



EBA/Op/2015/16

23 September 2015

Opinion of the European Banking Authority on the Commission intention to amend draft Implementing Technical Standards on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013

Introduction and legal basis

On 18 December 2013 the EBA published and submitted to the European Commission (EC) the implementing technical standards (ITS) on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013 (the CRR). A slightly updated submission took place on 24 July 2014. The metrics relating to the additional monitoring tools are designed to complement the supervision of an institution's liquidity risk beyond the scenario for which the liquidity coverage ratio (LCR) is defined.

On 13 August 2015 the EC informed the EBA that it, acting in accordance with the procedure set out in the fifth subparagraph of Article 15(1) of Regulation (EU) No 1093/2010¹, intended to amend the draft implementing technical standards submitted by the EBA.

The EBA competence to deliver an opinion is based on the fifth subparagraph of Article 15(1) of Regulation (EU) No 1093/2010.

In accordance with Article 14(5) of the Rules of Procedure of the Board of Supervisors², the Board of Supervisors has adopted this opinion.

¹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

² Decision adopting the Rules of Procedure of the European Banking Authority Board of Supervisors of 27 November 2014 (Decision EBA DC 2011/001(Rev4)).

General comments

Article 415(3)(b) of the CRR mandates the EBA to develop draft ITS to specify 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.

The ITS aim at providing competent authorities with a set of proportionate tools that allows them to perform a comprehensive assessment of the liquidity risk profile of EU institutions. They contain in particular a contractual maturity ladder which provides insight into the extent in which an institution relies on maturity transformation under its current contracts. More precisely, the maturity ladder is an essential tool for assessing the availability of liquid assets to meet the liquidity gaps under different scenarios and for diverse time horizons.

The ITS complement this main tool with others related to the concentration of funding by counterparty and product type, the concentration of counterbalancing capacity by issuer/counterparty, prices for various lengths of funding and rollover of funding.

As per their letter mentioned above, the EC intends to remove the maturity ladder templates and instructions. This is based on the fact that the maturity ladder is based on the provisional approach of reporting requirements set out in Article 416 of the CRR concerning liquid assets and needs to be adapted to the detailed definitions of liquid assets set by Commission Delegated Regulation (EU) 2015/61 (Delegated Act on the LCR) which becomes applicable on 1 October 2015. In the view of the EC, this will avoid unnecessary regulatory burden and the duplication of implementation costs for the industry.

The EC also intends to provide some other minor redrafts and to amend the proposed date of application from 1 July 2015 to 1 January 2016 to allow sufficient time for the industry and supervisors to prepare.

Finally, the EC invites the EBA to update the maturity ladder in line with the detailed information of liquid assets set by Commission Delegated Regulation (EU) 2015/61 and submit this as soon as possible.

Specific comments

a) Removal of the maturity ladder

The EBA shares some of the concerns raised by the EU Commission. Too much regulatory burden is in general undesirable and particularly if it would be accompanied by a duplication of implementation costs. There also needs to be a balance between the need to collect information useful for competent authorities to perform their supervisory function and the need to implement proportionate requirements not to put an undue burden on institutions, in particular of a smaller size.

The EBA is working permanently on the introduction of proportionality in its regulatory products and has implemented a continuous dialogue with all relevant stakeholders in order to constantly improve its efforts in this field. The introduction of proportionality is particularly important in the field of supervisory reporting, where the EBA has been mandated with the development of EU uniform templates for institutions.

With regard to these specific ITS, it is worth noting that the ITS include provisions that specify criteria which, when met, reduce the monthly reporting frequency of these metrics to quarterly submissions based on the nature, scale and complexity of an institution's activities. This holds true irrespective of the potential general waiver for reporting on a solo basis under article 8(1) of the CRR which would also cover the maturity ladder.

The EBA also shares some of the concerns that, ideally, the definitions and concepts used in the maturity ladder should be, to the greatest extent possible, aligned with pieces of legislation which have been adopted after the EBA submitted the draft ITS to the EC.

The draft ITS submitted in 2013 were built on the basis of the definition of liquid assets for the purposes of reporting in the CRR. As a result, they include details for central bank eligible assets, with less granularity for some of the remaining liquid assets that are not central bank eligible. It is worth stressing that the comprehensive view of the liquidity risk profile the CRR refers to in the cited Article 415(3)(b) exceeds the scope of the LCR. The maturity ladder is not aimed at representing the same scenario as the LCR. Whilst the LCR is confined to stress situations of 30 days, the maturity ladder allows for an assessment of the liquidity coverage under different scenarios and under different time buckets (short, medium and long term). Therefore the components of both tools should not be expected to be exactly the same from a technical perspective.

