



EBA/ITS/2015/04

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EBA FINAL 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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Abbreviations

LCR	Liquidity coverage ratio
CRR	Capital requirements regulation
ITS	Implementing technical standards
EBA	European Banking Authority
DA	Delegated act
ESRB	European Systemic Risk Board
NCAs	National Competent Authorities
CP	Consultation paper
FX	Foreign exchange

1. Executive summary

The CRR envisages a liquidity coverage requirement the specifications of which are provided by the LCR delegated act¹ for credit institutions that was published on the Official Journal on 17 January 2015. The liquidity coverage requirement is intended to cover the net liquidity outflows under gravely stressed conditions over a period of thirty days by the holding of adequate liquidity buffers. An adequate supervisory review of the liquidity coverage requirement requires proper LCR reporting according to the specifications in the LCR delegated act.

LCR reporting along with the reporting on additional liquidity monitoring metrics currently constitute the main reporting package on liquidity for supervisory purposes. Additionally, according to the ITS on supervisory reporting, institutions have to report on items providing and those requiring stable funding. According to Article 510 of the 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 appropriateness of submitting a legislative proposal to the European Parliament and the Council to ensure that institutions use stable sources of funding.

These draft ITS amend Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the Commission's delegated act on the LCR, as this requires significant changes to the existing LCR reporting templates and instructions.

Overall, significant changes and a large number of new data items need 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 in the ITS on supervisory reporting on liquidity only for investment firms under the current LCR templates and instructions. In addition to changes according to the delegated act, minor changes are also proposed to reflect answers to Single Rulebook Q&As², as well as to correct legal references and other clerical errors.

Article 415(1) of the 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 an implemented

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2015:011:TOC>

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> .

as a 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 for the LCR templates in the current ITS to be completed by credit institutions in addition to the templates under the previous ITS. The items envisaged in the previous templates would not be useful for the calculation of the LCR according to the DA. Requiring double reporting would imply unduly high costs and would undermine the efficiency of the new templates proposed in these ITS. Therefore, the templates proposed in these ITS should fully replace the LCR templates for credit institutions in the previous ITS. The EBA has expressed this view in a letter to the EU Commission and has developed the proposed ITS following the this approach.

The EBA publicly consulted on the draft version of these ITS. Some amendments have been made based on the feedback received particularly for clarification purposes. Some changes were also considered on the basis of final Q&As published on the EBA website. Overall, there was no change in content compared to the ITS version in the consultation paper.

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 Commission Delegated Regulation (EU) 2015/61 (LCR delegated act).
- Annex XXV which includes instructions for the new liquidity coverage templates for credit institutions in Annex XXIV according to the Commission Delegated Regulation (EU) 2015/61 (LCR delegated act).

As these draft ITS are part of the broader ITS on supervisory reporting the Data Point Model (DPM) constitutes a key and necessary component. The DPM and taxonomy in relation to these draft ITS are being finalised and will be published by the EBA at a later stage and before publication of the final ITS in the Official Journal. Limited changes may be brought during the adoption process to the templates.

The EBA proposes a first reference date corresponding to the later of December 2015 and 6 months after the publication date in the Official Journal. 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 time required for the technical implementation of the IT reporting package and the supervisory need for a meaningful harmonised tool to calculate the liquidity coverage ratio, considering the target entry into force of the delegated act of October 2015.

2. 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 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 of the 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 and 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 reporting instructions and definitions. 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 the European Union 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 the European Union 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) where

applicable and in accordance with CRR provisions on waivers in particular. The provisions of Regulation (EU) No 680/2014 will remain in force until these draft ITS are adopted as an amendment to this Regulation.

The new templates are:

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.

Credit institutions are to 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 information purposes with the standard weights envisaged in the delegated act.

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

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.

Credit institutions are to 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 information 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 are to be reported by credit institutions which may not be directly necessary for the LCR calculation but are nonetheless considered very convenient and appropriate for supervisory purposes.

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.

Credit institutions are to 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 information 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 in such a way that it allows for this information to be identified depending on the cap the relevant inflow is subject to.

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

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.

Credit institutions are to 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 are also to 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 are to be reported on this template in a separate area for them.

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

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.

Credit institutions are to 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.

The EBA publicly consulted on the draft version of these ITS. The consultation period lasted for two months and ended on 10 February 2015. A total of nine responses were received, of which eight were published on the EBA website.

