



EBA/CP/2014/45

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Consultation Paper

Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR

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1. Responding to this Consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.4.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 10.02.2015. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

The CRR envisages a liquidity coverage requirement the specifications of which are provided by the LCR delegated act¹ adopted by the EU Commission (EC) on 10 October 2014 for credit institutions. The liquidity coverage requirement is aimed at covering the net liquidity outflows under gravely stressed conditions over a period of thirty days by holding adequate liquidity buffers. An adequate supervisory review of the liquidity coverage requirement necessitates a proper LCR reporting according to its specifications in the LCR delegated act.

The LCR reporting along with the reporting on additional liquidity monitoring metrics will constitute at present the main reporting package for supervisory purposes on liquidity. Additionally, according to Article 510 of CRR the EBA will report the EU Commission on the basis of an adequate stable funding structure for institutions. The EU Commission will then assess the convenience of submitting a legislative proposal to the European Parliament and the Council to ensure that institutions use stable sources of funding.

This consultation paper proposes draft Implementing Technical Standards (ITS) that amend Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR. Significant changes are required to the existing LCR reporting templates and instructions as a result of this latter.

Overall significant changes and a high degree of new data items will have to be introduced, which the EBA proposes to represent in new LCR templates and instructions for credit institutions which will include the specifications of the liquidity coverage requirement as per the LCR delegated act and will serve supervisory review purposes of the calculation of the ratio. These new LCR templates and instructions will replace the current ones for credit institutions. The items which have to be reported according to Part Six, Title II and Annex III of the CRR will remain included in the ITS on supervisory reporting on liquidity only for investment firms under the current LCR templates and instructions. Next to changes according to the delegated act, also minor changes are proposed that reflect published answers to the Single Rulebook Q&As², as well as in order to correct legal references and other clerical errors.

Article 415 (1) of CRR states that "Institutions shall report in a single currency, regardless of their actual denomination, to the competent authorities the items referred to in Titles II and III and their components, including the composition of their liquid assets in accordance with Article 416. Until the liquidity coverage requirement in Part Six is fully specified and implemented as a

¹ http://ec.europa.eu/finance/bank/docs/regcapital/acts/delegated/141010_delegated-act-liquidity-coverage_en.pdf

² <http://www.eba.europa.eu/documents/10180/210008/Single+Rulebook+QA+-+Published+Answers+Supervisory+Reporting+as+of+June+2014.pdf/93d70134-c086-454d-a87e-e834cc271216> .

minimum standard in accordance with Article 460, institutions shall report the items set in Title II and Annex III...”.

The EBA has taken the view that it would not be reasonable that the LCR templates in the current ITS must be reported by credit institutions in addition to the templates under the already existing ITS. The items envisaged in these latter templates would not be useful for the calculation of the LCR according to the DA. Requiring double reporting would imply high undue costs and would undermine the efficiency of the new templates proposed in this ITS. This is why the templates proposed in this ITS would fully replace the templates of the already existing ITS, for credit institutions. The EBA has expressed this view in a letter to the EU Commission and has developed the proposed ITS following the above described approach.

The EBA deems a consultation period of 2 months as adequate.

The main features of the ITS are the following two Annexes:

- Annex XXIV which includes new liquidity coverage templates for credit institutions according to the Regulation XXXX (LCR delegated act).
- Annex XXV which includes instructions for the new liquidity coverage templates for credit institutions in Annex XXIV according to the Regulation XXXX (LCR delegated act).

The EBA’s submission of the final updated ITS to the EU Commission will take place once the delegated act is final (ie after the non-objection period(s) of Council and Parliament according to Art 462 (5) CRR.

Finally, the EBA proposes a first reference date corresponding to the later of December 2015 and 6 months after the adoption date. This is meant to address any delay in the adoption of the ITS by the EU Commission. This reference date is a good balance between the necessary time for the technical implementation of the IT reporting package and the supervisory need of having a meaningful harmonized tool to calculate the liquidity coverage ratio, considering the targeted entry into force of the delegated act of October 2015.

