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EBA CP 2012-05: Consultation paper on Draft Implementing Technical Standards on Supervisory Reporting Requirements for Liquidity Coverage and Stable Funding

Dear Sir, Madam,

The European Association of Co-operative Banks (EACB) welcomes the opportunity to provide comments to EBA/CP/2012/05: Consultation paper on Draft Implementing Technical Standards on Supervisory Reporting Requirements for Liquidity Coverage and Stable Funding.

Please find our general and specific remarks on the following pages.

We remain at your disposal for any further questions or requests for information.

Yours sincerely,

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General Manager

Volker Heegemann
Head of Legal Department



General Comments:

1. Best-effort-based reporting to adapt processes

The final text for the CRR, even under optimistic conditions, will only be available at the end of October 2012. Taking into consideration diverging views on details between the parties to the trilogue, the final version of any RTS and ITS on liquidity will be available even later.

This situation puts both banks and EBA under pressure, since liquidity reporting was planned to begin in early 2013. There should be a reasonable delay between a regulatory text and its implementation that takes into account the important changes which are required as well as the necessary adaptations of the IT systems. A proper delay will enable banks, and supervisors, to adapt their processes.

Article 401 of the CRR requires that institutions should comply with the liquidity requirements at all times, not only on reporting dates. Thus institutions must establish the processes and controls that ensure the compliance with this requirement. The time needed depends on the complexity that the new requirements entail and on the present system of the institutions. In this respect EACB proposes that between the publication of the final texts and the date where reporting is to begin (and compliance with liquidity requirements), a best-effort-based Quantitative Impact Study (QIS)-like reporting process should be applied, as it has been applied since Dec.'09, first date of BCBS paper publication to give time to set up the processes and controls that ensure compliance.

2. Integrating liquidity in the COREP framework

We note EBA's proposal to introduce the liquidity reporting in the COREP framework. EACB appreciates EBA's concern of having an established infrastructure to analyse and manipulate the data and ability to cross-reference to other metrics. However, there are a few problems we would like to draw attention to regarding integrating the liquidity requirements in the COREP framework:

- the data sources might not be the same as with COREP;
- liquidity reporting and COREP do not have the same periodicity in some EU countries (in some countries both reporting should be done monthly while in others liquidity reporting is done on a monthly basis and the COREP reporting on a quarterly basis);
- the use of COREP might lead to heavy IT developments

The template should be more flexible and allow reflecting more the specificities of the co-operative networks. In addition, the templates should include a separate column with the assumed calibration the calculation of the ratios to avoid inconsistencies in calculation of LCR and NSFR between the banking institution and authorities.



3. EBA-liquidity reporting templates should be universal templates for European banks:

The Basel III liquidity rules have not recognised adequately the business model of the non-consolidated co-operative networks. The introduction of the new CRR rules might create problems in some Member States depending on the final text. In our view the EBA monitoring templates should reflect the specificities of the European market. In particular it should take into consideration for the final fine-tuning of the liquidity ratios the co-operative systems, regardless whether they are consolidated groups or not, regulatory recognised institutional protection schemes or regulatory non-recognised protection systems. The BIS-EBA monitoring exercise was targeted mainly at large institutions. In our view the required information was too much focused on the global banks consolidated ratios. It has disregarded that in the EU all institutions must comply with the internationally harmonised liquidity ratios both on an individual and a consolidated level. Practically little or no information was provided on intra-group, or in the case of the co-operative banking networks on the intra-network flows, assets, liabilities and other commitments relevant for the calculation of the ratios. We suggest that the EBA templates should better address the intra-group and/or intra-network flows, liabilities, assets and commitments as the intra-group ties are, from a liquidity perspective, different than other on the market.

The BIS-EBA monitoring exercise seems to have disregarded the fact that the external rating of the domestic entities is rarely better than the rating of the sovereign issuers of the country. Therefore institutions in Member States rated below A-, had assets which are liquid in the domestic markets that were reported only partially in the templates. It must be mentioned that the templates should refer not to the rating symbols of the Basel III document, but to the credit quality steps in the CRR. We think that the information on liquid assets collected by supervisors must be extended to all kind of assets which are central bank eligible in one or other Member States or liquid only in the domestic markets, even if they do not fulfil entirely the requirements for liquid assets. It is very important that the EU supervisors see what would be the impact if the criteria for liquid assets would permit the inclusion of such assets.

