



EFBS Transparency Register No: 33192023937-30

Brussels, 14 July 2016

**EFBS position paper on the consultation on Draft Guidelines on LCR disclosure  
(EBA/CP/2016/06)**

The European Federation of Building Societies (EFBS) welcomes the opportunity to participate in the consultation procedure organised by the European Banking Authority (EBA) on the Draft Guidelines on LCR disclosure.

The EFBS is an association of credit institutions and organisations that assist in and support the financing of home ownership. Its purpose is to encourage the idea of acquiring home ownership in a Europe that is converging, both politically and economically. Bausparkassen grant loans secured by residential property to finance home ownership as a bulk business. In addition to this Bausparkassen are also allowed to make investments, however only in particularly safe investment vehicles. In times of crisis, Bausparkassen as specialised credit institutions have proved to be particularly resistant. Their low-risk business model is determined by the strict legal provisions for the Bauspar business and for the reduced possibilities of financial investment.

In particular, we should like to comment on the following questions in the consultation paper:

**Implementation**

**Question 2: *As currently foreseen, the application date will be in June 2017. Do respondents find the date of application of the guidelines appropriate?***

Considering the large number of additional new disclosure requirements and how little time is left, we consider the date for the first application to be very critical. We therefore advocate application from December 2017.

**Question 3: *Do respondents consider that the transitional period is sufficiently clear?***

Yes.

## **LCR disclosure template and template on qualitative information on LCR**

### **Question 6: Do respondents have any comment on the content of the LCR disclosure template in Annex II?**

Daily calculation of the LCR is viewed very critically. In this respect, we refer to the replies to questions 11 and 13.

### **Question 7: Do respondents have any comment relative to the content of the template on qualitative information on LCR?**

With regard to the currency mismatch in the LCR, we assume that asset haircuts applied in accordance with Article 8(6) of Commission Delegated Regulation (EU) 2015/61 are to be described.

### **Question 10: Do respondents find the general instructions in Annex III sufficiently clear for the development of the disclosure template?**

The "LCR disclosure template on quantitative information" (Annex II, paragraph 17) is clear.

Concerning the "Template on qualitative information on LCR" (Annex II, paragraph 18), we refer to the reply to question 7.

**Question 11: In accordance with Article 4 of Commission Delegated Regulation (EU) 2015/61, the LCR needs to be met at any time whereas Article 15(1) of Commission Implementing Regulation (EU) No 680/2014 requires a monthly frequency of LCR reporting. The suggested approach for the LCR disclosure template is based on averaged values over daily observations based on the reporting templates. Particularly considering that the most recent data needed would be from the quarter prior to the disclosure date, do respondents consider that this approach is, from a practical point of view, operationally feasible meaning that the accuracy of the daily reporting observations for the calculation of the averages can be ensured? Do respondents consider that this operational feasibility could depend on the size of the credit institution or could be different in the case of solo or consolidated data?**

Although it is necessary to comply with the LCR minimum requirement on a daily basis, this does not mean that the LCR also has to be calculated daily. In particular in the case of institutions with a very high LCR, a disproportionately high stock of high-quality liquid assets and relatively low volatility of the net cash outflows, compliance with the minimum requirement can be ensured without daily calculation of the LCR.

Under Article 415 of Regulation (EU) No 575/2013 (CRR), monthly or quarterly reporting suffices for normal operation. According to Article 414 CRR, daily reporting of the LCR is necessary only if the minimum requirement is not met. Correspondingly, Article 4(4) of Regulation (EU) 2015/61 also refers to Article 414 CRR. Such a failure to reach the minimum level represents an extreme situation for the institution, which justifies special requirements being imposed on the institution and strict monitoring.

The disclosure requirement (Annex III Part 1 paragraph 19) therefore considerably exceeds the prudential reporting requirement under normal operation. Determination of average values on the basis of a daily calculation of the LCR would be feasible only with high input of material and human

resources. On account of the large volumes of data, the run times of the computer programs would be lengthened considerably and in several institutions this would give rise to a need for new hardware. Furthermore, some manual correction work is always necessary to establish the LCR, which would then need to be undertaken daily instead of monthly.