3. Background and rationale

Importance of uniform reporting requirements

Uniform reporting requirements in all Member States ensure data availability and comparability and hence facilitate a proper functioning of cross-border supervision. This is particularly important for the EBA and the European Systemic Risk Board (ESRB), which rely on comparable data from competent authorities in performing the tasks with which they have been entrusted. Uniform reporting requirements are also crucial for the European Central Bank (ECB) in its role of supervising institutions in the Euro area.

Maintenance and update of the ITS

The draft Implementing Technical Standards (ITS) reflect the single rulebook at the reporting level and hence need to be updated whenever the single rulebook is updated. The delegated act on liquidity (pursuant to Article 460 CRR) will constitute a major update to the single rulebook as it provides in detail the liquidity coverage requirement for credit institutions.

The completion of technical standards by the EBA as well as answers to questions raised in the context of the single rulebook Q&A mechanism have contributed to a more complete and seamless application of the single rulebook. This has led in turn to more precise or changed reporting instructions and definitions. In addition, further changes to reporting requirements were triggered by the identification, during the preparation for the application of reporting requirements, of typos, erroneous references and formatting inconsistencies.

Part of a single rulebook

One of the main responses to the latest financial crisis was the establishment of a single rulebook in Europe aimed at ensuring a robust and uniform regulatory framework to facilitate the functioning of the internal market and to prevent regulatory arbitrage opportunities. A single rulebook also reduces regulatory complexity and firms' compliance costs, especially for institutions operating on a cross-border basis. These draft ITS form part of this single rulebook in Europe and become directly applicable in all Member States once adopted by the European Commission and published in the Official Journal of the EU.

Major changes brought by the delegated act

The delegated act necessitates new LCR reporting templates for credit institutions with a new structure and adequate content which will allow the calculation of the liquidity coverage requirement for supervisory purposes.

The delegated act does not affect investment firms which will continue to report according to annexes XII and XIII of Regulation (EU) No 680/2014 (current ITS on supervisory reporting). The

provisions of Regulation (EU) No 680/2014 will remain in force until the proposed ITS is adopted as an amendment to this Regulation.

The new templates are namely:

Template C72.00 of Annex XXIV Liquidity coverage – liquid assets

This template is comprised of information about those categories of liquid assets which qualify as Level 1 assets or as Level 2 assets in accordance with Chapter 1 and 2 of Title II of the delegated act and which comply with the general requirements set out in Article 7 as well as the operational requirements defined in Article 8 of the LCR delegated act.

Particularly credit institutions shall report as indicated in the instructions (Annex XXV of the ITS) the amount/market value of the cited assets, the applicable weights which reflect the reduction in the value of the assets after applying the appropriate haircut and may reflect, but are not limited to firm-specific and national discretions and the value of the assets according to article 9 of the delegated act. All this information is necessary for the calculation of the LCR and is complemented in the templates for informative purposes with the standard weights envisaged in the delegated act.

In addition this template has a memorandum where some specific items shall be reported by credit institutions which may not be directly necessary for the LCR calculation but are considered as very convenient and appropriate for supervisory purposes though.

Template C73.00 of Annex XXIV Liquidity coverage – outflows

This template is comprised of information about liquidity outflows measured over the next 30 days, for the purpose of reporting the liquidity coverage requirement as specified in the delegated act. This template contains both outflows from unsecured transactions/deposits and from liabilities resulting from secured lending and capital-market driven transactions.

Particularly credit institutions shall report as indicated in the instructions (Annex XXV of the ITS) the amount, the applicable weights which reflect the outflow rates of the corresponding item which may reflect, but are not limited to firm-specific and national discretions and the outflow itself. All this information is necessary for the calculation of the LCR and is complemented in the templates for informative purposes with the standard weights (rates) envisaged in the delegated act. In the case of liabilities resulting from secured lending and capital-market driven transactions this information is supplemented by the market value of the collateral extended and the value of the collateral extended according to Article 9 of the delegated act.

In addition this template has a memorandum where some specific items shall be reported by credit institutions which may not be directly necessary for the LCR calculation but are considered as very convenient and appropriate for supervisory purposes though.

Template C74.00 of Annex XXIV Liquidity coverage – inflows

This template is comprised of information about liquidity inflows measured over the next 30 days, for the purpose of reporting the liquidity coverage requirement as specified in the delegated act. This template contains both inflows from unsecured transactions/deposits and from secured lending and capital-market driven transactions.