Moreover, we urge EBA to ensure that the different liquidity reporting templates are consistent in terms of liquidity breakdowns, and are consistent with the other reporting templates in terms of third parties' definitions (which is not the case currently between FINREP/COREP/LC-SF). Such discrepancies between different reporting templates create a considerable additional workload.

With regard to the additional monitoring metrics the reporting should be consistent with the LCR and the NSFR reporting - a single set of terms should be used for all liquidity reporting. We foresee that the reporting of the additional monitoring metrics will also require developments in the IT systems and the processes at several levels. In order to minimise the costs of the necessary the development of the IT systems and processes, institutions should know the requirements of the additional monitoring metrics as well.

Finally, we recommend that a consultation is organized on the modified template once more when CRD IV/CRR I texts are available.



4. The observation period should be organized to ensure its effectiveness:

The Basel III-Liquidity Coverage (LC) and Stable Funding (SF) metrics have been monitored five times by EBA since December '09 (Dec. '09, Dec. '10, June '11, Dec. '11, Mar. '12 and soon June '11).

So far, only two EBA reports have been made public on those collected data: on Dec. '09 data (€1.00tn LC shortfall) and on Dec. '10 data (€1.15tn LC shortfall). Those reports are valuable for their gross data disclosures. However, none of those reports has made use of the data in terms of structure of balance sheet, potential shortage of liquid assets, necessary changes to the definition of liquid assets, necessary changes to runoff/rollover/drawdown assumptions and on the effects of the intended liquidity requirements on the banking industry and the whole economy. This kind of results are envisaged for the monitoring period of the LCR and NSFR

However, there is no assurance that the upcoming observation period will be managed to reach a level of understanding of data necessary to draw conclusions on the above mentioned issues. The envisaged monthly remittance frequency could flood both banks and EBA with high amount of data and it is highly important that the appropriate IT and analysis solutions are constructed to benefit from relevant results and good calibration between two monthly reports. This overwhelming workload will be magnified by the reporting at institution level instead of a group-consolidated reporting, and by the increase in number of the currencies qualified as of significant.

Most probably, the available resources for both banks and supervisors, if any left, will be allocated to the production processes for the reports in detriment to the analysis mode.

The quantitative reports could be complemented by:

- quarterly *qualitative* exchanges between regulators and banks, based, where relevant, on regular bilateral hearings with each bank, central institution of a co-operative bank or association of banks;
- hearings of non-banking industry stakeholders to evaluate the impact on the real economy;
- quarterly feedbacks from regulators, with remittance within the next quarter of the quarter end reports, on the collected data not only limited to factual quantitative liquidity reports but on the effects on the banks' strategies and the impacts on the whole economy.



5. Numerous issues should be clarified *prior to* the observation period:

There is quite a long list of issues that need to be determined or clarified by EBA *before* the first reporting date:

- **Perimeters to be clarified:**

- As we understand it, all credit institutions and some investment firms will be subject to LCR requirements and reporting on an individual basis. Moreover, EU parent institutions are subject to LCR requirements and reporting on a consolidated basis. However, an institution and all or some of its subsidiaries are *not* subject to reporting requirement on an individual basis, provided that the requirements of the waiver for members of the liquidity sub-group are fulfilled. This may require more clarification, because not only financial group members, but also members of a recognised institutional protection scheme may be eligible for the liquidity sub-group treatment and the conditions for eligibility should be better explained.
 - It should be clarified that the waiver for reporting on a individual basis should be applied during the observation period so that the reporting requirement applies at a consolidated and sub-consolidated according to the treatment suggested in Articles 7 and 19 as well as Article 9 of CRR. The eligibility criteria of the liquidity sub-group treatment are not quite clear and therefore there is a danger that institutions which could be eligible for the liquidity sub-group treatment at the beginning must start with liquidity reporting on an individual basis. That could unduly increase the costs of implementation.
 - It should be clearly stated that the entities that are subject to reporting requirements on the consolidated level are the same entities which are included in the prudential consolidation reporting. In the case of the liquidity sub-group the entities that report are the ones which get the approval from the supervisors to be a member of the liquidity sub-group.
 - Besides the supervisory reporting dates, should institutions be able to reproduce the supervisory reports for any other dates?
 - It is very important to know as soon as possible the reporting perimeters that will be required, as it has structural impacts on the reporting IT systems that have to be built to meet the EBA requirements.
- The consultation paper mentions the requirements addressed to EBA to elaborate the definition of liquid assets, with the possibility given to 'competent authorities' to articulate guidance. The governance of the EBA's and competent authorities' processes on those guidance on liquid assets should be clarified. The reporting templates should provide information on central bank eligible assets and other liquid assets which are liquid in the domestic markets, but do not fulfil the quality criteria of the rating indicated in the templates.
 - Should the contribution of a non-EU entity consolidated (ex: US branch or US subsidiary) to an EU parent entity be based on CRD IV/CRR I or on the Basel



