EBA/CP/2013/18

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Consultation Paper

On Draft Implementing Technical Standards

On Additional Liquidity Monitoring Metrics under Article 403(2) of the draft Capital Requirements Regulation (CRR)

Consultation Paper on Draft Implementing Technical Standards on Additional Liquidity Monitoring Metrics under Article 403(2) of the draft Capital Requirements Regulation (CRR)

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1. Responding to this Consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Please send your comments to the EBA by email to EBA-CP-2013-18@eba.europa.eu by 14.08.2013, indicating the reference 'EBA/CP/2012/18' on the subject field. Please note that comments submitted after the deadline, or sent to another e-mail address will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an e-mail message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.eba.europa.eu under the heading 'Legal Notice'.

2. Executive Summary

The proposed Capital Requirements Directive/Regulation (CRR/CRD) sets out requirements concerning liquidity which are expected to apply from 1 January 2014 and mandates the EBA to prepare draft regulatory/implementing technical standards (RTS/ITS) in this area.

The EBA has developed these ITS proposals on the basis of the legislative texts for the CRR agreed by the European Parliament and the Council in April 2013,[1] in accordance with the mandate contained in Articles 403(2) of those texts.

These texts will be subject to legal-linguistic review before being formally adopted and the final text published in the Official Journal of the European Union. The EBA will review the ITS proposals to ensure that they take account of any changes made in the final text of the CRR, as well as to take account of any changes arising out of the consultation process.

Main features of the ITS

This CP contains the EBA proposal in relation to supervisory reporting of additional monitoring metrics for liquidity. In defining its proposal, the EBA followed the approach developed by the Basel Committee on Banking Supervision (BCBS).

The EBA's proposed metrics to be covered by this ITS include the following:

- a maturity ladder (template and instructions). This is similar to the contractual maturity mismatch put forward by the BCBS text and provides insight into the extent to which a bank relies on maturity transformation under its current contracts. It comprises two separate templates (set out in two worksheets), one for contractual flows and one for behavioural flows. The maturity of the outflows and inflows to be reported in both templates range from open maturity up to greater than 10 years (13 buckets in total).
- some additional monitoring tools (templates and instructions) related to:
    - concentration of funding by counterparty: This is similar to the concentration of funding metric put forward by the BCBS, and it allows the identification of those sources of wholesale and retail funding of such significance that their withdrawal could trigger liquidity problems. It is proposed that institutions report the top ten largest counterparties from which funding obtained exceeds a threshold of 1% of total liabilities, together with information on the counterparty name, counterparty type and location, product type, currency, amount received, weighted average and residual maturity.
    - concentration of funding by product type: This seeks to collect information about the institution's concentration of funding by product type, broken down into different funding types related to retail and wholesale funding. It is proposed that institutions

[1] The CRD/CRR text as agreed by the Council can be found at
http://register.consilium.europa.eu/pdf/en/13/st07/st07746.en13.pdf /
http://register.consilium.europa.eu/pdf/en/13/st07/st07747.en13.pdf

report the total amount of funding received from each product category, when it exceeds a threshold of 1% of total liabilities.

- prices for various lengths of funding: This seeks to collect information about the average transaction volume and prices paid by institutions for funding with different maturities ranging from overnight to 10 years.
- rollover of funding: This seeks to collect information about the volume of funds maturing and new funding obtained i.e. ‘roll-over of funding’ on a daily basis over a monthly time horizon.

3. Background and rationale

The nature of ITS under EU law

The present draft ITS are produced in accordance with Article 15 of EBA regulation[2]. Paragraph 4 of that same article provides that ITS shall be adopted by means of an EU Regulation or Decision.

According to EU law, EU regulations are binding in their entirety and directly applicable in all Member States. This means that, on the date of their entry into force, they become part of the national law of the Member States and that their implementation into national law is not only unnecessary but also prohibited by EU law, except in so far as this is expressly required by them.