Particularly credit institutions shall report as indicated in the instructions (Annex XXV of the ITS) the amount, the applicable weights which reflect the inflow rates of the corresponding item which may reflect, but are not limited to firm-specific and national discretions and the inflow itself. All this information is necessary for the calculation of the LCR and is complemented in the templates for informative purposes with the standard weights (rates) envisaged in the delegated act. In the case of secured lending and capital-market driven transactions this information is supplemented by the market value of the collateral received and the value of the collateral received according to Article 9 of the delegated act. This template is structured such that it allows for an identification of this information depending on the cap the relevant inflow is subject to.

In addition this template has a memorandum where some specific items shall be reported by credit institutions which may not be directly necessary for the LCR calculation but are considered as very convenient and appropriate for supervisory purposes though.

Template C75.00 of Annex XXIV Liquidity coverage – collateral swaps

This template is comprised of information about any transaction maturing within 30 days in which non-cash assets are swapped for other non-cash assets.

Particularly credit institutions shall report as indicated in the instructions (Annex XXV of the ITS) the market value and the value according to Article 9 of the delegated act of both the collateral lent and the collateral borrowed. They shall also report the outflows or the inflow stemming from these transactions differentiating in the latter case the inflows depending on the cap they may be subject to. Collateralised derivatives flows shall be reported on this template in a separate area for them.

In addition this template has a memorandum where some specific items shall be reported by credit institutions which may not be directly necessary for the LCR calculation but are considered as very convenient and appropriate for supervisory purposes though.

Template C76.00 of Annex XXIV Liquidity coverage – calculation of the LCR

This template is comprised of information about calculations for the purpose of reporting the liquidity coverage requirement as specified in the delegated act.

Particularly credit institutions shall report as indicated in the instructions (Annex XXV of the ITS) the value of the LCR itself and the definitional items for the calculation of the ratio according to Annex I and Annex II of the delegated act, namely the liquidity buffer and the net liquidity

outflows and their components: level 1 asset amount, level 2A asset amount, level 2B asset amount, excess liquid asset amount and all the elements necessary for their calculation as well as the total outflows and the inflow subject to the relevant caps.

4. Draft implementing TS amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR), following the EC's Delegated Act specifying the LCR

In between the text of the draft ITS that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

COMMISSION IMPLEMENTING REGULATION (EU) No .../..

of **XXX**

COMMISSION IMPLEMENTING REGULATION (EU) No .../... amending Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012³ and in particular the fourth subparagraph of Article 415(3);

Whereas:

³ OJ L 176, 27.6.2013, p. 1.

- (1) Commission Implementing Regulation (EU) No 680/2014⁴ specifies the modalities according to which institutions shall report information relevant to their compliance with the requirements of Regulation (EU) No 575/2013 in general, and with the provisions on the liquidity coverage ratio ('LCR'), in particular. Given that the regulatory framework established by Regulation (EU) No 575/2013 on the LCR was amended by Regulation (EU) No xx/xx [*the delegated act specifying the liquidity coverage ratio for credit institutions, pursuant to Article 460 of Regulation (EU) No 575/2013*], Regulation (EU) No 680/2014 should be updated accordingly to reflect these amendments in the regulatory framework of the LCR for credit institutions. The updates reflect, among others, the changed nature of reporting LCR, from a mere monitoring tool in the period preceding the adoption of Regulation (EU) No xx/xx [*delegated act*], and with a view to feeding input to the design of that Regulation, into a proper supervisory review tool, after the finalisation of that Regulation.
- (2) Regulation (EU) No 680/2014 should also be updated to provide further precision in the instructions and definitions used for the purposes of institutions' supervisory reporting; and to correct typos, erroneous references and formatting inconsistencies which were discovered in the course of the application of that Regulation.
- (3) As Regulation (EU) No xx/xx [*the delegated act specifying the liquidity coverage ratio for credit institutions, pursuant to Article 460 of Regulation (EU) No 575/2013*] specifies the liquidity coverage ratio ('LCR') only for credit institutions, the provisions of Regulation (EU) No 680/2014 on the LCR still apply for all remaining institutions except credit institutions.
- (4) The specifications of the LCR as per Regulation (EU) No xx/xx [*the delegated act specifying the liquidity coverage ratio for credit institutions, pursuant to Article 460 of Regulation (EU) No 575/2013*] and the supervisory purposes of the update make it necessary that new templates and instructions are designed for credit institutions. The new templates and instructions will provide with all the elements necessary for the calculation of the ratio and will replace the existing ones for credit institutions on liquidity coverage requirement which were more of the nature of monitoring templates, pending the additional specifications brought by the delegated act. In particular, it should be noted that the actual items to be reported still substantially and effectively reflect the items originally reported under Regulation (EU) No 575/2013 although more detailed and cast in a revised structure and format to reflect the requirement of the detailed specification of the LCR fixed by the delegated act.
- (5) Supervisory reporting in general, and supervisory reporting relating to the LCR in particular, are necessary in order to enable competent authorities to verify compliance of institutions with the requirements of Regulation (EU) No 575/2013, in this particular case, in relation to LCR. As it is necessary to verify overall actual compliance with the LCR, the templates of supervisory reporting of LCR should include items which directly relate to the calculation of the LCR ratio, itself, as well