implementation in its jurisdiction? This applies notably to the limitations to the transferability of liquidity coverage excess that may depend on the prevailing interpretation in the relevant jurisdiction.

- In case of regulatory approval, the reporting requirements apply at a liquidity subgroup consolidated level. However, according to Article 7 it might happen that in case of a consolidated group not all institutions will be eligible for the liquidity sub-group treatment. Moreover, the liquidity sub-group can consist only of institutions, and ancillary services undertakings which are included in the prudential consolidation, cannot be members of the liquidity sub-group. For this reason the treatment of intra-group transactions (i.e. runoff, rollover, drawdown assumptions) within the consolidated group, but outside the liquidity sub-group should be clarified specifically (while this issue has not been dealt with neither by the BCBS nor by CRD IV/CRR I levels) and should be shown and monitored separately. We think that the intra-group or intra-network flows, assets, liabilities and commitments which relate to members in a 'liquidity sub-group' not-recognised by supervisors must also be presented in the reporting templates. The liquidity risk within the group or network is different, even if the group or network is not a liquidity sub-group recognised by supervisors.
- When reporting requirements apply at consolidated level, guidance is required on how to fill in the consolidated LC template when there is a limitation to transferring an entity's LC excess to other entities in the same group.
- We would welcome detailed instructions for the definitions used in the template and share of Q&A sessions across jurisdictions (e.g. definition of credit facilities, commitments received, non renewable loans, treatments of private banking trusts, special purpose asset-financing vehicles...)
- EACB would like to express a concern relating to calculation of LCR on a period of 30 days. This norm could be costly for institutions, create no added value for regulators and lead to difficulties over the time, since any link between calendar months and calculation periods will disappear. The relation to the calendar month should be considered, preserved. Using the calendar month is consistent with market practices: EUR1M for example means the interest rate applied on one calendar month.

The reference to a calendar month makes sense because it is already the norm used for ALM and accounting purposes in most institutions. It is also the norm used for similar one-month ratios currently applied in some European jurisdictions (for example the French one).

EACB believes that a new round of EBA consultation on liquidity requirements could be useful once the CRD-CRR final text has been approved so that the full impact of the regulatory package as a whole can be assessed



6. Remittance delay

A remittance delay of 15 days (D+15) is not feasible for 2013. Moreover, a D+15 remittance period will lead poor data quality of the reports. EBA should consider extending it to 45 days during the monitoring phase and gradually reducing it to 30 calendar days from 1 January 2015. Otherwise, if data is provided before institutions are able of finalizing updating their systems and controls the desired quality cannot be achieved.

7. Proportionality

We strongly support that small sized banks (not used to run QIS) can have the possibility to be exempted from liquidity reporting during the monitoring phase. Especially for small institutions, but also for consolidating groups it would be important, if the EBA standards explicitly stated the possibility of using conservative estimates and simpler reporting instead of exact reporting. E.g. in case of stable funding, if the institution does not have required funding data for the bucket over 3 months up to 6 months, it should not be constrained to invest in IT development to show it separately, but could present them as required stable funding in the bucket over 9 months up to 12 months.

Answers to Questions:

Question 1: Are the proposed dates for first remittance of data, i.e. end of January and end of March 2013 feasible?

As we have mentioned in our general comments, we have serious doubts in this respect. 31 January 2013 for first remittance of LCR data is very challenging. Main reason is the lack of final rules (final rules to be expected in Q4 2012 at the earliest). Hence, only a too short period will remain to implement and test possible changes until first reporting date.

