

European Banking Authority  
Via email: [CP-2012-5@eba.europa.eu](mailto:CP-2012-5@eba.europa.eu)

**Date** 27 August 2012  
**Reference** BR1721

Regards: NVB reaction to EBA CP 2012/05

Dear Sir, Madam,

On behalf of the Dutch Banking Association<sup>1</sup> (NVB) I would like to thank you for giving us the opportunity to react to Consultation Paper 2012/05 on supervisory reporting requirements for liquidity coverage and stable funding. As we have contributed extensively to the EBF position, which we fully support, our response highlights a number of areas that are of specific importance to the Dutch sector. These areas relate to the reporting timelines and additional assets that should be included in this monitoring exercise. These points will be elaborated in the remainder of the letter.

*Reporting timelines and reconciliation requirements*

The reporting timelines that are suggested by EBA are very challenging. This would already have been the case if the final format was already known today. As it is not known, the proposed first remittance should be postponed, in order to allow banks sufficient time to prepare. In regards to the remittance period, we note the proposed 15 day period is significantly too short. Especially during the start-up phase, a remittance period of 6 to 8 weeks would be more realistic. Once a business as usual process has been established, there will be a dependency on finance processes. This has to be appreciated and weighed carefully in setting up the requirements, including potential reconciliation requirements. During the public hearing, potential reconciliation requirements were discussed. In this context, we would like to highlight the different nature of financial and liquidity reporting, which could pose challenges when it comes to reconciliation. In our view, a reasonable interpretation of reconciliation seems to be that institutions need to ensure the adequate quality of their regulatory liquidity reporting by means of a well-structured process to govern completeness, correctness and timeliness. In this respect we strongly suggest that Liquidity Reporting should not be aligned with COREP. Remittance periods for liquidity reporting should be aligned with the usual finance reporting cycle, i.e. one month. By aligning the processes, the reporting process becomes easier to manage. If a 15 day period would be used, the liquidity report will have a more preliminary character; a balance has to be struck between speed of reporting and alignment with financial reporting.

---

<sup>1</sup> The Dutch Banking Association (NVB) is the representative voice of the Dutch banking community with over 90 member firms, large and small, domestic and international, carrying out business in the Dutch market and overseas. The NVB strives towards a strong, healthy and internationally competitive banking industry in the Netherlands, whilst working towards wider single market aims in Europe.

*Additional assets to be monitored as potential high quality liquid assets.*

As a second point, we would like to highlight two asset classes that are of particular importance when it comes to the monitoring of additional assets that could be qualified as transferrable securities of high and extremely high credit and liquidity quality:

1. First are prime residential mortgage backed securities (RMBS) that have been sold to external investors. These assets are of particular importance for the ability of banks to raise secured funding. Investigation of such assets that were issued in several countries<sup>2</sup> has shown that there are cases where prime RMBS can be more liquid than covered bonds. As covered bonds are defined as eligible assets for the Liquidity Coverage Ratio, prime RMBS should be included in the monitoring template as well.
2. Secondly, assets that are central bank eligible should also be included in the monitoring exercise. In particular, prime RMBS that is retained on banks' balance sheets for contingency liquidity purposes should also be included in the monitoring. These securities are eligible in the normal liquidity operations at the central bank and represent an important source of contingent liquidity. These assets were already eligible at the ECB before the crisis started, and are not part of the extraordinary widening of the eligibility criteria undertaken by the ECB in recent years. The fact that they are eligible at the ECB is directly linked to the high credit quality of the underlying assets.

In case you have question or remarks based on our reaction, or in case you require additional information, please do not hesitate to contact me via [steins@nvb.nl](mailto:steins@nvb.nl).

Kind regards,



Onno Steins  
Advisor Prudential Regulation

---

<sup>2</sup>Basel 3 Liquidity - the impact on asset backed funding and European economies