⁴Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 (OJ L 191, 28.6.2014, p. 1).

as other items ('memorandum items') which are closely related to the LCR ratio and serve to ensure a correct understanding of the LCR ratio in the context of an institution's wider liquidity profile.

- (6) The European Banking Authority has conducted open public consultations, has analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010⁵.
- (7) Commission Implementing Regulation (EU) No 680/2014 should be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation 680/2014 is amended as follows:

1. Article 15 of Regulation (EU) No 680/2014 is replaced with the following:
 - '1. In order to report information on the liquidity coverage requirement according to Article 415 of Regulation (EU) No 575/2013 on an individual and consolidated basis, institutions shall apply the following:*
 - (a) credit institutions shall submit the information specified in Annex XXIV, according to the instructions in Annex XXV, with a monthly frequency;*
 - (b) all other institutions except those specified in point (a) shall submit the information specified in Annex XII, according to the instructions in Annex XIII, with a monthly frequency.*
 - 2. The information set out in Annexes XII and XXIV shall take into account the information submitted for the reference date and the information on the cash-flows of the institution over the following 30 calendar days.'*
2. Annex 1 of this Regulation is added as Annex XXIV [*to be confirmed that this is the number after all the other Annexes added to that Regulation following the July and November 2014 amendments to the ITS on reporting*] of Regulation (EU) No 680/2014.
3. Annex 2 of this Regulation is added as Annex XXV [*to be confirmed that this is the number after all the other Annexes added to that Regulation following the July and November 2014 amendments to the ITS on reporting*] of Regulation (EU) No 680/2014.

⁵Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

This consultation paper proposes draft Implementing Technical Standards (ITS) that amend Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR published on 10 October 2014. Significant changes are required to the existing LCR reporting templates and instructions as a result of this latter.

The delegated act does not affect investment firms which will continue to report according to annexes XII and XIII of Regulation (EU) No 680/2014 (current ITS on supervisory reporting). On the contrary, this ITS puts forward new templates and instructions applicable to credit institutions and which will replace the current templates and instructions of Regulation (EU) No 680/2014. The items which have to be reported according to Part Six, Title II and Annex III of the CRR will remain included in the ITS on supervisory reporting on liquidity only for investment firms.

As a consequence, Article 15 of Regulation (EU) No 680/2014 has to be amended to make a separation between annexes applicable to credit institutions (new annexes introduced) and annexes applicable to all other institutions (current annexes unchanged).

Additionally, the provisions of Regulation (EU) No 680/2014 will remain in force for credit institutions until the proposed ITS is adopted as an amendment to this Regulation. This means that the reference dates applicable as of 1 January 2015, until the present ITS is adopted, are monthly with applicable remittance dates of 15th calendar day after each reporting reference date.

In addition, the EBA proposes a transition phase for the first reference dates for the revised ITS applicable to credit institutions (30 days of remittance period instead of 15 days during the first 6 months). A transition phase seems to be reasonable for the sake of a good reporting quality during the first submissions. 6 months are deemed enough considering the already existing experience in reporting in liquidity coverage requirement in credit institutions under the current regulation.

