

24th August 2012

EBA
Via e-mail: CP-2012-5@eba.europa.eu

Dear Sir/Madam,

Response to EBA Consultation Paper on Draft Implementing Technical Standards on Supervisory reporting requirements for liquidity coverage and stable funding (EBA/CP/2012/05)

INTRODUCTION

Standard Chartered welcomes the opportunity to comment on the European Banking Authority (EBA's) Consultation paper on Draft Implementing Technical Standards (ITS) on supervisory reporting requirements for liquidity coverage and stable funding.

EXECUTIVE SUMMARY

- The proposed remittance period of 15 days for the LCR and NSFR submission starting 31 January 2013 is too aggressive for an observation period. It does not allow institutions sufficient implementation time between the finalisation of Part Six of the Capital Requirements Regulations (CRR) and the first submission date for LCR and NSFR. Data quality will suffer at the expense of expediency, which could lead to erroneous interpretation of the potential impact of the metrics.
- A phased approach with a gradual reduction of the remittance period between the first submission and the implementation date allows for better preparation and planning by banks, better data quality during the critical observation phase and delivery of timely metrics in 2015.
- Given that the NSFR will not be implemented until 2018, a half yearly submission during the first year seems more appropriate than the proposed quarterly submission.
- SCB would welcome further guidance on the application of the threshold for significant currency as well as a cap to the number of currencies to be reported to limit the number of reports due by the institution, sub-group and/or group to a level that is manageable.

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RESPONSES TO QUESTIONS

Q1: Are the proposed dates for first remittance of data, i.e. end of January and end of March 2013 feasible?

The dates for first remittance of data should be considered together with the date at which the rules setting out LCR and NSFR calculations are finalised. In order to enable banks and financial institutions to report in accordance with the final rules the remittance date should be at least three months after the final rules are published.

In addition, moving into a quarterly submission for NSFR when the implementation date is not until 2018 seems unnecessary. The NSFR is a far more stable measure than LCR that is not expected to change significantly within three months. Moving NSFR reporting to a quarterly basis at the same time that LCR becomes monthly will add significant pressure to banks' reporting departments and furthermore, given the lack of clarity around some aspects of the NSFR, produce quarterly submissions which are not comparable across the industry. Our suggestion is to keep a half yearly submission for NSFR during the first year or remittance so banks can focus on getting the LCR monthly submission to the expected level of accuracy.

Q2: Do respondents agree with this proposal for defining significant currency?

For international banks operating in many currencies across the globe the 5% threshold may imply reporting the LCR and NSFR in 5 or more different currencies. In addition banks are required to report on an individual basis as well as group basis, which may at least duplicate the number of reports submitted to the regulator.

We propose to cap the number of currencies in which separate reporting is required to no more than three. This cap will still allow the EBA to be informed of the liquidity position of the bank (s) and group in the main currencies the bank/group operates in and cover the majority of liabilities.

In addition, further clarification is needed regarding the way the threshold is to be calculated. For example, for group submission should the threshold be calculated at country level or at group level? A currency may be significant at subsidiary level but not at group level and vice versa. It is important that these uncertainties get resolved as soon as possible to enable institutions to work on their automated solutions, vital for timely submission of the ratios.

Q3: Is the proposed remittance period of 15 days feasible?

During the first year of submission most banks will be still in their preparation stages, working towards the automated solution to report LCR and NSFR in all their relevant currencies and at individual and group levels as appropriate. Currently, banks which participate in the QIS voluntary submission are allowed 90 days to gather and report their LCR and NSFR. Reducing the remittance period to 15 days for the preparation and review of reporting forms that still have a significant component of manual input

would impact the quality of the submission in a period when the EBA is collecting data to calibrate the ratios. Therefore we recommend a phased approach to the submission period, allowing at least 60 days for the first year, and reducing the remittance period gradually until reaching the proposed 15 days when implementation is due.

Q4: Are there additional sub-categories of inflows and outflows that are consistent with the specification of the liquidity coverage requirement in the CRR and would inform policy options that should be reported?

EBA should consider breaking down the categories of outflows and inflows in more detail, for example, Trade Finance inflows, large corporate/small corporate outflows, as well as some of the additional information that is currently submitted as annex to the QIS form, such as information on collateral swaps where different asset levels are exchanged. Above all, the reporting form should be flexible to allow further information to be gathered if deemed necessary as a result of the observation period.

In addition we would prefer that the LCR template included the actual LCR calculation, that way reporting institutions would have visibility of the ratio as calculated by the EBA.

Q5: For the purposes of providing guidance as to transferrable securities of high and extremely high credit and liquidity quality, what additional assets, if any, should the ITS collect?

We propose the LCR template be enhanced to include other assets that although may not be eligible as high quality liquid assets are part of the institution's wider liquid asset resources, for example, holdings of precious metals, shares and other debt instruments.

Q6: Do respondents agree that the template captures the requirement of the draft CRR on reporting of stable funding?

The implementation date for the NSFR is not for several years and it is expected that this metric be calibrated further, as well as be more clearly defined via EBA technical papers. Therefore we suggest the EBA builds some flexibility into the reporting form to allow for potential changes/additions as a result of the observation period.

We hope you find these comments helpful and look forward to engaging with the EBA in this and other areas of CRDIV/ CRR implementation. Please do not hesitate to contact us if you wish to discuss any of the above further.

Yours sincerely/faithfully



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