We therefore recommend that the liquidity reporting requirement is phased in and complemented with qualitative exchanges:

- 1 year from the date the CRD IV/CRR I is finalized (i.e. most probably over 2013):
 - During that transitional year: Quarterly best effort QIS-like reports based on management data with CRD IV/CRR I-specific reporting templates;
 - With first remittance date for end of March '13 as of date;
 - With remittance delay of 45 business days after period end for LC template and 45 business days after period end for SF template;
 - Only a small sample of small interested institutions should be involved in the liquidity reporting during the monitoring phase
 - No requirements for the operational capacity to increase the frequency of reporting to weekly or even daily in stressed situations at the discretion of the competent authorities should be placed during the reporting period



before the liquidity requirement is applicable (no such requirement earlier than 01.01.2015)

- Regular reports (most probably from 2014 on):
 - LC: monthly reports with remittance delay of 45 business days for the monitoring period and 30 days after 2015;
 - SF: quarterly reports with remittance delay similar to COREP remittance delay;
 - Only a small sample of small interested institutions should be involved in the liquidity reporting during the monitoring phase

Question 2: Do respondents agree with this proposal for defining significant currency?

We have doubts: 5% percentage threshold criterion is unlikely to capture significant currency positions for all kinds of institutions subject to liquidity requirements. The EBA exercise should allow for an assessment of such a limit on a solo and sub-consolidated basis.

For instance, a currency may represent much more than 5% of a small subsidiary' liabilities but could be irrelevant for the risk of both the subsidiary and its parent institution.

Based on the overarching proportionality principle, we suggest determining the significant criterion taking into consideration:

- a percentage limit, potentially higher than 5% as this would be too low for small and big banks alike leading to high reporting burden
- an absolute limit that functions as a backstop to the percentage limit

It should be made clear that there is no spill-over effect according to which the requirement of a currency reporting for an entity considered in isolation and groups of entities to which it is part of will trigger such reporting for a whole group.

Depending on the accounting standards applied the size of total liabilities can be different (e.g. because of the derivatives accounting). This may cause discrepancies if the individual balance sheet for prudential purposes is based on the national accounting rules and the consolidated one is based on the IFRS. It must be taken into account that 'Liquidity sub-groups' are defined for the LCR and NSFR, they are not necessarily groups for other prudential requirements. Implicitly, 'liquidity sub-groups' also should have to draw up a consolidated balance sheet, though otherwise it might not be necessary. The ITS should deal with these issues.

In the ITS it must be clarified, if a currency is qualified as significant, all the items in the reporting should be presented in that currency or non-material items either could be left out or substituted by conservative estimates.



Question 3: Is the proposed remittance period of 15 days feasible?

The remittance date that is envisaged, 15 days after period end is a major concern. The suggested remittance delay does *not* relate to any CRD-CRR requirement. It has to be considered that internal liquidity reporting at present does not use all the information which is necessary for the CRR liquidity reporting and for internal purposes several conservative estimates (simplifications) are used.

Moreover, we wish to underline that:

- a remittance delay shorter than GL completion process (ie shorter than 30 day remittance delay) or
- a remittance/ on period ends that don't meet the GL close (ie: non quarter ends);

will lead to liquidity reports that will be based on management data without ensuring that the liquidity report is linked to the GL or data regarding assets (LCR) and liabilities (LCR and NSFR) is accurate.

Moreover high data granularity (information on single cash flow/deal level required to ensure accurate reporting, various detailed data requirements in the reporting template, etc.) in combination with a high data volume (data of a lot of individual entities to be considered at the consolidated level, etc.) makes the 15 day delay particularly hard to achieve.

More important is the issue of the delay between the solo reporting and the consolidated reporting. In particular, the NSFR for which items such as capital/own funds are to be reported on a consolidated basis. Such data is quite difficult to determine with sufficient accuracy if the consolidated accounting is not available.

Considering the above, our response is:

A 15 days remittance delay:

- is not feasible in 2013 or beyond;
- is not desirable as it would require liquidity reports to be based on management data for month ends without any possibility to reconcile with the GL, which is specifically a problem in case of the balance sheet based stable funding reporting;
- would be detrimental to the observation period since the data would not be reliable;
- During the monitoring phase 2013 - 2015: we suggest a 45 business days remittance delay for LCR and NSFR;
- after 2015: a 30 calendar days remittance delay for the reporting of the LCR.



Question 4: 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?

As a preliminary remark we would like to point out that it is not clear whether amounts to be reported in the template should be weighted or not. For example, concerning outflows, should the institutions insert the outstanding amount of deposits or the deposits after application of the run-off factors. It is worth making it clear in the instructions.