Question 1: The EBA deems it appropriate to keep the remittance dates unchanged in a steady state regime. While the content of the templates is changed, the objective of the supervisory reporting keeps unchanged and the present ITS constitutes only an update of the current existing reporting requirements for the LCR. This means that, once the current ITS is adopted, and after a transition phase, credit institutions would have to remit the monthly reports on each following 15th calendar day as this will be the case starting 1 January 2015 under the existing ITS on reporting for the LCR. Nevertheless, the EBA deems it appropriate to introduce longer remittance dates for the first reference dates during the first months, to be limited to a period of six months.

Do respondents have arguments to put forward a change on these aspects?

Question 2: Do respondents agree with longer remittance dates for the first reference dates for

the new templates for the first six months?

Article 2

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union.

This Regulation shall apply from the later of six months from the date of publication of the final ITS in the Official Journal and December 2015.

The EBA proposes a first reference date as the later of six months from the date of publication of the final ITS in the Official Journal and December 2015. This first reference date is a good balance between the necessary time for technical implementation of the IT reporting package and the supervisory need of a meaningful harmonised tool to calculate the liquidity coverage ratio considering the targeted entry into force of the delegated act is October 2015, being a later implementation date problematic from a supervisory point of view. For transparency and practical purposes the date of December 2015 would be given as the earliest possible reference date in any case.

Question 3: Do respondents agree with the implementation period suggested?

During the first six months of reporting as a deviation from point (a) of Article 3(1) of Commission Implementing Regulation (EU) No 680/2014 the reporting remittance date shall be the 30th calendar day after the reporting reference date.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission
The President*

On behalf of the President

[Position]

[ANNEX XXIV]

[Replacing Annex XII of Regulation (EU) No 680/2014 - see separate document]

Overall significant changes and a high degree of new data items will have to be introduced, which the EBA proposes to represent in new LCR templates and instructions for credit institutions which will include the specifications of the liquidity coverage requirement as per the LCR delegated act and will serve supervisory review purposes of the calculation of the ratio.

Question 4: Do respondents agree to the structure and content of the proposed new LCR templates added for credit institutions? Particularly comments from respondents on specific rows, columns or any other item would be very valuable and appreciated including comments on the treatment of secured transactions.

[ANNEX XXV]

[Replacing Annex XIII of Regulation (EU) No 680/2014 - see separate document]

Question 5: Do respondents find the new LCR instructions for credit institutions clear? Particularly comments from respondents on specific rows, columns or any other item would be very valuable and appreciated.

5. Accompanying documents

5.1 “LCR calculation tool”

An excel file “calculation tool” under the format of the new LCR templates for credit institutions accompanies this document for informative purposes only.

This excel file is exclusively intended to be a clarifying example of the practical application of the LCR instructions and the templates included in the draft ITS but has no legal value, does not form part of the ITS, does not discharge credit institutions from their obligation of reporting every item as required in the ITS and does not exempt them from their responsibility when reporting. This tool is just provided for informative purposes and in no case the reporting may be substantiated by it. This calculation tool is provided for consultation purposes only and will not be part of the final ITS to be submitted to the EU Commission. The result of these calculations will be included directly in the validation rules to be developed, along with the Data Point Model and Taxonomy.

Question 6: Do respondents consider that the “LCR calculation tool” appropriately translates the use of the different templates for informative purposes?

5.2 Additional clarifying examples

The following examples are only included for illustrative purposes and follow the letter of the instructions as part of the ITS which clearly indicate their substantiation. They pretend to cover mainly those areas where a clear concern by the users has been shown through the Q&A tool for its practical implementation.

Example 1 – Reporting of the FX flows in derivatives transactions

Currency	EUR			USD			GBP			ALL
	In	Out	Net	In	Out	Net	In	Out	Net	Net by counterparty
Counterparty A	+100	0	+100	0	-50	-50	0	-45	-45	+5
Counterparty B	+10	-30	-20	+50	-40	+10	+15	-5	+10	0
Counterparty C	+50	-20	+30	+140	-110	+30	+30	-100	-70	-10
Counterparty D	+20	-15	+5	+35	-85	-50	+55	-10	+45	0
Inflows			+135			+40			+55	+5
Outflows			-20			-100			-115	-10
	Significant currency reporting									All currency reporting