Shaping these rules in the form of a Regulation would ensure a level-playing field by preventing diverging national requirements and would ease the cross-border provision of services; currently, an institution that wishes to take up operations in another Member State has to apply different sets of rules.

Background and regulatory approach followed in the draft ITS

In January 2013, the Basel Committee on Banking Supervision (BCBS) published its revised text on the liquidity coverage ratio (LCR) and liquidity risk monitoring tools. These monitoring tools, together with the LCR standard, provide the cornerstone of information that aid supervisors in assessing the liquidity risk of an institution, because they can help competent authorities identify potential liquidity difficulties signaled through a negative trend in the metrics or through an absolute result of the metrics. The EBA will observe further work conducted by the BCBS in respect of liquidity risk monitoring and consider amendments to its own proposals as necessary. One such topic may be monitoring tools for intra-day liquidity management. Within this context, the EBA may consider increasing further the granularity of some of the proposed time buckets covering the period of the first 3 months. Input from the industry on these last aspects would be welcome.

The CRR provisions related to liquidity reporting translate these BCBS proposals into EU law. Thus, in addition to the LCR, institutions will have to report to their competent authorities information related to additional metrics. In this context, the CRR also provides, in Article 403(3)(b), that the EBA shall develop draft ITS to specify the additional liquidity monitoring metrics required to allow competent authorities to obtain a comprehensive view of the liquidity risk profile, proportionate to the nature, scale and complexity of an institution's activities.

This CP contains the EBA proposal in relation to supervisory reporting of additional monitoring metrics for liquidity. In defining its proposal, the EBA followed the approach developed by the BCBS.

The EBA's proposed metrics to be covered by this ITS include the following:

[2] Regulation (EU) N° 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision N° 716/2009/EC and repealing Commission Decision 2009/78/EC.

- a maturity ladder (template and instructions)
- some additional monitoring tools (templates and instructions) related to:
  - concentration of funding by counterparty
  - concentration of funding by product type
  - prices for various lengths of funding
  - rollover of funding

The metric related to the maturity ladder is similar to the contractual maturity mismatch put forward by the BCBS text. The template developed in the ITS is designed to capture the maturity mismatch of an institution's balance sheet, and as such, is referred to as the 'maturity ladder'. These maturity mismatches indicate how much liquidity a bank would potentially need to raise in each of different time bands if all outflows occurred at the earliest possible date. This metric provides insight into the extent to which the bank relies on maturity transformation under its current contracts. The maturity ladder forms part of the package of 'monitoring tools' which the EBA has designed.

The maturity ladder is a monitoring tool which comprises two separate templates (which are set out in two worksheets), one for contractual flows and one for behavioural flows (inflows and outflows). The contractual flows resulting from legally binding agreements should be reported according to the provisions of these agreements, while the behavioural flows should be based upon a base-case economic scenario used by the reporting institution in its current business planning (the scenario that the institution expects to happen, as opposed to pre-defined stressed conditions).

The maturity of the outflows and inflows to be reported both in the contractual template and the behavioural template range from open maturity up to greater than 10 years (13 buckets in total), which allows all relevant maturities to be captured.

The metrics related to the additional monitoring tools are designed to monitor an institution's liquidity risk that falls outside the scope of the reports on Liquidity Coverage and Stable Funding.

The template on concentration of funding by counterparty, similar to the concentration of funding metric put forward by the BCBS text, allows the identification of those sources of wholesale and retail funding of such significance that their withdrawal could trigger liquidity problems. Excessive reliance on individual counterparties could lead to the crystallisation of liquidity risk, where the funding relationship to cease during a stress scenario. It is therefore important to provide templates for reporting on these items, so as to help institutions to identify these risks early and seek funding from a wide range of counterparties.

For the purpose of this ITS, it is proposed that institutions are required to report the top ten largest counterparties from which funding obtained exceeds a threshold of 1% of total liabilities, together with information on the counterparty name, counterparty type and location, product type, currency, amount received, weighted average and residual maturity.

