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Dear Mr. Farkas

DB's response to the European Banking Authority's consultation on draft implementing technical standards on supervisory reporting requirements for Leverage Ratio.

Deutsche Bank (DB) welcomes the opportunity to respond to the EBA's consultation on supervisory reporting requirements for the Leverage Ratio in a wider effort to harmonise the reporting of prudential standards in the EU and internationally.

Given the delay in reaching political agreement on CRD 4, we strongly support EBA's pragmatic approach to implementation of financial reporting requirements. Meeting the deadline of 1 January 2013, without having the final legislative framework in place, will not be possible.

Reporting of the leverage ratio will require alignment between the legislative framework and final reporting templates before institutions can start to prepare to implement the requirements. Further to that, the implementation timeline will also pose challenges to regulators as they may not have the necessary time to build and develop systems to adequately receive and analyse data.

The effort required to do this should not be underestimated, given the significant changes in the wider reporting framework, including among other liquidity and stable funding as well as disclosure of own funds. We therefore call for an adequate transition period in order to enable the institutions to establish reliable systems and approaches to gathering and verifying the required data.

In addition to this general concern on timing and implementation, we also provide detailed comments in the Annex I. In order to allow for a smooth transition to the new reporting environment, it should be ensured that the reporting requirements on leverage ratio are aligned with the COREP framework. Further, the calculation for the leverage ratio as proposed in this consultation currently differs in some aspects to the one proposed in CRD 4 and Basel III. Both comments on alignment with COREP and calculation of leverage ratio are covered in Annex II.

We would be happy to discuss further any of the points in our response.



Yours sincerely,

Andrew Procter
Global Head of Government and
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Annex I

Answers to questioned posed by EBA:

Q1: *Do institutions agree with the use of existing and prudential measures? Is there additional ways to alleviate the implementation burden?*

We think there are additional ways to alleviate the implementation burden. These include the exclusion of highly liquid assets from the exposure measure used for the LCR, allowing for pending settlement netting, and the recognition of derivatives collateral, which was proposed in the 1st draft CRD IV, but has subsequently been removed.

Q2: *Do institutions already have the data required under this proposal on a monthly basis? If so, is this data of the required standard as other data reported to supervisory authorities?*

In principal yes, the data is available. However as outlined in the table in Annex II, there are some considerable differences in the data required to be reported to under the COREP framework. Alignment with the COREP framework would enhance the quality of reporting standards.

Q3: *The same timelines are proposed for reporting on a consolidated level as well as on an individual level, is this seen as problematic? If so, would you propose a different timeline for reporting on a consolidated level?*

No, provided that the timelines allow for a sufficient level of reconciliation/analysis prior to submission, in particular for the submission on consolidated level.

Q4: *What additional costs do you envisage from the proposed approach to reporting the leverage ratio in order to fulfil the requirements of the CRR outlined in this ITS?*

Any cost estimation heavily depends on the underlying scenario:

- a) provided that the prevailing way of reporting is continued (i.e. submission of EXCEL-based templates on consolidated level only), overall costs will be moderate
- b) if the reporting has to be automated along with e.g. the COREP submission, implementation costs will be considerably higher, driven by IT implementation
- c) if the reporting is not only required on consolidated level, but also on subgroup/individual entity level, implementation costs will be very high, with multiple changes required to underlying systems and added complexity in the reporting.



Furthermore, until the reporting requirements are clear, technical IT- solutions cannot be finalised. Adequate implementation timelines need to be provided for banks to establish processes to accumulate the data.

In general, with regard to the level of application we support to consolidated level reporting. We believe that financial information at a consolidated level is the best way to obtain a comprehensive view of an institution's risk profile. We recognise that the legislation provides: "Significant subsidiaries of EU parent institutions and those subsidiaries who are of material significance for their local market shall disclose the information specified in Article 424, 425, 427, 428, 435, 436 (-> *Leverage Ratio*) and 438, on an individual or sub-consolidated basis". This leaves room for diverse national application. The EBA should ensure a consistent understanding of "significant subsidiaries".

Q5-Q10: n.a. for DB

Q11: *Is the term "reference name" and the distinction from "reference obligation" sufficiently clear?*

Yes

Q12: *Is the treatment of credit derivatives referring to indices and baskets sufficiently clear?*

Yes

Q13: *Which additional contractual features should be taken into consideration when assessing offsetting of written and purchased credit derivatives? How would this add to complexity and reporting burden?*

No comment.

Q14: *Is the classification used in template LR6 sufficiently clear?*

A concrete definition of "trade finance operations" is missing.

Q15: *Do you believe the current split, which is predominantly based on the exposure classes for institutions using the standard method are appropriate or would you suggest an alternative split?*

We are unsure whether this split is needed at all, particularly in the light of populating the template" with original exposures pre conversion factors rather than the measurements going into the LR calculations and RWA.

Q16: *Is the classification used in template LR7 sufficiently clear?*

Yes

Annex II

Comments on alignment between proposed reporting framework and CRD4, Basel III and COREP.

We have two comments on the proposed reporting requirements of leverage ratio and alignment with other reporting frameworks.



First, the formula for calculation of the leverage ratio differs from that proposed under Basel III and CRD 4. Both Basel III and CRD IV state that “Institutions shall calculate the leverage ratio as the simple arithmetic mean of the monthly leverage ratios over a quarter” (cf. paragraph 416(2) of the draft CRD IV). This rule is reiterated in paragraph 18 of Annex II of the ITS, however followed by a statement that “Reporting should therefore be based on quarterly averages of monthly measures [...]”. As such, the entire template is designed to cover quarterly averages of both exposure and capital measures, based on which a leverage ratio is calculated (leverage ratio = average capital over average exposure). That approach is mathematically different from the average of the respective monthly leverage ratios within the given quarter. We believe the CRD IV, Basel III formulation should be used. The current EBA proposal would also distort comparability with the quarterly COREP reporting, which is done on a spot basis. To ensure a level playing field, we would also suggest allowing institutions to calculate the leverage ratio based on end-of-quarter values during the monitoring period (as suggested in paragraph 475(3) of the draft CRD IV), rather than putting that option at the discretion of the relevant national authorities.

Second, the proposed template for reporting differs considerably from the COREP framework. At the hearing on the reporting requirements, the EBA spokesperson stressed that the alignment with COREP was a necessary step in order to harmonise the reporting of prudential standards in the EU at the hearing on reporting in July. The discrepancies are identified in the table below.

Template	Comment
Template LR1: On-balance sheet items	Data asked is significantly more granular than in COREP forms
Template LR2: Derivatives and off-balance sheet items	Data asked is significantly more granular than in COREP forms
Template LR3: On- and off-balance sheet items – additional breakdown of exposures	For SA positions the templates provide a breakdown by risk weight. This is not the case for IRB positions. In addition some approaches to calculate the risk weights of securitisations are only reported as an average on the templates
Template LR4: Credit derivatives exposures	Data asked is significantly more granular than in COREP forms
Template LR5: Capital and calculation of the leverage ratio	Data usable one by one from COREP for all positions except position 70
Template LR6: Alternative decomposition of leverage ratio exposure measure components	In COREP there is no separation into trading and banking book
Template LR7: General Info	Not available in COREP forms
Template LR8: Asset encumbrance	Not available in COREP forms

Furthermore, the template LR5 does not provide any sort of calculation of the leverage ratio, but just collects capital measures. We would strongly encourage the inclusion of the actual calculation of leverage ratio(s) here.