A daily calculation of the LCR would therefore cause disproportionate additional expense. In our opinion, the requirement of average values exclusively for the purpose of disclosure cannot be justified by enhanced transparency.

In our view, the average of the values of the monthly reference days for a quarter should therefore be indicated in the disclosure report.

**Question 12: Do respondents find the specific instructions in Annex III sufficiently clear for the development of the LCR disclosure template and the template on qualitative information on LCR in Annex II?**

No, in this respect we refer to the reply to question 7.

### **Preferred Options**

**Question 13: In the elaboration of this CP, the EBA has considered several policy options under three main areas: a proportionality approach in the scope of application, items for a higher disclosure frequency and methodology for the calculation of the disclosures. Do respondents have any particular view on the assessment conducted on these policy options?**

With respect to the scope of application, we are in favour of Option 1A. We refer to the reasons and proposals set out in the reply to question 14.

With respect to the calculation of the LCR, we are in favour of Option 3B. We advocate comprehensive application of the principle of proportionality and refer to the reasons set out in the reply to question 11.

In our opinion, it would be sufficient for the calculation of the LCR if the institutions have the choice to disclose the average values on the basis of daily or monthly values. As called for in the liquidity coverage ratio disclosure standards of the Basel Committee on Banking Supervision (BCBS 272, paragraph 13), the number of underlying data points could also be disclosed to allow interpretation by market participants.

**Question 14: The provisions of Regulation (EU) 575/2013, including the disclosure requirements in its Part Eight, respect the principle of proportionality having regard, in particular, to the diversity in size and scale of operations and to the range of activities of institutions. A less complex, low risk institution will have to disclose less than a more complex, higher risk institution. In addition, specific waivers for disclosure exist in case of non-materiality of information, and the EBA has issued Guidelines to specify the cases where such waivers are used. The EBA intends to conduct further work on the application of the principle of proportionality to regulatory requirements, including the disclosure requirements. As a result, should a specific approach be needed as regards the implementation of the Guidelines on liquidity disclosures in a proportionate manner, this approach will be consistent with the EBA general approach as regards proportionality. In the meantime, users**

are invited to express their views on the following questions, whose answers will inform the future work of the EBA. Any potential solution suggested by respondents will have its feasibility assessed considering the applicable disclosure framework.

**Do respondents think that the opportunity of having a simplified disclosure template for smaller credit institutions should be assessed? This simplified LCR disclosure template could comprise for example the ratio itself, the numerator and the denominator as key ratios and figures of the LCR, in the sense of Article 435 (1) (f) CRR. What arguments could respondents provide to justify that the LCR ratio itself, its numerator and its denominator are the only key ratios and figures of the LCR which are required to be disclosed by smaller credit institutions?**

**More generally please provide any argument in favour or against a simplified template, and if you believe a simplified template for LCR disclosures is relevant, please indicate which type of information you would like to have disclosed in that template.**

**What specific criteria would respondents suggest to identify those smaller institutions for which a simplified disclosure template could potentially be disclosed?**

The EFBS is emphatically in favour of simplified disclosure requirements – compared to Annex II – for smaller institutions. In our view, both less quantitative and less qualitative information should be required from these institutions so as to bring about a tangible reduction in the work required for disclosure.

For the addressees of the disclosure report, it would presumably primarily be the trend in the LCR, its numerator and its denominator that are relevant with regard to comparability with other market participants. All in all, we consider the ratio, the indication of the liquidity buffer and the net liquidity outflows, as well as the indication of the caps applied, to be sufficient for simplified disclosure. The caps applied (on assets on account of the denomination of the currency distribution and on inflows) would provide the addressees with the information that further assets/inflows are available which could not be taken into account. The other detailed information provided for in Annex II, on the other hand, would normally tend to be irrelevant for the addressees of a smaller institution.

We propose the following criteria for the delimitation of smaller institutions:

- total assets not exceeding EUR 30 billion,
- no systemic importance and
- predominantly national activity.

If you have further questions, please contact us at any time.

Yours sincerely,



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