The template on funding by product type seeks to collect information about the institution's concentration of funding by product type, broken down into different funding types related to retail and wholesale funding. Excessive reliance on specific product types could lead to the crystallisation of liquidity risk, were the specific product types proven to be subject to high outflows during a stress scenario. It is therefore important to provide templates for reporting on these items, so as to help institutions to identify these risks early and seek funding from a wide range of product types.

For the purpose of completing the ITS templates, it is proposed that institutions report the total amount of funding received from each product category, when it exceeds a threshold of 1% of total liabilities.

With regard to the counterbalancing capacity on the assets side, the EBA is considering integrating into the final ITS the template and instructions shown in the appendix of this consultation paper. This part of the reporting aims at capturing concentrations of assets used to counterbalance outflows and would collect information about the ten largest holdings in those assets issued by a single name. It is clear that high concentrations may represent a risk of overestimation of the counterbalancing capacity if the markets for the various financial instruments issued by a specific individual issuer fall dry. Additional information on the issuer/counterparty location may add insight on interconnectedness. As part of the total, the template seeks also information on received stand-by liquidity facilities which are seen as part of the counterbalancing capacity by the institution. Insight in these specific types of concentrations cannot sufficiently be obtained from other templates.

The template on prices for various lengths of funding seeks to collect information about the average transaction volume and prices paid by institutions for funding with different maturities ranging from overnight to 10 years.

Finally, the template on the roll-over of funding seeks to collect information about the volume of funds maturing and new funding obtained i.e. 'roll-over of funding' on a daily basis over a monthly time horizon.

As a reminder, please note that Article 403(2) of the draft CRR stipulates that an institution shall report separately to the competent authorities of the home Member State the items subject to liquidity risk reporting in a currency when it has (i) aggregate liabilities in that currency, different from the single currency used for reporting, amounting to or exceeding 5 % of the institution's or the single liquidity sub-group's total liabilities; or (ii) a significant branch as defined in Article 52 of the CRD in a host Member State using a currency different from the reporting currency.

The present ITS have been developed to provide competent authorities with harmonised information on institutions' liquidity risk profile, taking into account the nature, scale and complexity of institutions' activities. As the ITS on additional liquidity monitoring metrics will become part of the general supervisory reporting framework requirements, following the introduction of liquidity requirements, formats have been developed with the aim of ensuring consistency where allowed by the CRR proposed text.

Scope/level of application and frequency

The scope and level of application of these ITS seek to be consistent with the scope and level of application of the CRR and of the prudential reporting requirements (COREP), i.e. it applies:

- on a consolidated basis (Article 10(3) of the CRR): to EU parent credit institutions and investment firms and to credit institutions and investment firms controlled by an EU parent financial holding company or by an EU parent mixed financial holding company;
- on an individual basis (Article 5(4) of the CRR) : to all credit institutions and investment firms that are authorised to provide the investment services listed in points 3 and 6 of section A of Annex I to Directive 2004/39/EC. However, according to Article 7(1) of the proposed CRR text, competent authorities will be allowed to waive in full or in part the application of Part Six of the CRR (Liquidity requirements) to a institution and to all or some of its subsidiaries, if they fulfill a set a predefined conditions, including if the parent institution complies on a consolidated basis with the obligation set forth in Article 401 and 403.

The reporting frequency will be monthly for all monitoring metrics. Under specific clear and factual criteria, duly framed in the ITS, proportionate to the nature, scale and complexity of an institution's activities, the reporting frequency can be reduced, respectively to a quarterly basis. These specific criteria relate to the existence of cross-border activities and size of the institution's balance sheet. It shall be noted that Article 64 of the CRD related to supervisory powers allows competent authorities to impose additional or more frequent reporting requirements, including reporting on liquidity positions. For example in periods of stress competent authorities could impose some reporting with a daily frequency.

