

European Banking Authority  
Tower 42 (level 18)  
25 Old Broad Street  
London EC2N 1HQ  
United Kingdom

Via email: CP-2012-5@eba.europa.eu

Amsterdam, 24th August 2012

### **ING Reaction to EBA/CP/2012/05**

Dear Sir,

In reaction to the EBA consultation on Implementing Technical Standards on Supervisory reporting requirements for liquidity coverage and stable funding (EBA/CP/2012/05) we would like to underline our support to the concerns expressed by the European Banking Federation (EBF) with respect to timing and the impact the delay of the final rules might have in shortening significantly the actual observation period of CRD. Equally we fully support the comments made by the EBF with respect to the definition of liquid assets and the careful attention which should be given to enlarge and align the definition of liquid assets which banks are required to hold in the “buffer” of assets that banks can effectively use, even under market stressed conditions.

In this letter we take the opportunity to elaborate further on how banks like ING, use contingent liquidity instrument to have cash/liquidity available under stressed circumstances. We explain the structure and quality of the instrument and try to demonstrate that these types of assets should be added to the ITS template of transferrable securities of high and extremely high credit and liquidity quality. As for the overall EBA consultation paper, we note that ING has actively participated in the discussions of the EBF and Dutch Banking Association (NVB).

ING favours a widening of the definition of high quality liquid assets with RMBS - both external and retained - which are of high credit quality and central bank eligible. We view the ITS should also incorporate broader recognition of central-bank eligibility as a fundamental (but not exclusive) indicator of liquidity. While an appropriate goal of the liquidity regime is to avoid excessive dependence on central-bank facilities, it is also necessary to recognize that the instruments’ acceptance by central banks is a strong positive indicator of liquidity. It is moreover important to recognize the critical importance of central bank eligibility in times of stress. With respect to securitisations it would imply that not only securitised assets that are actually in the market should qualify but also those instruments which, although not actively traded, are characterised by the same high-quality. In addition we would like to point out that another way of recognizing internally securitised assets in liquidity management is to offer them as collateral in repo-transactions with counterparties. We believe to the extent it can be demonstrated that these asset types are acceptable to counterparties they should be LCR eligible. We acknowledge that in an idiosyncratic

situation a portion of the bank's liquidity buffer should be immediately tradable. Therefore the portion of internally securitised assets qualifying for the LCR could be subject to a cap or appropriate haircut.

ING holds positions in internal securitisations to be able to use this paper as collateral for borrowings from the ECB in times of severe stress. We use this contingent liquidity instrument to have cash/liquidity under stressed circumstances. The structure of these internal securitisations is comparable with other (external) securitization transactions. As mentioned above our internal securitizations are the same as regular securitizations (i.e. RMBS / ABS) as portfolios of either retail mortgage loans or small business loans and have been packaged accordingly. The only difference is that we retain the notes on our balance sheet and they are not traded on the external market, even though this could be done. Internal securitizations are a fully accepted collateral at the ECB, based on their structure and rating. Moreover, rating agencies do not distinguish in their analyses of the structure of these transactions between internal and external securitisations. ING has successfully placed Orange Lion transactions externally which we believe is an indicator for investor appetite as the structure and underlying assets are comparable.

In Annex to this letter you will find the New Issue Reports of our most recent retained securitisation, the Orange Lion VII transaction. In these rating agency reports it is demonstrated that ratings with respect to the Class A assets are triple A.<sup>1</sup> In the Moody's report you will find on page 15/16 the performance and losses of the underlying portfolio's for ING RMBS transactions, highlighting the quality of the assets.<sup>2</sup>

We trust EBA carefully considers widening and alignment of the definition of liquid assets of the LCR for the observation period in its final liquidity reporting technical standard as also foreseen by the European Parliament and Council.

Yours sincerely,

Harold Naus

General Manager Market Risk Management, ING Bank N.V.

---

<sup>1</sup> Fitch Ratings, Orange Lion VII RMBS B.V., June 2012

<sup>2</sup> Moody's, Orange Lion VII RMBS B.V. June 13, 2012