Société de Financement Local

## Basel Committee on Banking Supervision Consultative Document Capital floors: the design of a framework based on standardised approaches

### Q1. Assuming the respective floors were calibrated to achieve the same level of required capital, what are your views on the relative merits of a risk category-based floors and an aggregate RWA-based floor? What are your views on a floor based on exposure class?

**A1:** It seems to us that Risk Category based approach is more appropriate in order to set floors. Based on SFIL's portfolio & business structure (financing public sector entities), we strongly prefer category-based floors over than an aggregate RWA-based floors. As our profile is very specific compared to other European banks, we wish to avoid a situation where we would have to meet a RWA floor based on corporate benchmark. We want to underline the importance of taking into account specificities across banks so that a common ground is reached between peers sub categories (e.g European public sector lenders) and not globally. For example a bank like SFIL have to be benchmarked with European Public Sector lenders, namely BNG, MuniFi and so on and so fourth… in order to have a comparable Risk Weight (RW).

### Q2. What are your views on the relative merits of the two options for adjusting for differences in the treatment of provisioning for credit risk?

**A2**: After studying in depth the two options, at this stage, SFIL's preference goes to option 1 which CAD ratio is two points over than the CAD ratio obtained by applying option 2. In addition, the RWA adjustment in option 2 is the same for all the banks whatever their risk profile and does not take into account our specificities.

### Q3. Do you have any other comments regarding the design of the capital floor?

**A3:** We suggest the BIS committee to set the floors level by taking into account banks both portfolios structures and specificities.