Based on the texts under discussion in the trialogue the sub-categories of inflows and outflows must provide enough information for the EBA to evaluate and if necessary to calibrate:

- the cap on cash-inflows with regard to cash-outflows;
- the adequacy of the sub-groups and the related run-off factors for the estimation of the cash-outflows;
- the treatment of intra-group and intra-network items (eligible or not for intra-group treatments).

For both cash-outflows and cash inflows an additional column seems to be missing which would reflect the percentages (weights representing run-off factors or draw-down factors in case of outflows, inflow rates for inflows) for the reported sums in order to assess the outflows/inflows for the LCR calculation¹.

For the LCR the total cash-flows (outflows or inflows respectively) of the given sub-group, should be multiplied by the cash-flow weighted average percentage for that sub-group.² In the "Outflows" and "Inflows" template such data for cash-flow weighted average percentages are not collected. This remark relates on the "Outflows" template to the rows 1.1.4 (deposits subject to higher outflows than specified in Article 409 (1) or (2)), 1.1.5 (deposits in third countries where a higher outflow is applied), or in the "Inflows" template to 1.1.5. (any undrawn credit and liquidity facilities for which the CA has granted a higher inflow) and to all further information which might be included later in the reporting template. But the percentage to be applied on the given data for the outflow/inflow estimate is not a uniform, standard percentage for all reporting institutions.

Due to the presumably missing column mentioned, it is not transparent how the cash-outflow for the LCR will be assessed and why information on items which must be filtered out from the LCR calculation (e.g. 1.1.5 deposits exempted from the calculation of outflows where the conditions of Art. 409 (5) (a) and (b) have been met) have to be reported in the template. (They probably would help checks and controls).

In case of legal entities belonging to financial groups/networks for which the liquidity sub-group treatment does not apply in full or the regulatory consolidation does not cover

¹ The BIS Monitoring templates include a column for the weights and the cash-flow weighted average is calculated from further breaking down the information in the specific the sub-groups.

² An alternative solution could be to break-down the sub-group further, that in each-row the reported data could be associated with a percentage weight uniform for all reporting entities. However, as several percentage weights may occur, this detailed break-down could be more burdensome for the reporting entities.



all material group entities, details on cash flows to and from to such group entities or other network members (including intra-group or intra-network liquidity lines) is suggested to be reported separately, since the reporting entity can be expected to have a stronger control on them than for generic flows to and from third parties. (The additional information could be collected e.g. by adding another non-mandatory column in the reporting template labelled „of which: intra-group/intra-network cash-outflows not eligible for specific treatment under the CRR“).

In addition, to answer to Q4 we would like to point out the following:

- **Outflows:**

- **Missing items:**

- As a ramification of the missing categories in the liquid assets, outflows from secured funding are missing for the categories:
 - transferable assets that are of extremely high liquidity and credit quality (Art. 404 (1) (b));
 - transferable assets that are of high liquidity and credit quality (Art. 404 (1) (d));
 - transferable securities other than those referred to in point (3) representing claims on or claims guaranteed by sovereigns or central banks issued in domestic currencies by the sovereign or central bank in the currency and country in which the liquidity risk is being taken or issued in foreign currencies, to the extent that holding of such debt matches the liquidity needs of the bank's operations in that third country (Annex III);
 - gold (Art. 481 being discussed in the trilogue);
 - other than gold liquid commodities (Art. 481 being discussed in the trilogue);
 - major index-linked equity instrument (Art. 481 being discussed in the trialogue);
 - guaranteed bonds (Art. 481 being discussed in the trilogue);
 - unsecured bank issuances and non-financial corporate bonds as asked in the current EBA reporting template;
 - covered bonds or other securities backed by retail mortgages (Art.481 being discussed in the trilogue);
 - other asset backed instruments of the highest credit quality as established by EBA (article 404 being discussed in the trilogue);
 - central bank eligible securities and loans (Art. 481 being discussed in the trilogue);
 - Outflows from deposits of established relationship;