Respondents welcomed these amending ITS in terms of providing clarity on the way to report the LCR. A few amendments have been made. Further clarification has been provided regarding specific items such as applicable weights versus standard weights, particularly on the inflow and outflow instructions, the way that interest payments in assets with undefined contractual date are to be reported, the currencies in which the reporting is to be done, to name but a few. In addition, some changes were considered on the basis of final Q&As published on the EBA website.

3. EBA FINAL 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

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

of **XXX**

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:

- (1) Commission Implementing Regulation (EU) No 680/2014⁴ specifies the modalities according to which institutions are required to 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 Commission Delegated Regulation (EU) 2015/61⁵, 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 Commission Delegated Regulation (EU) 2015/61, 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

³ OJ L 176, 27.6.2013, p. 1.

⁴ 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 (OJ L 191, 28.6.2014, p. 1).

⁵ Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11, 17.1.2015, p. 1).

inconsistencies which were discovered in the course of the application of that Regulation.

- (3) As Commission Delegated Regulation (EU) 2015/61 specifies the 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) It is necessary to design new templates and corresponding instructions for credit institutions, given the specifications of the LCR as per Commission Delegated Regulation (EU) 2015/61, which enhances the use of these templates for supervisory purposes. In other words, the update of the templates and instructions is necessary in order to include all the elements necessary for the calculation of the ratio. Furthermore, this update is appropriate given that the actual items to be reported under the updated templates substantially and effectively reflect the items originally reported under the original templates, requiring only their reporting in a more detailed manner and in a structure and format corresponding to the specification of the LCR in accordance with Commission Delegated Regulation (EU) 2015/61.
- (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 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 1093/2010⁶.
- (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 is replaced by 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:

⁶ Regulation (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).

- (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. Annexes [XXIV and XXV] are added as set out, respectively, in Annexes I and II to this Regulation [*Instructions to the OJ: add the numbers that correspond after all the other Annexes added to that Regulation and published in the OJ at the time of adoption of these ITS*].

Article 2

Transitional period

For the period from ... to [*Instructions to the OJ: during the first six months from the date of application of this Regulation*], as a deviation from point (a) of Article 3(1) of Commission Implementing Regulation (EU) No 680/2014, the reporting remittance date relating to the monthly reporting of the LCR shall be the thirtieth calendar day after the reporting reference date.

Article 3

Entry into force

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

This Regulation shall apply from [*Instructions to the Official Journal: the later of six months from the date of publication of these ITS in the Official Journal and December 2015*].

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]

[ANNEX XXV]

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

4. Accompanying documents

4.1 'LCR calculation tool'

An Excel 'calculation tool' in the format of the new LCR templates for credit institutions accompanies this document for information only. This tool was also subject to public consultation and the version published includes the necessary adjustments.

This Excel file is exclusively intended to be an 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 information and in no case may the reporting be substantiated by it. The result of these calculations will be included directly in the validation rules to be developed, along with the Data Point Model and Taxonomy. There is no commitment from the EBA to update this tool on an ongoing basis in any future updates of the reporting.

4.2 Cost-benefit analysis / impact assessment

Introduction

As required by Article 415(3) of the CRR, the EBA has developed ITS to specify uniform formats for reporting the liquidity coverage ratio (LCR), plus instructions, frequencies, dates and deadlines. The first final draft ITS were published on the 26 July 2013 and came into force on 29 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 ITS on LCR supervisory reporting in accordance with 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 should be accompanied by an analysis of 'the potential related costs and benefits'.

This impact assessment (IA) is therefore intended to provide the reader with an overview of the technical options for the update of the ITS on LCR and to assess the potential incremental impact thereof for both supervisors and institutions.

Problem definition

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

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

Objectives of the ITS

General objectives

The general objectives of these ITS are to:

- assist institutions in fulfilling their reporting requirements under Article 415 of the 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 there is 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 have been reporting LCR data since June 2014. Both credit institutions and national competent authorities (NCAs), have developed frameworks and processes for the collection, transmission and monitoring of LCR data. As a result, the proposed new ITS on LCR are not expected to generate excessive incremental impact as most of the operational costs from 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 costs (investment in IT equipment)).

Assessment of the technical options

The DA allows some discretion 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 the CRR.

Option 1: methodology for the calculation of the LCR

This option suggests that the ITS set out the detailed methodology for the calculation of the LCR. Under this option, the ITS would 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 there is better transparency about 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 an adequate calculation formula and 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 mentioning 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 the 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 the 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 the 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 there is 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 the 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 based.

