6. What are commenters' views on proportionate consolidation for joint-ventures?

- Proportionate consolidation for joint-ventures makes sense since this consolidation method provides in a transparent view of our stake in the joint-ventures assets, liabilities and hence risks.

Q7. What are commenters' views on risks stemming from banks' relationships with asset management activities and funds and the appropriateness of the direction envisaged?

- First of all we would like to mention that asset management activities are highly regulated on both European and local level. We wish to ask for alignment of the different initiatives and welcome proportionate measures .
 - That said we feel that the current capital requirements for asset management activities are appropriate in the sense that the asset management business can rely on a solid and recurrent income flow that enables asset management companies to cover financial stress situations without always touching capital reserves. The investment funds are ring fenced entities with separate assets and liabilities which lowers the systemic risk.
 - We can agree to the proposal to consolidate the asset management company. This is already the case within KBC group.
 - With regard to the proposal to apply the conversion approach to the assets under management we would like to point out that this is a volatile basis which in practice would be difficult to implement. However, we would then suggest the conversion approach to be based on historic AUM (eg. looking back over the last three years).
 - We would suggest the proposed rate of 1% for the conversion approach is rather high given that the asset management activities can rely on recurrent cash flows. Diversified asset managers tend to have solid (recurrent) cash flows, making them less subject to liquidity shortages in case of crises, and thus requiring lower capital buffers.
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