- Outflows from Collateral Swaps – though collateral swap is not a wording in the CRR, it is worth to consider that securities lending / borrowing when there is no cash on either side to be shown separately at least in the break down extremely high quality liquid assets, high quality liquid assets and other;
 - Securities borrowing / lending without cash collateral are not specified in the instructions ;
 - Other contingent funding. Uncommitted lines, guarantees, letters of credit and other trade finance commitments is suggested to be reported separately under outflows from credit and liquidity facilities, since contingent commitments might be a field for fine tuning in the finalisation of the LCR;
 - A 'Other Outflows' category should be added so as to identify cash inflows that would be missing in the template.
- Other
- In case of legal entities belonging to financial groups/networks for which the liquidity sub-group treatment does not apply in full or the regulatory consolidation does not cover all material group entities, details on cash flows to and from to such group entities or other network members (including intra-group or intra-network liquidity lines) is suggested to be reported separately, since the reporting entity can be expected to have a stronger control on them than for generic flows to and from third parties. (The additional information could be collected e.g. by adding another non-mandatory column in the reporting template labelled „of which: intra-group/intra-network cash-outflows not eligible for specific treatment under the CRR”);
 - Outflows from trade financing-related off balance should be isolated;
 - Outflows: should the €1mm threshold apply to retail and/or SME deposit, which categories should the excess over €1mm be mapped to?
 - Operational costs have to be reported whereas they are excluded from the calculation: we propose not reporting this item;
 - It is not clear, that in the “Outflows” template “1.2.4 Deposits maintained by the depositor” will include deposits related to correspondent banking and prime brokerage services. In any case from the point of view of deposit stability it would be important to observe these deposits separately (as it is the case also in the Basel III Monitoring exercise).



- **Inflows:**

- Missing items:

- As a ramification of the missing categories in the liquid assets, inflows from secured funding are missing for the categories:
 - transferable assets that are of extremely high liquidity and credit quality (Art. 404 (1) (b));
 - transferable assets that are of high liquidity and credit quality (Art. 404 (1) (d));
 - transferable securities other than those referred to in point (3) representing claims on or claims guaranteed by sovereigns or central banks issued in domestic currencies by the sovereign or central bank in the currency and country in which the liquidity risk is being taken or issued in foreign currencies, to the extent that holding of such debt matches the liquidity needs of the bank's operations in that third country (Annex III);
 - gold (Art. 481 being discussed in the trilogue);
 - other than gold liquid commodities (Art. 481 being discussed in the trilogue);
 - major index-linked equity instrument (Art. 481 being discussed in the trilogue);
 - guaranteed bonds (Art.481 being discussed in the trilogue);
 - unsecured bank issuances and non-financial corporate bonds as asked in the current EBA reporting template;
 - covered bonds or other securities backed by retail mortgages (Art.481 being discussed in the trilogue);
 - other asset backed instruments of the highest credit quality as established by EBA (Art. 404 being discussed in the trilogue);
 - central bank eligible (Art. 481 being discussed in the trilogue) assets by categories (bonds, guaranteed bonds, other securities, loans, etc.), which by the final text for one or another reason will not be recognized as liquid assets.
 - Inflows from trade financing transactions should be separately reported by main transaction types to be defined in the ITS;
 - Inflows from group members, network member and affiliates which are not included in the liquidity sub-group or the prudentially consolidated group should be separately reported;
 - Inflows from Collateral Swaps ;
 - Securities borrowing / lending without cash collateral are not specified in the instructions ;



- A 'Other Inflows' category should be added so as to identify cash inflows that would be missing in the template.
- Other
 - Securities borrowing / lending without cash collateral are not specified in the instructions. What type of operations shall be reported in "other commitment received" other than credit facilities received: 413 (2c);
 - What is the definition of "reduced amount" of inflows: 413 (2a);
 - The distinction asked between natural persons and small business customers is not required anywhere else in the liquidity or solvability framework and is not required by CRR. We suggest suppressing this distinction.
- We would welcome a template file that shows totals and sub-totals in order to check consistency and completeness:
 - Ex: "insured non-transactional and non-operation" deposits are to be reported into 1.1.2;
 - Stable funding: item 1.2.1.1 is a sub-limit of 1.2.1?
 - Intra-group items should be split as proposed in panel F of EBA QIS;
 - Maturing reverse repos that cover short positions shall be reported as other maturing reverse repos but short positions shall be increased?
- Assets without a fixed contractual maturity should also be included in the template. They represent the main source of short term funding for SMEs in several EU Countries and should be taken into consideration;
- According to Article 413 (7) of the CRR, institutions shall take liquidity inflows which are to be received in third countries where there are transfer restrictions or which are denominated in non-convertible currencies into account only to the extent that they correspond to outflows in the third country or currency in question. In order to assess the total inflows for the LCR, these adjustments should be separately shown in the reporting template;
- When an institution is required to report in significant currencies the treatment of multi-currency facilities (off-balance-sheet commitments) has to be clarified. It should be avoided that e.g. an undrawn multi-currency commitment would be treated as a cash-outflow in each drawable currency.