4.3 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for two months and ended on 10 February 2015. A total of nine responses were received, of which eight were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

In many cases several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In such cases, the comments, and EBA analysis are included in the section of this paper where EBA considers them most appropriate.

Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation where appropriate.

Summary of key issues and the EBA's response

The responses received to the CP are related primarily to the questions therein, although views on other aspects of the ITS were also provided.

In general terms, the respondents welcome the amending ITS in terms of providing clarity on the way to report the LCR; the examples included in the CP as well as the calculation tool are considered as useful elements to illustrate the content of the LCR reporting.

There is no objection to setting the reporting remittance date as the 15th calendar day after the reporting reference date as a general rule. Regarding the current LCR reporting, according to Commission Implementing Regulation (EU) No 680/2014, only one respondent suggested continuing with the transitional period of having the 30th calendar day after the reporting reference date as the remittance date.

On the suggested transitional phase, for a remittance date on the 30th calendar day after the reporting reference date during the first 6 months of application of these amending ITS, a slight majority of the respondents suggested prolonging it - to 9 or 12 months or even indefinitely because of increasing reporting burdens and to ensure a proper submission of data. The EBA is of view that 6 months is a reasonable transitional period considering that this is not the first exercise to report LCR and also because a 30-day stress ratio should be reported promptly to make any potential reaction effective enough.

As to the implementation date, the majority of the respondents did not object to the implementation period suggested. Two respondents would prefer October 2015 as the first reporting reference date in parallel with the application of the LCR delegated act. One respondent would prefer a 12-month implementation period. The EBA believes that the reference date of

December 2015 is a good balance between the time required for the technical implementation of the IT reporting package and the supervisory need for a meaningful harmonised tool to calculate the LCR as soon as possible.

Approximately half of the respondents would like clear guidance on how the supervision of the LCR will be developed during the interim period between October 2015 and the first reporting reference date. The EBA would like to highlight the fact that credit institutions are subject to the LCR regulatory reporting as per the Commission Implementing Regulation (EU) No 680/2014 according to the templates and instructions included therein until these are replaced by the new ones when the amending ITS apply. In addition, Article 412(5) of the CRR envisages that 'Member States may maintain or introduce national provisions in the area of liquidity requirements before binding minimum standards for liquidity coverage requirements are specified and fully introduced in the Union in accordance with Article 460.'

One respondent would like confirmation that there will not be retroactive reporting requirements according to the ITS for the period between the date of application of the LCR delegated act, October 2015, and the date of application of the ITS. Article 2 of the amending ITS lays down that the ITS are to apply from the later of 6 months from the date of publication of the final ITS in the Official Journal and December 2015. Therefore the first reporting reference date will be the nearest one after the date of application of the ITS.

The EBA has received some comments on the instructions and templates. Some of these comments are more related to specific provisions in the LCR delegated act or in the CRR. There are some concerns regarding the treatment of repo and reverse repo transactions (whose treatment is different in the LCR delegated act and in Basel) or cross currency collateralised transactions when reporting per significant currency. In this regard, the EBA has followed the regulation in force to determine the reporting.

On 20 February 2015 Q&A 872 on forward starting transactions was published. The EBA has amended the current instructions to reflect the content of this Q&A.

Some respondents spotted typos in the templates, instructions or the 'LCR calculation tool' in terms of wrong legal references or incorrect line references or names. The EBA welcomes these observations and has taken them on board.

Some respondents suggested a reduction in the memorandum items included, based on the fact that they are not necessary for the calculation of the LCR. The EBA is of view that there is a merit in having them in the ITS for supervisory reporting precisely to facilitate the supervisory task of the LCR even though they are not necessary for the calculation of the ratio itself. The EBA did not receive any specific mention of a memorandum item that could be already included in a different reporting template.

Further clarification was requested on the drafting of applicable weights versus standard weights for which the EBA has made some amendments in the outflow and inflow instructions to align

them with the drafting of the liquid assets instructions. Nevertheless the content remains unchanged.