The EBA has made a careful assessment of the situation in this regard when receiving the proposed amendments from the EC and has discussed possible options during a meeting of its Board of Supervisors held on 8 September 2015. Based on all of the above considerations, the EBA is of the view that, despite the fact that, as previously mentioned, an alignment would be desirable in the medium term, this is not a feature that is making the maturity ladder invalid for its primary purpose, and therefore, nor is there a legal requirement to align the ITS to the delegated act. Additionally, it is not viewed that the reporting of the desired information is a significant impediment or burden, based on the fact that institutions have already implemented the maturity ladder in their systems as it is currently proposed.

In particular, based on regular contacts with institutions and auditors, the EBA understands that the proposed maturity ladder is not expected to prompt further costs in EU institutions. The removal of the maturity ladder from the draft ITS would likely not lead to any significant alleviation of the reporting burden for institutions. Essentially, many institutions have already incurred costs in implementing the necessary systems to begin reporting the maturity ladder by July 2015 as it was originally envisaged in the draft ITS published by the EBA, under the assumption that any potential significant change to the ITS from the EC would have been

communicated far earlier than the initially proposed implementation date. Furthermore, given the importance of the maturity ladder to the work of the competent authorities, it is expected that in case the maturity ladder is not included in the final ITS, competent authorities would proceed/continue with a collection of the information needed under a format identical to the current ITS or under a different format, which may even lead to further costs, duplication of efforts and continuation of unharmonised practices in this area.

The EBA also views that the maturity ladder is of critical prudential value for competent authorities in their assessment of the liquidity risk profile of EU institutions, as it would serve for the assessment of liquidity needs over time by comparing the expected outflows and inflows. It should be noted that the knowledge of maturity funding gaps by competent authorities is useful not only in going concern situations, but also in gone concern situations. During the recent crisis, the maturity ladder has been frequently used by supervisors and public authorities in order to quantify the funding needs of institutions and the maturity ladder is deemed to be an essential tool for resolution authorities during crisis times and for institutions under resolution processes. In addition, the maturity ladder is a useful tool for identifying cliff effects and building liquidity stress tests.

As a conclusion, when discussing the merits of the maturity ladder in its current form compared to the potential drawback stemming from the non-alignment with the Delegated Act on the LCR, the EBA Board of Supervisors concluded that there are higher benefits in having the maturity ladder as it is proposed rather than having no harmonized tool at all for the coming two years, which is the estimated timeline needed to update the ITS and have it adopted by the EC and implemented by EU institutions under the current existing framework for harmonized EU supervisory reporting. The Board of Supervisors also assessed that costs have already been incurred by the majority of institutions which will have to report the information contained in the maturity ladder anyway.

This does not preclude EBA work as soon as possible in order to update the ITS. Indeed, if the maturity ladder were to be maintained in the final ITS, it is EBA's intention to proceed promptly and efficiently with an update of the ITS, in order to bring it in line, where deemed necessary, with the new liquidity provisions of the Delegated Act which will enter into force on 1 October 2015.

b) Postponement of the application date

The Commission has suggested to amend the date of application of the ITS from 1 July 2015 to 1 January 2016. Considering that the original ITS have been submitted in December 2013 and that institutions have been deemed to have enough time for their preparation, the EBA supports the proposed amendment with regard to the application date.

c) Further minor drafting amendments

The Commission has suggested further minor redrafts, in the recitals and the main text. The EBA generally supports such amendments and has provided further non-substantive minor

amendments so as to bring the legal text fully in line with EC legislative drafting rules and practices. In that context, the EBA has also added a minor redrafting to the recital and the paragraph relating to the reporting remittance date, for clarification.

Conclusion relating to the maturity ladder

For all of the above reasons, the EBA dissents to the EU Commission's proposed amendment to remove the maturity ladder. The EBA is sharing some of the concerns expressed by the EC and has carefully considered these concerns when taking its final decision. If the maturity ladder were to be maintained in the final ITS to be adopted by the EC, the EBA commits to a prompt and efficient update of the ITS so that it is brought in line with forthcoming legislation on the LCR, where this is necessary.

This opinion will be published on the EBA's website.

Done at London, 23 September 2015

(signed)

Andrea Enria

Chairperson

For the Board of Supervisors

Annex

COMMISSION IMPLEMENTING REGULATION (EU) No .../..

of **XXX**

amending Implementing Regulation (EU) No 680/2014 with regard to additional monitoring metrics for liquidity reporting

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012³, and in particular the fourth subparagraph of Article 415(3) thereof, Whereas:

- (1) Chapter 7 of Regulation (EU) No 680/2014⁴ provides for liquidity reporting on an individual and a consolidated basis. To increase effective liquidity supervision, it is appropriate to require the reporting of additional liquidity monitoring metrics as referred to in Article 415(3)(b) of Regulation (EU) No 575/2013. This should provide a more complete overview of the liquidity position of an institution, proportionate to the nature, scale and complexity of an institution's activities.
- (2) The additional liquidity monitoring metrics should include: a maturity ladder, that 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 concentration of the counterbalancing capacity by issuer or by counterparty because these metrics provide information about the reporting institutions' concentration by the ten largest holdings of assets or liquidity lines granted to the institution; and metrics based on the prices for various lengths of funding and the rollover of funding because such information is valuable over time as supervisors are made aware of changes in funding spreads, volumes and tenors.