Question 5: 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?

A. Minimum EBA template for 2012

At the very least, the EBA template should comprise the supplementary data that are currently required by EBA in the current QIS's, notably for Gold and Equities, as illustrated in the table below:

	B	C	D	E
275)	EBA - further information on banks' current holding of assets to assess the impact of transitioning to the new standard			
276		Market Value		
277		Owned outright	Borrowed in secured transactions	Avg CB haircuts applied
278	Other central bank eligible collateral, not being classified as Level 1 or Level 2 above, and not being reported as inflows:			
279	Covered bonds, not self-issued, rated A- up to A+, accepted as Category II instruments by the ECB or equivalent by national central bank			
280	Non-financial corporate bonds, rated A- up to A+			
281	Financial corporate bonds, rated A- or greater			
282	Own issuances, rated A- or greater			
283	Unsecured bank issuances, rated A- or greater			
284	RMBS rated AAA, with high quality prime mortgages as the underlying collateral			
285	Assets, not reported in section A, issued by a credit institution which has been set up and is sponsored by a Member State central or regional government and the asset is guaranteed by that government and used to fund promotional loans granted on a non-competitive, not for profit basis in order to promote its public policy objectives			
286	Other Central Bank eligible unencumbered assets not included in the previous categories			
287				
288				
289	Other collateral:			
290	Gold			
291	Equities featured in major indices (incl. all non-EEA Central Bank eligible equities)			
292				
293	Shares or units in CIUs:			
294	of which the underlying asset is 'Level 1' as per the type reported in lines 6-15			
295	of which the underlying asset is 'Level 2' as per the type reported in lines 27-36			
296				
297	Information on assets reported in Panel A):			
298	Of the amount in lines 11-15			
299	Of the amount in lines 20-21			
300	Of the amount in lines 28-32			
301	Of the amount in line 35			
302	Of the amount in line 36			

B. EBA template 2013 :

EBA states that "the most significant amendments to the CRR in respect of liquidity reporting proposed by the co-decision bodies are to include equities, gold, high quality RMBS or state guaranteed bank debt".

Both the Parliament's and Council' compromise indicate that EBA reporting shall be broadened in order to include equities, gold and Central Bank eligible assets which otherwise would not be included in the liquid assets. The current reporting should take these items on board, with sub breakdown for the latter (RMBS, high quality loans, other securitization assets, others).

C. Detailed (cf. attached modified template):

The template does not cover the entire range of assets in Art.404 and does not consider additional assets that should be considered in the observation period as defined in Art.481. As is, this template would deprive EBA from actually using the observation period to determine the assets that should be considered liquid assets, even though it is one of the most important issues to be dealt with during the observation period.

Consequently, the report on liquid assets is overly restrictive and should be modified.



As an illustration, there is no reporting line for either for item Art. 404 (1) (b) - "transferable assets that are of extremely high liquidity and credit quality"; nor for item Art. 404 (1) (d) - "transferable assets that are of high liquidity and credit quality".

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It is unclear why there is only one column 'Market Value' for items 1.3 to 1.4.3 instead of the two columns "Market Value Extremely High Liquidity and Credit Quality" and "Market Value High Liquidity and Credit Quality".

The missing items in the *Asset* template, and consequently in the *Inflows* and *Outflows* reports (in the secured funding and secured lending categories):

- transferable assets that are of extremely high liquidity and credit quality (Art. 404 (1) (b));
- transferable assets that are of high liquidity and credit quality (Art. 404 (1) (d));
- transferable securities other than those referred to in point (3) representing claims on or claims guaranteed by sovereigns or central banks issued in domestic currencies by the sovereign or central bank in the currency and country in which the liquidity risk is being taken or issued in foreign currencies, to the extent that holding of such debt matches the liquidity needs of the bank's operations in that third country (Annex III);
- gold (Art.481);
- other than gold liquid commodities (Art. 481);
- major index-linked equity instrument (Art. 481);
- guaranteed bonds (Art. 481);
- unsecured bank issuances and non-financial corporate bonds as asked in the current EBA reporting template ;
- covered bonds or other securities backed by retail mortgages (Art. 481);
- other asset backed instruments of the highest credit quality as established by EBA (Article 404);
- central bank eligible securities and loans (Art. 481);

Finally, as the jurisdictions for which there would not be enough liquid assets, which may very well apply to the euro-zone in the current environment, it is unclear of how central bank eligibility criterion in Art. 404 (3) (b) should be considered. A separate section for jurisdictions with insufficient liquid assets should be added.