In this example the following would be reported in the returns:

- 135 inflow and 20 outflow in the EUR significant currency return
- 40 inflow and 100 outflow in the USD significant currency return
- 55 inflow and 115 outflow in the GBP significant currency return
- 5 inflow and 10 outflow in the All currency reporting

Example 2 – Value according to Article 9 of the delegated act

Amount/ Market value	Cash-flows resulting from the early close- out of hedges	Amount/Market value net of cash- flows resulting from the early close-out of hedges	Applicable Weight	Value according to Article 9
100	-3	97	0.85	82

Example 3 – Inflows “partially” exempted from the cap on inflows according to Article 33(2) of Commission delegated regulation (EU) No XXX/2015

First scenario: A bank reports EUR100 of monies due from a non-financial customer which are not subject to a full or partial exemption from the cap on inflows as specified in Article 33(2) of Commission delegated regulation (EU) No XXX/2015 and which shall be subject to a cap of 75%. The applicable average weight is 0.5.

⇒ The whole amount has to be included in Column 010. The weight has to be included in Column 080. The whole inflow has to be reported in Column 140.

Amount			Applicable Weight			Inflow		
Subject to the 75% cap on inflows	Subject to the 90% cap on inflows	Exempted from the cap on inflows	Subject to the 75% cap on inflows	Subject to the 90% cap on inflows	Exempted from the cap on inflows	Subject to the 75% cap on inflows	Subject to the 90% cap on inflows	Exempted from the cap on inflows
010	020	030	080	090	100	140	150	160
						Unsecured-010*080 Secured-010-110	Unsecured-020*090 Secured-020-120	Unsecured-030*080 Secured-030-130
100	0	0	0.50	0.00	0.00	50	0	0

Second scenario: A bank reports EUR100 of monies due from a non-financial customer which, following competent authority prior approval, are subject to a partial exemption from the cap on inflows as specified in Article 33(2) of Commission delegated regulation (EU) No XXX/2015. In this example, the competent authority allowed that 20% of the relevant monies due are exempted from the cap on inflows. The applicable average weight is 0.5.

⇒ Following the instructions “the part of the amount subject to the exemption shall be reported in Column 020 or 030 and the part of the amount not subject to the exemption shall be reported in Column 010.” 20% of EUR100 equals EUR20 which shall now be reported in Column 030. The difference of €80 shall still be reported in column 010. The weights have to be reported in Column 080 and 100. The inflows have to be reported in Column 140 and 160.

Amount			Applicable Weight			Inflow		
Subject to the 75% cap on inflows	Subject to the 90% cap on inflows	Exempted from the cap on inflows	Subject to the 75% cap on inflows	Subject to the 90% cap on inflows	Exempted from the cap on inflows	Subject to the 75% cap on inflows	Subject to the 90% cap on inflows	Exempted from the cap on inflows
010	020	030	080	090	100	140	150	160
						Unsecured-010*080 Secured-010-110	Unsecured-020*090 Secured-020-120	Unsecured-030*080 Secured-030-130
80	0	20	0.50	0.00	0.50	40	0	10

Example 4– Monies due from non-financial customers when contractual commitments to these customers exceed the monies due (Art 32 (3 a) of Commission delegated regulation (EU) No XXX/2015)

If N, go to D
If Y, go to E

	A	B	C	D = MIN (A*50%, A-B)	E = B- A
Non-financial customer	Monies due	contractual commitment to extend funding	Is B>A	Amount reported in C 53.00 row 020 to 050	Amount reported in C 52.00, rows 580 to 610
Customer group 1	100	60	N	40	-
Customer group 2	100	40	N	50	-
Customer group 3	50	70	Y	-	20
Customer group 4	0	30	Y	-	30

Example 5– secured transactions (100 cash) against Level 2B equity collateral (108 equity market value) under different assumptions:

Repo outflow where collateral **would be** in accordance with Title II upon maturity of the transaction = $100 \times 0.50 = 50$

Amount	Market value of collateral extended	Value of collateral extended according to article 9	Standard weight	Applicable weight	Outflow
010	020	030	040	050	060
100	108	54	0.5	0.5	50

Repo outflow where collateral **would not be** in accordance with Title II upon maturity of the transaction = $100 \times 1,00 = 100$