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Responses to questions in Consultation Paper EBA/CP/2014/45			
<p>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</p>	<p>One respondent suggested to prolong the remittance period for the current LCR reporting templates (according to Commission implementing regulation (EU) No 680/2014) to 30 days until October 2015 (or until the amending ITS is adopted), all other respondents agreed on the 15 day remittance period.</p>	<p>Article 3 of Commission implementing regulation (EU) No 680/2014 envisages that the reporting remittance date for monthly reporting (where the LCR reporting is included) is to be the 15th calendar day after the reporting reference date. Article 18 sets out a transitional period until 31 December 2014 where the reporting remittance date is to be the 30th calendar day after the reporting reference date. Institutions are to follow this legal reporting timeframe.</p> <p>It should be noted that the LCR is a very short-term – 30 day – stress ratio and a 1-month delay for reporting is something that is not desirable to remain in the long term as that would endanger any reaction in the event of liquidity distress.</p> <p>There is no reason for changing the current applicable regime for a more relaxed approach whereas institutions have gained experience with reporting the LCR under the currently applicable ITS.</p>	<p>No amendment</p>

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<p>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.</p> <p>Do respondents have arguments to put forward a change on these aspects?</p>			
<p>Question 2. Do respondents agree with longer remittance dates for the first reference dates for the new templates for the first six months?</p>	<p>All of the respondents agreed on longer remittance date but some of them asked for longer transitional period (9 months, 12 months or indefinite period)</p>	<p>The EBA is of view that six months are enough for the transitional period. Credit institutions have already been reporting LCR since 2014. Therefore this is not an entirely new reporting exercise in essence.</p> <p>As mentioned it should be noted the need of a prompt reporting on a 30-day stress ratio like the LCR to make any potential measure effective in case of liquidity distress.</p>	<p>No amendment</p>
<p>Question 3. Do respondents agree with the implementation period suggested?</p>	<p>Two respondents would like the first reporting reference date to be consistent with the application date of the LCR and one respondent would like a longer period. No objection from the majority of the respondents to the suggested implementation period.</p>	<p>The EBA considers that a balance is necessary between technical implementation needs from credit institutions and LCR monitoring needs from supervisors. The EBA is of view that such a balance is attained by ensuring both December 2015 as the potential earliest application date and in every case a 6-month period for implementation after the publication of the ITS in the Official Journal. Obviously the</p>	<p>No amendment</p>

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		<p>application date of the amending ITS does not alter the application date of the LCR as a ratio in line with the LCR delegated act provisions.</p>	
<p>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.</p>	<p><i>Repo and reverse repo transactions</i></p> <p>Some respondents commented on the asymmetrical treatment of inflows and outflows on repo and reverse repo secured by liquid assets, which is a departure from Basel III. According to BCBS, the cash leg of both inflows and outflows are multiplied by the appropriate haircut for the relevant liquid asset collateral type. In the amending ITS, this treatment is the same for 'repo outflow' but the 'reverse repo inflow' is calculated by taking into account no inflow up to the value of the liquid asset after haircut and taking inflow in full for the remaining amount up to the value of the cash leg. It was suggested that this approach seems to produce an additional cap to the general 75% inflow cap. Respondents asked for clarification of this treatment for repo and reverse repo transaction. Majority of the respondents asked for clarification regarding the need that assets used as collateral in repos and reverse repos comply with the operational requirements envisaged in Article 8 of the</p>	<p>For the calculation of the outflows and inflows stemming from repo and reverse repo transactions, the amending ITS follow Article 28(3), Article 32(3)(b) of the LCR delegated act respectively. For both transactions such provisions consider that liquid assets qualify as such in accordance with Title II which is referred to the liquidity buffer and in which Article 6 states that liquid assets are to comply with the general requirements in Article 7, the operational requirements in Article 8 and the respective eligibility criteria for their classification as level 1 or level 2 assets in accordance with Chapter 2.</p> <p>It is only in the case of amendments to the delegated act that the ITS could be amended on this point.</p>	<p>No amendment</p>

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	<p>delegated act (which is part of Title II).Some respondents asked for such clarification also for assets involved into collateral swaps.</p>		
	<p><i>Cross currency transactions</i></p> <p>Regarding the treatment of cross currency transactions when reporting in a significant currency return some respondents found it very punitive that only the 'leg' in that currency should be reported, particularly for credit institutions trying to achieve a certain LCR percentage in that significant currency.</p>	<p>Article 415(2) of the CRR explains that institutions are to report separately the items on liquidity reporting per significant currency.</p>	<p>No amendment</p>
	<p><i>Forward starting transactions</i></p> <p>Many respondents asked for more clarification of the correct treatment of forward starting transactions, which should avoid any double counting issues and further applications of caps on inflows. This requirement for clarification regards both the type of transactions to be reported (with particular reference to the temporal window in which these transactions occur) and the value (gross or net) to be reported.</p>	<p>Q&A 872 has been published by the EBA after the closing of the consultation period. The EBA has adjusted the treatment to report forward starting transactions to the one included in such Q&A.</p>	<p>The instructions on inflows and on outflows regarding forward starting transactions are amended based on Q&A 872.</p>

