



Draft Guidelines on retail deposits subject to different outflows for purposes of liquidity reporting under CRR

Public Hearing

EBA

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Agenda

- > Background: EBA tasks & Mandate
- > Timeline and objective
- > Underlying principles
- > Risk factors/Criteria
- > Tiered buckets
- > Established relationship
- > Transactional account

Background – EBA tasks

- > New proposals on capital requirements (CRR / CRDIV) were published by the Commission on 20 July 2011
- > Presidency compromise texts published and final text of 20 March 2013;
- > Final text of CRR / CRDIV published on 27 June in Official Journal.
- > The CRR contains specific mandates for the EBA to develop draft Regulatory or Implementing Technical Standards as well as Guidelines (henceforth ‘GL’) related to Liquidity in order to enhance regulatory harmonisation in Europe through the single rulebook.

Background – EBA tasks

- > Development of the draft GL by a Project Team (standing committee, working group or other internal body identified in the EBA) with the support/lead of EBA Staff (policy and legal experts)
- > Cost-benefit and Impact Assessment analysis of proposals (unless where inappropriate or disproportionate, e.g. in cases of externally imposed deadlines) to be carried out according to EU standards
- > Adoption of draft proposals by the Board of Supervisors according to its rules of procedures
- > Public consultation and consultation of the BSG
- > Feedback process and updating of the proposal
- > Adoption of the draft GL and publication on the EBA website.

Background – EBA tasks

> Next EBA regulatory work on liquidity:

	Deadline
Report on Impact on LCR	31/12/2013
Report on definition of HQLA	31/12/2013
ITS on additional liquidity monitoring metrics	01/01/2014
GL on retail deposits subject to different outflows	01/01/2014
ITS on currencies with narrow central bank eligibility	31/03/2014
ITS on currencies with insufficiency of liquid assets	31/03/2014
RTS specifying derogations and conditions of their application	31/03/2014
RTS on additional collateral outflows on derivatives contracts	31/03/2014
RTS on criteria for intragroup outflows	01/01/2015
Report on NSFR	31/12/2015

Background – Mandate

- > In February 2013 a DP on retail deposits subject to higher outflows for the purposes of liquidity reporting was published under the draft texts of CRR then under negotiation.
- > Agreed Mandate per final CRR under Article 421 (3) –
The EBA is required, taking into account the behaviour of local depositors as advised by competent authorities, to issue GL by 1 January 2014 on the criteria to determine the conditions of application of paragraphs 1 and 2 of Article 421 in relation to the identification of retail deposits subject to different outflows and the definitions of those products for purposes of liquidity reporting. Those GL are to take account of the likelihood of these deposits to lead to outflows of liquidity during the next 30 days under the assumption of a combined idiosyncratic and market-wide stress scenario.
- > The present CP is adapted to the final wording of the mandate and incorporates comments received on the DP, where prudent.

Timeline and objective

- > Objective: To provide criteria to identify less stable retail deposits for the purposes of liquidity reporting.
- > Consultation period: 1 August– 1 October 2013
- > Review of comments and preparation of final Guidelines, including feedback statement from the consultation: October – November 2013.

Underlying principles

> *Higher outflow rates:* Article 421(3) concerns any retail deposit which, owing to the behaviour of local depositors, is subject to different outflows in excess of the minima of 5% and 10% defined in paragraphs 1 and 2 respectively, in a combined stress scenario.

> *Criteria/Risk factors and tiered buckets of retail deposits subject to higher outflow rates:*

Following the survey of NCA's regarding the behaviour of local depositors, in particular during periods of stress, a set of criteria/risk factors were established to aid in the identification of retail deposits subject to higher outflows.

Depending on the number and riskiness of the identified criteria a deposit meets, it is assigned to one of three buckets.

A three-tiered bucket approach should avoid potential cliff effects.

Underlying principles - contd

- > *Determination of outflow rates:* The GL do not specify rates. Institutions will report the resultant retail deposit amounts and estimate of corresponding outflows in the relevant bucket through the liquidity reporting templates under Article 415 (3) CRR(see final draft ITS on reporting published and submitted to the Commission by the EBA at the end of July).
- > Will allow for the necessary data to be collected on these deposits and inform Commission's calibration of the liquidity coverage requirement.
- > *Established relationships and transactional accounts:* To contribute to a harmonised process here the draft GL will propose some criteria to aid the identification of these deposits stipulated in Article 421 (1) CRR.

Risk factors/Criteria

> Two Categories – depending on riskiness of criteria

1. High risk factors: Category 1

- currency of deposits
- product-linked deposits
- products that are rate-driven or have preferential conditions
- high-risk distribution channels, including Internet only access and brokered deposits
- high value deposits
- other characteristics that the institution considers of high risk

2. Very high risk factors: Category 2

- Maturing fixed-term or notice period deposits
- Non-resident deposits
- Very high value of the deposit

Tiered buckets

- > Three tiered buckets are defined on the basis of the number and riskiness of the criteria attributed to the underlying deposit:
 - a) deposits with two factors from category 1
 - b) deposits with three factors from category 1, or with one factor from category 1 and one factor from category 2;
 - c) deposits with two factors from category 2, or with two factors from category 1 and one factor from category 2, or with any other mix of factors.
- > Institutions should estimate the corresponding different outflows for each bucket according to the historical and expected volatility assessment
- > Institutions assessment process should be reviewed as part of supervisory review process.

Established relationship

- > A retail deposit should be considered to be part of an established relationship for purposes of liquidity reporting under a combined idiosyncratic and market-wide stress scenario when the depositor meets at least one of the following criteria:
 - a) has an active contractual relationship with the institution of a minimum duration,
 - b) has a borrowing relationship with the institution for mortgage loans or other long term loans, or
 - c) has a minimum number of active products, other than loans, with the institution.

- > Institutions should have available historical data, including on the behaviour of depositors, to substantiate the classification of their deposits.

Transactional account

- > A retail deposit should be considered as being held in a transactional account when salaries and transactions are regularly credited and debited respectively against that account.
- > Institutions should have available historical data, including on the behaviour of depositors, to substantiate the classification of their deposits.

CP on GL for retail deposits subject to different outflows

We welcome feedback on the GL and in particular on the questions raised in the CP.

Thank you

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