Building Societies Association

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Our response to the FSA consultation, "Removing the simplified ILAS BIPRU firm automatic scalar increase and other minor changes to BIPRU 12", CP 12/31

Introduction

The Building Societies Association represents mutual lenders and deposit takers in the UK including all 47 UK building societies. Mutual lenders and deposit takers have total assets of over £375 billion and, together with their subsidiaries, hold residential mortgages of £245 billion, 20% of the total outstanding in the UK. They hold more than £250 billion of retail deposits, accounting for 22% of all such deposits in the UK. Mutual deposit takers account for 31% of cash ISA balances. They employ approximately 50,000 full and part-time staff and operate through approximately 2,000 branches.

Q1: Do you agree with the proposal to delete BIPRU TP29 and require simplified ILAS BIPRU firms to hold a liquid assets buffer of at least 50% of the current simplified buffer requirement?

We welcome the proposal to bring simplified ILAS firms in line with standard ILAS firms by requiring them to hold a liquid assets buffer of not less than 50% of the simplified buffer requirement. This means an end to the automatic increases to 100% by 2016 as set out in the transitional provisions.

In chapter 2.9 of the consultation, the FSA says it is "…. not in a position to determine when, or if, an increase in liquidity requirements will be appropriate". This we accept but suggest that the FSA/ PRA reviews the 50% figure for simplified ILAS firms regularly and openly over the coming years. Economic circumstances may well dictate a more appropriate figure; it would therefore seem sensible and fair if the simplified buffer requirement were amended accordingly. In addition, as the FSA warns in the cost benefit analysis, the 50% figure could leave simplified ILAS firms with a large step up to meet the liquidity coverage requirement once the LCR becomes standard through the Capital Requirements Regulation.

Q2: Do you agree with the proposal to amend BIPRU 12.7 to extend credit quality and currency restrictions to securities issued by designated multilateral development banks?

This is of less significance to the majority of building societies but we nonetheless support the proposal.

Q3: Do you agree with the proposal to correct these errors?

We agree.