Amount	Market value of collateral extended	Value of collateral extended according to article 9	Standard weight	Applicable weight	Outflow
010	020	030	040	050	060
100	108	*	1,00	1,00	100

Reverse repo inflow where collateral **is** in accordance with Title II = $100 - (108 \times 0.50) = 46$

Amount	Market value of collateral received	Standard weight	Applicable weight	Value of collateral received according to article 9	Inflow
010	040	070	080	110	140
100	108	0.5	0.5	54	46

Reverse repo inflow where collateral **is not** in accordance with Title II = $100 \times 1,00 = 100$

Amount	Market value of collateral received	Standard weight	Applicable weight	Value of collateral received according to article 9	Inflow
010	040	070	080	110	140
100	*	1,00	1,00	*	100

* For non-liquid assets we do not ask for this information to be reported the template as it does not feed into the calculation.

5.3 Draft Cost- Benefit Analysis / Impact Assessment

Introduction

As requested by article 415(3) CRR, the EBA developed an implementing technical standards (ITS) to specify uniform formats with associated instructions, frequencies, dates and delays for reporting of the liquidity coverage ratio (LCR). The first final draft ITS were published on the 26th of July 2013 and came into force on June 2014. However, following the recent publication of the LCR delegated act (DA) which specifies the EU framework of the LCR, the EBA is required to update the Implementing Technical Standards (ITS) on LCR supervisory reporting according to the content of the DA.

As per Article 15(1) second subparagraph of the EBA Regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any draft technical standards developed by the EBA will have to be accompanied by a separate note on Impact Assessment (IA) which analyses the potential related costs and benefits.

The present IA aims to provide the reader with an overview of the technical options as regards the update of the ITS on LCR and assess their potential incremental impact for both supervisors and institutions.

Problem definition

As with any other reporting requirements, this new ITS on LCR have to strike the right balance between the proportionality of the reporting burden imposed on institutions when requiring to collect and report new data and the level of data breakdown which is appropriate in order to ensure an effective and harmonised supervision of liquidity risks as well as an even level playing field across EU jurisdictions.

The updated ITS on LCR should also enable a comprehensive reporting and update of the items requested by the DA and the CRR while ensuring that the ITS remain efficient and proportionate (e.g. do not request for unnecessary data for the calculation and the monitoring of the LCR).

Objectives of the technical standards

General objectives

The general objectives of these ITS are to:

- Assist institutions in fulfilling their reporting requirements under Article 415 CRR;
- Reduce asymmetries of information on liquidity risks between supervisory authorities and credit institutions;
- Increase the effectiveness of the monitoring and the supervising of liquidity risks;
- Ensure data availability and comparability across EU jurisdictions and hence facilitate a proper functioning of cross-border supervision.

Specific objectives

The specific objectives of these ITS are to:

- Make the adequate amendments to the first ITS on LCR to properly account for the DA;
- Ensure that competent authorities receive all required information on the LCR and the components needed for its supervisory review and calculation;
- Design a clear and fit to purpose ITS that would avoid overly burdensome reporting for financial institutions and excessive operational costs for regulators and supervisors.

Baseline

Following the implementation of the ITS on supervisory reporting, EU credit institutions are reporting LCR data since June 2014. In that prospect, both credit institutions and National Competent Authority (NCAs), have developed framework and processes in order to carry out the collection, the transmission and the monitoring of LCR data. As a result, the proposed new ITS on LCR is not expected to generate excessive incremental impact as most of the operational costs due to the introduction of the new ITS have already been borne or planned by both NCAs and credit institutions (i.e. continuing cost (employed staff hours) and one-off cost (investment in IT equipment)).

Assessment of the technical options

The DA allows some discretions to propose options on whether (1) to display the methodology for the calculation of the ratio, (2) to specify the haircuts and rates (3) to report some memo items and (4) to include all the reporting items mentioned in Part Six, Title II of CRR.

Option 1: Methodology for the calculation of the LCR

This option suggests that the ITS display the detailed methodology for the calculation of the LCR. Under this option, the ITS will include the formula that would allow credits institutions and NCAs to directly compute the LCR from the data reported by credit institutions. This option is expected to:

- Provide guidance to institutions and NCAs regarding the way the ratio should be computed.
- Ensure better transparency on the LCR framework.
- Make the monitoring and the analysis of the LCR more efficient as the data and the key methodology for the calculation would be available in a single document.