Timing of ITS development and application date

Considering that the EBA is consulting on this reporting for additional metrics at a later stage than for the other reporting requirements, the EBA may consider further the appropriate application date compared to the application date of other reporting requirements (in particular the reporting requirements for liquidity coverage and stable funding).

According to the draft CRR, the EBA is expected to submit these ITS to the European Commission (EC) by 1 January 2014.

The data point model related to the reporting on additional monitoring metrics will be published for consultation in the course of 2013.

4. Draft implementing technical standards on Additional Liquidity Monitoring Metrics under the Capital Requirements Regulation (CRR)

In between the text of the draft ITS that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

Contents

EUROPEAN COMMISSION

Brussels, XXX
[…](2012) XXX draft

COMMISSION IMPLEMENTING REGULATION (EU) No …/..

of XXX

[…]

laying down implementing technical standards with regard to Additional Liquidity Monitoring Metrics according to Regulation xx/XX/EU of the European Parliament and of the Council [CRR number]

COMMISSION IMPLEMENTING REGULATION (EU) No …/2012

of XX month 2012

laying down implementing technical standards with regard to Additional Liquidity Monitoring Metrics according to Regulation xx/XX/EU of the European Parliament and of the Council [CRR number]

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation xx/XX/EU of the European Parliament and of the Council of [dd mmmm yyyy] on prudential requirements for credit institutions and investment firms[3] [CRR], and in particular to Articles ......and 403(3)(b) thereof, [ADDENDUM TO THE LEGAL BASES AS PRESENTED IN CP50 AND SUBSEQUENT CPs ON VARIOUS ASPECTS OF REPORTING]

Whereas:

...[ADDENDUM TO THE RECITALS AS PRESENTED IN CP50 AND SUBSEQUENT CPs ON VARIOUS ASPECTS OF REPORTING]

(xx)

(xx) Reporting for additional metrics relating to liquidity should comprise a maturity ladder, because this is what would allow the maturity mismatch of an institution's balance sheet to be captured; metrics based on the concentration of funding by counterparty and product type, because these metrics identify counterparties and instruments that are of such relevance that withdrawal of funds or declining market liquidity could trigger liquidity problems; metrics based on the prices for various lengths of funding and the rollover of funding because such information will become valuable over time as supervisors would be made aware of changes in funding spreads, volumes and tenors.

(xx) Given that articles 5 to 9 of Regulation xx/xxx [CRR] specify the level of application of the liquidity coverage, the level and scope of the reporting of that liquidity coverage and on the additional monitoring metrics should be aligned with that, and therefore the reporting on these additional monitoring metrics should be required only at the level of consolidation at which reporting on liquidity coverage is required according to Article 403(3)(a).

(...)

3 OJ…….

Chapter 1
Subject matter, Scope and Definitions

Article 1
Subject matter and scope
[ADDENDUM TO ART. 1 AS PRESENTED IN CP50 AND SUBSEQUENT CPs ON VARIOUS ASPECTS OF REPORTING]

...
e) Additional monitoring metrics, according to Article 403(3)(b) of Regulation xx/xx [CRR].

Explanatory text for consultation purposes The ITS put forward in this draft CP are expected to be part of a single draft Regulation text on reporting, therefore they should be read together with the draft ITS on supervisory reporting requirements (see CP50 published on 20 December 2011). Additional liquidity monitoring metrics are also referred to in EBA/CP/2012/05.

Chapter 2
Reporting reference and remittance dates

Article 3
Reporting reference dates
[ADDENDUM TO ART. 3(1) AS PRESENTED IN CP50 AND SUBSEQUENT CPs ON VARIOUS ASPECTS OF REPORTING]

1. The reporting reference dates shall be:

- (…)
- (…)
- (…)Monthly reporting: on the last day of each month.

2. (...)

Explanatory text for consultation purposes

The reporting reference dates put forward in this draft CP are consistent with the ones proposed in the draft ITS on supervisory reporting requirements published on 20 December 2011 (EBA CP50). Only the reference date (monthly reference) which was not included in the text of CP 50 is added here. When aggregating of the ITS on supervisory reporting in one unique ITS, all reference relevant dates for all different types of supervisory reportings will be quoted. The way to report information at the relevant reference dates will also be consistent for all supervisory reportings.