³ OJ L 176, 27.6.2013, p. 1.

⁴ Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1)

- (3) Reporting for additional liquidity monitoring metrics should be used by competent authorities as part of their supervisory review and evaluation process, as well as within colleges of supervisors and as an early warning tool for day to day supervision.
- (4) The reporting of additional liquidity monitoring metrics should be aligned with the level of application and reporting for the liquidity coverage requirement in accordance with Articles 6 to 10 and Article 415(3)(a) of Regulation (EU) No 575/2013.
- (5) It is appropriate, based on proportionality considerations, to allow quarterly reporting instead of monthly reporting where an institution does not form part of a group with subsidiaries or parent institutions located in jurisdictions other than the one of its competent authority and the balance sheet total of the institution represents only a small proportion of the sum of individual balance sheet totals of all institutions in the respective Member State and the institution has total assets which are not significant.
- (6) To provide institutions and competent authorities with adequate time to implement the requirements of this Implementing Regulation during the period of application from 1 January 2016 to 30 June 2016, the reporting remittance date relating to the monthly reporting of the additional liquidity monitoring metrics should be the thirtieth calendar day after the reporting reference date.
- (7) This Implementing Regulation is based on the draft implementing technical standards submitted by the European Banking Authority to the Commission.
- (8) The European Banking Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council⁵.
- (8) In accordance with the procedure in Article 15 of Regulation (EU) No 1093/2010, the Commission has endorsed with amendments the draft implementing standard submitted by EBA after having sent the draft implementing standard back to EBA explaining the reasons for the amendments. The EBA provided a formal opinion (EBA-Op-2015-xx), accepting most of the proposed amendments with the exception of the ones relating to the maturity ladder, explaining the reasons for such rejection. *(To add: COM final decision)*.
- (9) Commission Implementing Regulation (EU) No 680/2014 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) No 680/2014 is amended as follows:

⁵ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

- (1) In Article 1, the following point (g) is added:
 - '(g) Additional liquidity monitoring metrics according to Article 415(3)(b) of Regulation (EU) No 575/2013.'
- (2) The following Chapter 7B is inserted:

‘CHAPTER 7B

Format and frequency of reporting on additional liquidity monitoring metrics on an individual and a consolidated basis

Article 16b

1. In order to report information on additional liquidity monitoring metrics according to Article 415(3)(b) of Regulation (EU) No 575/2013 on an individual and a consolidated basis, institutions shall submit all the following information with a monthly frequency:
 - (a) the information specified in Annex XVIII according to the instructions in Annex XIX;
 - (b) the information specified in Annex XX according to the instructions in Annex XXI;
 - (c) the information specified in Annex XXII according to the instructions in Annex XXIII.
2. By way of derogation from paragraph 1, institutions may report the information described therein with a quarterly frequency where all of the following conditions are met:
 - (a) 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;
 - (b) the ratio of the individual balance sheet total of the institution to the sum of individual balance sheet totals of all institutions in the respective Member State 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;
 - (c) the institution has total assets, calculated in accordance with Council Directive 86/635/EEC⁶, of less than EUR 30 billion.’
- (3) In Article 18, the following sixth paragraph is added:

‘For the period from 1 January 2016 to 30 June 2016, by way of derogation from Article 3(1)(a), the reporting remittance date relating to the monthly reporting of the additional liquidity monitoring metrics shall be the thirtieth calendar day after the reporting reference date.’
- (4) Annexes XVIII to XXIII are added as set out in the Annex to this Regulation.

⁶ Council Directive 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [1 January 2016].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission
The President
Jean-Claude Juncker*

ANNEX

ANNEX XVIII

Annex XVIII contains the template:

Maturity ladder

ANNEX XIX

Annex XIX contains the instructions for the completion of the template in Annex XVIII.

ANNEX XX

Annex XX contains the additional monitoring tools templates:

Concentration of funding by counterparty; Concentration of funding by product type; Prices for various lengths of funding; and Roll-over of funding

ANNEX XXI

Annex XXI contains the instructions for the completion of the templates in Annex XX.

ANNEX XXII

Annex XXII contains the template:

Concentration of counterbalancing capacity by issuer/counterparty.

ANNEX XXIII

Annex XXIII contains the instructions for the completion of the template in Annex XXII.