Other comment: as it is not clear in the CRRI, it would be worth making it clear in the instructions if the 250M cap on CIUs should be applied: both on an individual basis and consolidated basis, or only on an individual basis.

Some subsidiaries of EACB members have to hold significant amounts of liquid assets for liquidity requirements imposed by the local regulator within EU. If these local regulations we be replaced by CRR in 2015, is it correct to include them already as liquid assets into the LCR calculation on group level?



Question 6: Do respondents agree that the template captures the requirement of the draft CRR on reporting of stable funding?

In our view the reporting on stable funding should include all information, which is relevant to the good calibration of a stable funding ratio and not concentrate only on those items which are explicitly indicated in the CRR. Therefore it is suggested that the reporting templates should include data collection not mentioned explicitly in the CRR, but followed in the Basel III Monitoring Exercise.

Comments on suggested stable funding report:

- As the NSFR is based on a balance sheet view, as it is stated also in the ITS instructions in Annex VI own funds and liabilities should equal total assets. However, the NSFR requirements do not match entirely the accounting items due to the presentation of the derivatives and the repo / reverse repo and securities lending and borrowing transactions. The reporting requirements should clarify the treatment of these differences and neutralize the effects of those transactions which are treated differently in accounting and for the stable funding reporting.
- As some assets are already deducted from own funds these should not require stable funding and therefore should be shown separately among the asset items (see footnote 29 in Basel III: International Framework for Liquidity Measurement Standards and Monitoring).
- Among non-renewable loans, the loans to natural persons and SMEs should be shown in a separate line only if the deposit is below EUR 1 million. This is not logical, as on the asset side the size of the exposure should be limited for these categories. If the CRR text does not change in this regard it is suggested to collect data separated also where the exposure size is limited, as for the purpose of risk weightings.
- In the Basel III Monitoring Exercise loans to retail and SME customers if they receive 35% risk weight in the standardized approach must be presented separately because they receive a lower weight. The EBA could consider collecting data separately on these items, too.
- Encumbered assets, if the encumbrance is above one year, should require stable funding (as it has in reality stable funding) and EBA could consider to require them to be shown separately among the asset items, even if the securities mature within one year.
- The scope of application for the stable funding reporting is the same as for the liquidity requirements. Therefore, also at the stable funding reporting assets and liabilities to group or network members (the latter in case of co-operative or savings banks networks), which are not included in the reporting entity (individual, regulatory consolidated group, liquidity sub-group), should be shown separately in the template, because of the intra-group or intra-network ties have specific features with respect to other assets and liabilities. The



deposits for common task sharing in the institutional protection schemes are to be reported on a separate line, but we suggest that also other assets placed by the central institution or other institutions within the grouping or liabilities borrowed from the central institution or other institutions within the grouping should be shown separately.

- Operational deposits and deposits for common task sharing within the institutional protection scheme as defined in article 410(4) could be misinterpreted as the in the original CRR proposal submitted by the European Commission there is an error of reference in Article 414 (1) b) iii) and v). Consistency must be established. Is not there a problem with the reference to article 410 (3) in category 1.2.2. of the ASF (this reference should be 410 (4) according to our understanding of the template).
- Some references in the template do not fit to the related instructions in category 1.7.3 RSF, which relate to the breakdown of liquid assets. Though the balance sheet value of liquid assets and the liquid assets taken into account for liquidity coverage requirement may differ, e.g. because of encumbrance, it is highly questionable whether for the stable funding requirement has any meaning to make distinction between extremely high quality and high quality liquid assets.
- Securities borrowing / lending without cash collateral should be specified in the instructions.
- What does “non-renewable loans” mean (template item 1.7)?
- Even if it will not be included in the CRR text, information with regard to deposits placed with the central institution of the co-operative networks should be collected for a look-through approach as it is done in the BIS monitoring exercise. Though information in the Basel III monitoring exercise is collected only for those deposits which in the LCR get favourable treatment, in our view collection of information would also be important for all the cases where the central institution should comply with the liquidity rules on an individual basis.