Article 4
Remittance dates

[ADDENDUM TO ART. 4(1) AS PRESENTED IN CP50 AND SUBSEQUENT CPs ON VARIOUS ASPECTS OF REPORTING]

1. Reports shall be submitted by institutions to competent authorities by close of business on the following remittance dates at the latest:

    - (…)
    - (…)
    - (…)

    - Monthly reporting: 15 calendar days after the reporting reference date specified in Article 3.

2.
3. (…)

Explanatory text for consultation purposes

The remittance dates put forward in this draft CP are consistent with the ones proposed in the draft ITS on liquidity supervisory reporting requirements (EBA /CP/2012/05). The final remittance dates to be proposed by the EBA for the additional liquidity monitoring metrics, [including a potential transition phase], will be consistent with the final remittance dates to be proposed in the final draft ITS on reporting requirements for liquidity coverage and stable funding considering the comments received during the consulation period for this latter.

Q01: Are the proposed remittance dates feasible?

Chapter XX
Format and frequency of reporting of additional monitoring metrics

Article XX

1. Information submitted pursuant to the templates set out in Annex I (maturity ladder template) and according to the instructions in Annex II (maturity ladder template related instructions) shall be reported on a monthly basis.

2. Information submitted pursuant to the templates set out in Annex III (concentration of funding by counterparty, concentration of funding by product type, prices for various lengths of funding, rollover of funding templates) and according to the instructions in Annex IV (additional monitoring tools template related instructions) shall be reported on a monthly basis.

3. As an exception from paragraphs 1and 2, institutions may report the information described therein with a quarterly reporting frequency, from the following year, where all of the following requirements are met:

(i) the institution does not form part of a group with subsidiaries or parent institutions located in jurisdictions other than the one of its competent authority;

(ii) the ratio of the individual balance sheet total of an institution to the sum of individual balance sheet totals of all institutions under the supervision of its competent authority is below 1%, for two consecutive years preceding the year of reporting. Balance sheet total figures for calculating the ratio shall be based on year-end audited figures for the year before the year preceding the reporting reference date.

Explanatory text for consultation purposes

Considering the content of the different monitoring tools templates, it seems appropriate to require a monthly frequency for the maturity ladder template and for the other metrics (concentration of funding by counterparty, concentration of funding by product type, prices for various lengths of funding, rollover of funding templates).

It is reminded that competent authorities have the power to require higher frequencies under Article 64 of the CRD (Pillar 2 supervisory powers).

Q02: Are the proposed frequency dates feasible? has the proportionality been adequately considered?

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?

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

Chapter 3
Final provisions

1.

(…)

2. This Regulation shall apply from xxx which is the first reporting reference date.

3. Reports for the first remittance period ending xxxx shall be submitted by institutions to competent authorities by close of business on xxx at the latest.

(…)

Explanatory text for consultation purposes The final provisions of this draft ITS will be part of the general final provisions of the draft ITS for supervisory reporting requirements. The only potential differences may be on the first reporting date.

Done at Brussels,

For the Commission

The President/ On behalf of the President

[*Position*]

APPENDIX 1- POTENTIAL ADDITIONS ON CONCENTRATIONS IN COUNTERBALANCING CAPACITY

If, over the course of the consultation period, the EBA concludes that the template as presented in this appendix, or in an amended shape, provides sufficient added value, it will be integrated, together with the related instructions into annexes III and IV of the final ITS.

The template can be found under section A and the related changes to the instructions under section B.

Input from the industry is sought on arguments which could be developed against the inclusion of such information in the final templates. Input is also sought on areas where further clarification in the instructions would be needed.

Section A – Potential addition to template 2 (Annex III)

This template, or an amended version of it, could be inserted as a third tab into Annex III.

