

POSITION PAPER



ESBG common response to the European Banking Authority Consultation on the draft ITS on additional liquidity monitoring metrics

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First of all, the European Savings Banks Group (ESBG) would like to welcome the opportunity to share its views on this EBA document on the draft ITS on additional liquidity monitoring metrics.

I. General observations and responses to specific questions

➤ Level of application of the reporting

The ESBG considers that the reporting requirements on Additional Liquidity Monitoring Metrics are very granular and detailed considering that the reporting needs to be performed per individual institution and currency. Besides the cost-benefit analysis, the level of granularity generates complexity both for the institutions to retrieve and extract the required information and for the competent Supervision Authority to correctly interpret the reported information. The granularity also makes the reporting rather extensive.

According to the consultation, the report applies to all institutions and investment firms on an individual basis. However, competent authorities will be allowed to waive in full or in part the application of part six of the CRR (Liquidity requirements) to an institution and to all or some of its subsidiaries.

The ESBG supports a harmonised reporting approach, but fears that this will not be the case if local competent authorities could provide exemptions to their institutions. In order to reduce the complexity and the granularity, we are of the opinion that the reporting of Additional Liquidity Monitoring Metrics, as a general rule, should be performed only at consolidated group level.

➤ Implementation

Considering the proposed granularity of the reporting, the institutions need a sufficient time period to implement these new reporting requirements as several other new reporting rules need to be complied with in the coming years.

Furthermore, the reporting dates of additional monitoring tools should be synchronised with the reporting dates for LCR.

➤ Frequency of the reporting



The ESBG is of the opinion that quarterly reporting would generally be sufficient if the frequency is increased in stressed liquidity environments.

In normal business the required liquidity figures do not normally change to such an extent that monthly reporting is necessary. Monthly reporting would entail high reporting costs, but little change between the monthly reported figures.

➤ **Cost of reporting**

The EBA has made a cost-benefit analysis where the institutions compliance cost has been estimated as limited or low. As regards “one-off”-costs we also agree that they have limited impact. However, the ESBG believes that the cost regarding “ongoing”-compliance cost is not low impact but rather high impact. Considerable resources have to be spent on creating new tables, definitions, instructions, etc. Also, new personnel have to be recruited to collect and examine the figures.

Answers to EBA questions:

***Q01.** Are the proposed remittance dates feasible? Does the specification in paragraph 2 give sufficient clarity on which flows are included and excluded for the purposes of this RTS? If not, please provide us with an alternative specification.*

Instead, it would be more accurate to set up a 20 calendar days or 30 natural days as this would be a more realistic and feasible remittance date. Taking into consideration that the figures have to be collected, examined and submitted, 15 calendar days are too short - especially if the figures should be of adequate quality and secure.

***Q02.** Are the proposed frequency dates feasible? Has the proportionality been adequately considered?*

We consider that quarterly reporting would, in general, be a feasible reporting frequency under normal conditions. Monthly reporting is too frequent taking into consideration that the reported figures under normal conditions would hardly change between months. Monthly reporting could be introduced in exceptional stressed situations.



***Q03.** Is the above size threshold of 1% of total assets suitable to determine a higher reporting frequency? Should such threshold be substituted or complemented by a liquidity-risk-based threshold or other quantitative criteria? If so, by which?*

In ESBG's opinion a threshold that is risk based is better to determine the frequency of reporting. However, in order to avoid more complexity and keep the regulation simple, the proposed threshold seems adequate.

Also, in our view reporting on an individual basis is too granular; it should be enough to report the liquidity on a consolidated basis. Financial groups normally handle liquidity, funding, etc, on a consolidated basis.

***Q04.** Are the reporting templates and instructions sufficiently clear? Shall some parts be clarified? Shall some rows/columns be added or deleted?*

-Annex I (template 1) – Behavioral flows

In the template instructions the draft reads that “the behavioral flows shall be based upon a base case economic scenario used by the reporting institution in its current business planning”. We do not consider the behavioral flow template to be sufficiently clear and in particular the meaning of “base case economic scenario”. The “base case” must be described in more detail. Is the “base case” supposed to be dynamic or static? The final aim is that reporting should be harmonised throughout the EU. In ESBG's opinion it will not be possible to compare the reported figures in the template between banks. If the intention is to compare banks behavioral flows the instructions have to be rewritten. The reference to Counterbalance Capacity is not relevant and should instead be the high quality liquid assets (HQLA) as is described in CRD IV/CRR.

The template behavioral flows will in addition need considerable resources to be able to comply with the reporting rules. The reporting will be complicated to perform.

- Annex III (template 2)

Template Roll-overs of funding: the instructions to the template are vague and it is unclear what should be reported. Is it supposed that the banks should be able to report future refinancing costs?



In the template “Concentration of funding”, the counterparties’ name is required as reporting input for the top ten counterparties greater than 1 % of total liabilities. We think that it is not appropriate to include client’s legal names in normal regular reporting. In order to assess the concentrations of funding the remaining fields are sufficient (LEI code, sector, Residence etc).

***Q05.** Could you indicate whether all the main drivers of costs and benefits have been identified in the table above? Are there any other costs or benefits missing? If yes, could you specify which ones?*

As regards the cost for institutions the ESBG agrees that the “one-off”-costs has limited impact. However, we believe that the cost regarding “ongoing”-compliance cost is not low impact but rather high impact. Considerable resources have to be spent on creating new tables, definitions, instructions, etc. Also, new personnel have to be recruited to collect and examine the figures.

***Q06.** For institutions, could you indicate which type of costs (A1, A2, A3) are you more likely to incur? Could you explain what exactly drives these costs and give us an indication of their expected scale?*

See comment on Q05 above.



About WSBI-ESBG (European Savings Banks Group)

WSBI-ESBG – The European Voice of Savings and Retail Banking

WSBI-ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising of approximately one-third of the retail banking market in Europe, with total assets of over €7,631 billion, non-bank deposits of €3,500 billion and non-bank loans of €4,200 billion (31 December 2011). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

WSBI-ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI-ESBG member banks have reinvested responsibly in their region for many decades and are a distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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