- Generate extra operational costs for the regulator which will have to define the adequate calculation formula and to design a new template. However, such costs are expected to be limited as the methodology for the calculation is already defined in the DA.
- Generate no extra cost for credit institutions.

Option 2: Inclusion of the haircuts and rates in the updated ITS

Option 2 suggests to mention in the ITS the haircuts and rates to be applied for the computation of the ratio. This information is needed for the complete calculation of the ratio and would ensure transparency and guidance to credit institutions for the monitoring of their LCR position.

Similar to the previous option, very limited extra operational costs will be borne by the regulator since the haircuts and rates are already defined in the DA and the amendments to the previous ITS on LCR would only consist in adding a new column in the updated ITS on LCR. In addition, no extra-cost will be borne by credit institutions.

Option 3: Inclusion of the memo items in the updated ITS

Option 3 considers including memo items data that are not directly needed for the calculation of the LCR but would be very convenient for supervisory purposes. These data would generate extra operational costs for both credit institutions and NCAs as they were not already collected in the previous ITS. They would however also allow a better monitoring and understanding of banks' liquidity position.

Option 4: Inclusion of all the items mentioned in the Part Six, Title II of CRR in the updated ITS

Under option 4, the updated ITS on LCR will include all the items mentioned in Part Six, title II of CRR even though these data are not necessary for the calculation of the ratio. This inclusion would reduce legal risk as these items are submitted to reporting requirement according to the CRR. However, such inclusion will generate undue excessive cost to credit institutions since these data will not be useful for the calculation of the LCR and they will unlikely be checked and monitored by NCAs. In addition, should all the items mentioned in Part Six, Title II of CRR be included, the updated ITS will damage the clarity and the readability of the reporting. It will also create excessive burden on LCR data reporting.

Preferred options

Based on the cost and benefits analysis, the preferred options are:

- To display the methodology for the calculation of the ratio. The calculation methodology will ensure maximum harmonisation, transparency and efficiency of the EU LCR framework.
- To mention the haircuts and rates. This information is necessary for the calculation of the ratio and would not generate additional cost.

- To include memo items providing they are restricted to key areas that are strictly necessary and appropriate for supervisory purpose. In particular, the memo items should provide information on 1) the extent to which the HQLAs buffer, the outflows and the inflows would be affected by the restrictions 2) the impact of intragroup on liquidity positions and 3) the exposures to deposits by type of counterparties.

- Not to report all the items mentioned in Part Six, Title II of CRR as such reporting will be overly burdensome for the credit institutions and will go against the objective of the updated ITS (e.g. design a clear and efficient template to allow an adequate monitoring and calculation of the LCR). However, the exclusion should be legally grounded.

5.4 Overview of questions for Consultation

Question 1: The EBA deems it appropriate to keep the remittance dates unchanged in a steady state regime. While the content of the templates is changed, the objective of the supervisory reporting keeps unchanged and the present ITS constitutes only an update of the current existing reporting requirements for the LCR. This means that, once the current ITS is adopted, and after a transition phase, credit institutions would have to remit the monthly reports on each following 15th calendar day as this will be the case starting 1 January 2015 under the existing ITS on reporting for the LCR. Nevertheless, the EBA deems it appropriate to introduce longer remittance dates for the first reference dates during the first months, to be limited to a period of six months.

Do respondents have arguments to put forward a change on these aspects?

Question 2: Do respondents agree with longer remittance dates for the first reference dates for the new templates for the first six months?

Question 3: Do respondents agree with the implementation period suggested?

Question 4: Do respondents agree to the structure and content of the proposed new LCR templates added for credit institutions? Particularly comments from respondents on specific rows, columns or any other item would be very valuable and appreciated including comments on the treatment of secured transactions.

Question 5: Do respondents find the new LCR instructions for credit institutions clear? Particularly comments from respondents on specific rows, columns or any other item would be very valuable and appreciated.

Question 6: Do respondents consider that the “LCR calculation tool” appropriately translates the use of the different templates for informative purposes?