Concentration of counterbalancing capacity by issuer/counterparty										
Code	**ID**	**Issuer/Counterparty Name**	**LEI code**	**Issuer/Counter-party Sector**	**Residence of Issuer/Counterparty**	**Product Type**	**Currency**	**Credit quality step**	**MtM value/nominal**	**Collateral value CB-eligible**
1. TOP TEN ISSUERS/COUNTERPARTIES										
	1.01									
	1.02									
	1.03									
	1.04									
	1.05									
	1.06									
	1.07									
	1.08									
	1.09									
	1.10									
2. ALL OTHER ITEMS USED AS COUNTERBALANCING CAPACITY										

Section B – Potential addition to the instructions to template 2 (Annex IV)

The instructions document of Annex IV could be supplemented with the following.

Add in 1.1.2. after 1. concentration of funding by counterparty and 2. Concentration of funding by product type: 3. Concentration of counterbalancing capacity (next to 4. prices for various lengths of funding, 5. Rollover of funding; and 6. the maturity ladder.

Insert (new 1.4):
1.4 Concentration of Counterbalancing Capacity by issuer/counterparty (CCC)

1. This template seeks to collect information about the reporting institutions' concentration of counterbalancing capacity by the ten largest holdings of assets or liquidity lines granted to the institution for this purpose. It is broken down into the following types of assets:

Column	Legal references and instructions
D	**Issuer/Counterparty Name** The name of the top ten issuers/counterparties of unencumbered assets or undrawn committed liquidity lines granted to the institution shall be recorded in column D in a descending fashion. The largest item will be recorded in 1.1, the second in line item 1.2, and so on. The issuer/counterparty name recorded shall be the legal entity title of the company which has issued the assets, or has granted the liquidity lines, including any company type references, e.g. SA (Société anonyme in France), Pls. (public limited company in the UK), or AG (Aktiengesellschaft in Germany) etc.
E	**LEI Code** The legal entity identifier code of the counterparty.
F	**Issuer/Counterparty sector** One sector shall be allocated to every counterparty on the basis of FINREP economic sector classes: (i) Central Banks; (ii) General Governments; (iii) Credit institutions; (iv) Other financial corporations; (v) Non-financial corporations; (vi) households. For groups of connected clients, no sector shall be reported.
G	**Residence of counterparty**

	ISO code 3166-1-alpha-2 of the country of incorporation of the counterparty shall be used (including pseudo-ISO codes for international organisations, available in the last edition of the Eurostat's "Balance of Payments Vademecum"). For groups of connected clients, no country shall be reported.
H	Product type Issuers/ Counterparties recorded in column D shall be assigned a product type corresponding to the product in which the asset is held or the liquidity stand-by facility has been received, using the following codes indicated in bold: **SrB** (Senior Bond) **SubB** (Subordinated Bond) **CP** (Commercial Paper) **CB** (Covered Bonds) **US** (UCITS-security, i.e. financial instruments representing a share in or a security issued by an Undertaking for Collective Investments of transferable securities) **ABS** (Asset Backed Security) **CrCl** (Credit Claim) **Eq** (Equity listed on a recognized exchange, not self-issued or issued by a financial institution) **Gold** **LiqL** (Undrawn committed liquidity line granted to the institution) Other
I	**<u>Currency</u>** Issuers/counterparties recorded in column D shall be assigned a currency ISO code in column G corresponding to the denomination of the asset received or undrawn committed liquidity lines granted to the institution, according to the ISO codes specified for the template on the concentration of funding by counterparty, column H, Currency (Annex IV, 1.2)
J	**<u>Credit Quality Step</u>** Issuers/counterparties recorded in column D shall be assigned the appropriate credit quality step [according to CRR…], consistent with the items reported in the maturity ladder[…] **<u>Alternative (more detailed instruction):</u>**