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	<p><i>Additional outflows</i></p> <p>Majority of respondents asked for more clarification on the treatment of additional outflows due to the impact of an adverse market scenario. They also raised concerns about the proper application of the HLBA methodology described in the EBA RTS.</p>	<p>The reporting on additional outflows has been included as referred to the content of the relevant RTS aimed at covering this methodology.</p>	<p>No amendment</p>
	<p><i>Collateralised derivatives</i></p> <p>Some respondents asked for more clarification on collateralised derivatives transactions included in the collateral swap template. Particularly they asked for the reason of their inclusion in the unwinding mechanism provided by Article 17 of the DA.</p>	<p>Annex I (5) of the LCR delegated act sets out the way to determine the composition of the liquidity buffer. For this it states that it should be taken into account the unwind of any secured funding transaction, secured lending transaction, asset exchange or collateralised derivatives transaction. Inflows and outflows from collateralised derivatives are captured in the outflows and inflows templates on a net basis per counterparty but there is a need to report the liquidity value of the collateral underlying without the application of such netting for the purposes of the unwinding mechanism cited.</p>	<p>No amendment</p>
	<p><i>Applicable weight</i></p>	<p>Some drafting changes have been made in the interest of clarity. The language used for the</p>	<p>Clarification provided</p>

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	Some respondents asked for clarification on the proper application of the applicable weights, especially regarding the situation in which an applicable weight differs from the standard weight.	consideration of applicable weights vs standard weights in the liquid assets instructions has been considered and accommodated for the outflow and inflow instructions as the most clarifying one.	
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.	<p><i>Id 1.1.1.7 in liquid assets</i></p> <p>One respondent was of view that the instructions on liquid assets in row 100 on 1.1.1.7 'Recognisable domestic and foreign currency central government/bank assets' was confusing and could not fully capture the content of the LCR delegated act.</p>	The EBA has amended the drafting to adjust it to Article 10(1)(d) of the LCR delegated act.	Clarification provided
	<p><i>Reporting currencies</i></p> <p>One respondent requested clarification in the wording 'liabilities in the reporting currency' which is included in the instructions on outflows (item 1.1 (3)) and particularly in the instruction on inflows (item 1.1 (2)) in which no liabilities are reported.</p>	The EBA has clarified those items in all the instructions.	Clarification provided

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	<p><i>Assets with an undefined contractual end date</i></p> <p>One respondent asked for clarification on row 200 in the inflow instructions item '1.1.6 - monies due from assets with an undefined contractual end date' on why interests could not be reported separately and what was the meaning of minimum payments.</p>	<p>The EBA has seen legal and economic fundamentals to differentiate the reporting treatment of those interests which are contractually due and give rise to an actual cash inflow within the following 30 days and those which are not. In this context minimum payments comprise fees or commissions.</p>	<p>Amended. The differentiation has been included.</p>
	<p><i>Exceeds of funding</i></p> <p>One respondent did not find it appropriate the sentence 'Only balances of new loans shall be reported, no rollovers' in row 790 of the instructions of outflows in item '1.1.6.6.1 Excess of funding to non-financial customers'.</p> <p>Regarding example 4 in the consultation paper which is related to this question it was requested an update on the row references and a clarification on the term 'customer group'.</p>	<p>The EBA has seen legal and economic fundamentals to omit that reference on the basis of the continuity of the business implicit.</p> <p>Column D must be understood referred to the template C 74.00 rows 60 – 90. Column E must be understood referred to C 73.00 rows 800 – 830. 'Customer group' is referred to a specific scenario not meaning that the calculation is meant to be done on a client by client basis.</p>	<p>Amended. The sentence has been removed.</p>
	<p><i>Financing facilities</i></p> <p>One respondent suggested that the look</p>	<p>The EBA is of view that this approach does not</p>	

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	through approach envisaged in row 430 of the instructions of outflows should be removed as it is difficult to be developed in practice.	contradict the LCR delegated act and contributes to appropriately identify the necessary liquidity requirements under this concept.	No amendment
Question 6. Do respondents consider that the 'LCR calculation tool' appropriately translates the use of the different templates for informative purposes?	Many respondents consider the LCR calculation tool useful. Although they pointed out some wrong links between cell of the templates that they require to be fixed (mainly the link between outflow template and collateral swap template). Moreover, they asked for having a final version of this tool once the consultation process will finish.	The EBA has taken all these observations on board where appropriate	Amendments made where necessary

