

**WMBA Response to Response to EBA Consultation Paper 2013/44**  
*Draft regulatory technical standards (RTS) on the methodology for the identification of global systemically important institutions (G-SII)*

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- A. **Draft Technical Standards on the Methodology for the Identification of Globally Systemic Important Institutions**
- B. **Draft Implementing Technical Standards on Uniform Formats and Date for Disclosure of the Values of the Indicators Used for Determining the Score of Institutions Identified as G-SII**
- C. **Guidelines on Formats and Date for the Disclosure of the Values of the Indicators Used for the Identification of G-SII**

## **1. Introduction**

The Wholesale Markets Brokers' Association (WMBA) and the London Energy Brokers' Association (LEBA) (jointly referred to in this document as the 'WMBA') are the European industry associations for the wholesale intermediation of [hitherto] Over-the-Counter (OTC) markets in financial, energy, commodity and emissions markets and their traded derivatives. Our members act solely as intermediaries in wholesale financial markets and do not undertake any proprietary trading. As a result they are classified as Limited Activity (Article 95 (1) of CRD) and limited Licence (Article 96 (1) of CRD) firms in respect of the current FCA classifications.

WMBA welcomes the opportunity to respond to the issues raised in this Consultation Paper on behalf of its members and looks forward to further active engagement in this respect at the Authority's pleasure. Based on our member firms' business profiles, we have restricted our response to a summary of the key points that we consider need to be taken into consideration prior to implementing these proposals (the points have been cross referenced to the consultation paper where appropriate).

## **2. Key Points**

- **WMBA firms are investment or 'MiFID' firms. They are not, however, banks or credit institutions.** Where operating in the global markets, they utilise the appropriate categories under relevant regulatory permissions regime to solely be supervised for operational risk, controls, reporting and conduct. It is therefore of paramount importance that the EBA methodology in defining Globally Systemic Important Persons is implemented in a proportional and suitable manner in respect of Limited Activity firms.
- **Whilst some WMBA firms are large in size and operate on a global basis their demise would not cause significant disruption to the global financial system and economic activity across jurisdictions.**
- **WMBA firms do not provide custodian, payment activities or underwriting services to their clients or have any exposures in respect OTC Derivatives, Level 3 fair value assets or trading and available for sale securities.**

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Based on the remaining indicators (total exposure, interconnectedness and cross border claims) it is unlikely that member firms will exceed the lowest cut off point (130 basis points) and hence WMBA does not consider the calculation and reporting of these figures to be beneficial to the relevant authority or cost justified. Hence WMBA would respectfully request that EBA considers an exemption from the G-SII regime for “*Limited Activity Firms and Limited Licence Firms*” as defined under the UK BIPRU<sup>1</sup> regime of supervision or equivalent proportionality in other countries (*Q02: Are the indicators set out in Art 6 adequate to reflect systemic relevance of Systemically Important Institutions*)

- **The Financial Stability Board and the International Organisation of Securities Commission published a Consultation Paper on 08 January 2014 in respect of “Assessment Methodologies for Identifying Non-Bank/ Non –Insurer (NBNI) Global Systemically Important Financial Institutions” which also contained proposals on a high –level framework and specific methodologies.** Whilst this paper applies the same impact factors for determining a NBNI the constituents of these 5 factors for market intermediaries differs slightly from those used by the EBA. WMBA would suggest that to avoid unnecessary administration effort reworking the figures consideration is given to standardising these definitions across both papers (*Q02: Are the indicators set out in Art 6 adequate to reflect systemic relevance of Systemically Important Institutions*)

If you would like any further information/clarification in respect of these issues please do not hesitate to contact. The WMBA are happy for comments to be disclosed.

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**28 February 2014**

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1 <http://fshandbook.info/FS/html/FCA/PERG/13/6>

You are either an [IFPRU 50k firm<sup>11</sup>](#) (subject to a base own funds<sup>11</sup> requirement of euro 50,000) (see Q60), a [<sup>1</sup>IFPRU 125K firm<sup>1</sup>](#) (subject to a base capital requirement of euro 125,000) (see Q61), an [IFPRU 730K firm<sup>11</sup>](#) (subject to a base own funds<sup>11</sup> requirement of euro 730,000) (see Q62) or a [collective portfolio management investment firm<sup>11</sup>](#) (see Q63). Your base own funds<sup>11</sup> requirement depends essentially on the scope of

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your [permission](#) and any limitations or requirements placed upon it.

If you are an [IFPRU investment firm](#)<sup>11</sup>, in essence the scope of your [permission](#) and any limitations or requirements placed upon it also dictate whether you are a [limited licence firm](#), a [limited activity firm](#) or a [full-scope IFPRU investment firm](#)<sup>11</sup>. Broadly speaking, the benefit of being a [limited licence firm](#) or a [limited activity firm](#) (see Q64 and Q65) is that you are exempt from<sup>1</sup>

- minimum own funds requirements to hold capital to cover operational risk, although you are subject to the requirements to hold own funds calculated by reference to credit risk, market risk and fixed overheads (see articles 95 and 96 of the [EU CRR](#));<sup>1</sup>
- the requirement to calculate a leverage ratio (see article 6(5) of the [EU CRR](#)).<sup>1</sup>

A [limited licence firm](#) is further exempt from the requirements on capital buffers (see the last paragraph of article 128 of [CRD](#)) and liquidity requirements in Part Six of the [EU CRR](#) (see article 6(4) of the [EU CRR](#)).<sup>1</sup>

A [limited activity firm](#) is exempt from the liquidity requirements in Part Six of the [EU CRR](#) unless it is both an [ILAS BIPRU firm](#) and a [significant IFPRU firm](#) (see article 6(4) of the [EU CRR](#)).<sup>1</sup>