	Credit Quality Step Issuers/counterparties recorded in column D shall be assigned the credit step mapped to the relevant issuer rating for long- or short term credit assessment of the issuer determined by a recognized ECAI. If issuer ratings are available from more than one ECAI, the mapping shall be based on the lowest external rating. If only issue ratings of recognized ECAI's are available (for the specific debt instrument), the long term rating applied to the largest holding of long term assets - at issue - of the total holdings of assets issued by the relevant issuer is used for mapping. If the holdings of assets do not include long term assets the rating for the largest short term debt instruments held, shall be used for mapping. Unrated assets are assigned a mark UR ('unrated') in addition to the corresponding credit rating for the relevant issuer.
K	**MtM value/nominal** The market value or fair value of the assets, or – if applicable – the nominal value of the undrawn liquidity line granted to the institution.
L	**Collateral Value CB-eligible** The collateral value according to the central bank rules for standing facilities for the specific assets if they are used as collateral against credit received from the central bank.

5. Accompanying documents

5.1. Draft Cost- Benefit Analysis / Impact Assessment

Introduction

1. As per Article 15 (1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any draft implementing technical standards developed by the EBA – when submitted to the EU Commission for adoption - shall be accompanied by an impact assessment (IA) annex which analyses 'the potential related costs and benefits'. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

2. This note outlines the impact assessment (IA) on the methodology proposed for fulfilling the reporting requirements presented in Article 403(3)(b) related to additional liquidity monitoring metrics required to allow competent authorities to obtain a comprehensive view of the liquidity risk profile, proportionate to the nature, scale and complexity of an institution's activities.

Scope and nature of the problem

Issues addressed by the European Commission (EC) regarding the reporting of liquidity coverage and stable funding

3. Liquidity stresses are low frequency, but extreme severity events that are difficult to predict. Previous reporting requirements did not always provide national competent authorities (NCAs) with sufficient, timely and comparable information allowing them to judge accurately the soundness of the liquidity management practices of the institutions they regulate.

4. At the European level, NCAs also use a wide range of quantitative measures to monitor the liquidity risk profiles of banking organisations[4]. In its impact assessment of the CRDIV framework, the commission highlighted that this fragmentation of supervisory reporting practices:

   - Hamper effective communication and cooperation between competent authorities supervisory authorities, putting financial stability and depositor protection at risk, particularly in stressed circumstances, when coordination between national competent authorities is necessary.

   - Impose additional reporting costs on cross-border institutions, because of different sets of requirements that apply at consolidated and subsidiary levels.

5. To address all these issues, the commission mandated the harmonisation of the reporting practices for liquidity coverage and stable funding.

[4] A survey of Basel Committee members conducted in early 2009 identified that more than 25 different measures and concepts are used globally by supervisors.

Issues addressed by the ITS

6. The commission mandated the development of additional monitoring metrics that would complement reporting required to asset compliance with the Liquidity Coverage and the Net Stable Funding Requirements, following the recommendations of the BCBS. This set of common metrics should allow NCAs to identify possible sources of funding pressures early, to compare data between institutions and to cooperate more effectively on issues regarding cross-border institutions.

7. This ITS will prescribe metrics and detailed standards of reporting to ensure that the data collected by NCAs is consistent and reliable enough to facilitate an assessment of the liquidity position of institutions at various points of time.

Objectives of the ITS

8. The ITS specifies which information institutions should report. The requirements proposed in this ITS aim to achieve the two following objectives:

   - To ensure that the content of liquidity reporting and format are as uniform as possible, in order to allow meaningful comparisons between institutions.

   - To provide sufficient granularity in reporting liquidity so that national competent authorities may dispose of enough elements to assess the liquidity position of the reporting institutions.

Technical option proposed.

9. The reporting templates and requirements proposed in this ITS follow the principles developed by BCBS[5]. The list of monitoring tools established by the BCBS have been adapted to fit the requirements of the CRD as follows:

   - Maturity ladder – In this template maturity mismatches have to be reported to give an indication how much liquidity a bank would potentially need to raise in each of the different time bands if all outflows occurred at the earliest possible date.

   - Four other templates have been developed to capture elements of liquidity risk specific to the institution and to help in the early identification of sources of potential liquidity problems:

     - Concentration of funding by counterparty – Institutions have to report to the national competent authority the top ten largest counterparties from which funding obtained exceeds a threshold of 1% of total liabilities together with some details on the counterparties..

[5] cf. Basel III: International framework for liquidity risk measurement, standards and monitoring (December 2010)

- Funding by product type – Institutions have to report to the national competent authorities the total amount of funding received from each product category, which exceeds a threshold of 1% of total liabilities together with some details on the products.
- Prices for various lengths of funding - Institutions have to report to the national competent authorities information about the average transaction volume and prices paid for funding with specific maturities
- Roll-over of funding - Institutions have to report to the national competent authorities information about the volume of funds maturing and new funding obtained i.e. 'roll-over of funding' on a daily basis over a monthly time horizon.

Impact of the proposals

Benefits

10. The templates proposed in this ITS will provide national competent authorities which a richer set of information regarding the liquidity position of an institution. This additional information should enable them to make a better and earlier assessment of the potential liquidity risks, thereby improving the effectiveness of supervision.

Costs

11. The main costs for institutions will be mainly related to changes in systems and processes and of hiring new staff to facilitate the production of the required reporting templates. The costs will be driven by the size and complexity of the balance sheet and of the activities undertaken by institutions. The assumption is thus that for smaller institutions, with fewer resources, the production of the reports will be comparatively less difficult than for institutions that are more complex.

Table 1 - summary of the costs and benefits of the proposals.

Requirement	Party Affected	Compliance Costs	Benefits
Maturity ladder	Institutions	One-off A1. Data collection, record keeping and monitoring systems: *Limited impact* A2. IT infrastructure: *Limited impact* A3. Staff costs: *Low impact* Ongoing B1. Data collection, record keeping and monitoring systems: *Low impact* B2. IT infrastructure: *Low impact* B3. Staff costs: *Low impact* Explanation: The data required should already be available in treasury systems. The definitions of cells have been aligned with those for liquidity coverage reporting to the largest extent possible.	Liquidity risk reporting is currently done in a heterogeneous fashion throughout the Union, based on standards that had been developed purely domestically. The uniform reporting formats are expected to reduce compliance costs of cross-border institutions.
	Competent authorities	**One-off** A1. IT infrastructure: *Low (marginal) impact* A2. Record keeping and monitoring systems: *Low (marginal) impact* A3. Staff costs: *Low (marginal) impact.* **Ongoing** B1. IT infrastructure: *Low (marginal) impact* B2. Record keeping and monitoring systems: *Low*	Competent authorities will receive information that enables them to assess the liquidity risk profile in a comprehensive way. The liquidity coverage as well as net stable funding reporting requirements will only cover certain time horizons (30 days and 1 year) – the additional monitoring metrics are designed to complement this view. Also, as the metrics will be designed in a uniform European fashion, they are expected to be useful tools to facilitate discussion in

		(marginal) impact B3. Staff costs: *Low (marginal) impact* **Explanation:** The order of magnitude of the costs impact also depends to what extent data submission and storage facilities to be established for COREP/FINREP can be used.	colleges and joint decisions.
Concentration of funding by counterparty	Credit Intermediaries	Low (This information should already be available)	These templates were designed to capture elements of liquidity risk specific to the institution and help to detect source of potential liquidity problems early
	Supervisory authorities	Medium	
Funding by product type	Credit Intermediaries	Low (This information should already be available)	
	Supervisory authorities	Medium	
Prices for various lengths of funding	Credit Intermediaries	Low (This information should already be available)	
	Supervisory authorities	Medium	
Roll-over of funding	Credit Intermediaries	Low (This information should already be available)	
	Supervisory authorities	Medium	

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?

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?

Q07: Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

5.2. Overview of questions for Consultation

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.

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

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?

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

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?

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?

Q07. Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?