


POSITION PAPER



ESBG comments on the EBA's Consultation on the Draft Regulatory Technical Standards on disclosure of encumbered and unencumbered assets under Article 443 of the CRR

ESBG (European Savings and Retail Banking Group)

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European Savings and Retail Banking Group (ESBG) members are most appreciative of the opportunity afforded to them by the European Banking Authority to comment on the *Draft Regulatory Technical Standards on disclosure of encumbered and unencumbered assets under Article 443 of the CRR*. We are confident that the below feedback will prove useful in this process.

ESBG Position:

ESBG has some general concerns regarding the current proposal for disclosure of encumbered and unencumbered assets. We are concerned with some of the disclosure requirements due to the inherent market sensitive information relating to encumbered and unencumbered assets which would require further interpretation guidance if they are to be publicly disclosed. The information provided is very sensitive and an erroneous interpretation may have unintended consequences for entities. It may for example restrict access to funding for the reporting entity.

Answers to EBA Questions:

Q1 – Encumbrance due to operations with central banks

Given the balance between transparency and the need to avoid detection of central bank liquidity assistance, do you agree with the disclosure requirements proposed in this RTS? Do you agree with the fields in the Templates that are required to be disclosed? Please provide reasons for your answer.

Given the current sector situation, as well as the frequency of disclosure on encumbered and unencumbered assets, we do not see any issue regarding potential detection of CB ELA and therefore no necessity to change (i.e. reduce or enlarge) the list of fields required for minimum disclosure.

Q2. – The value used for disclosures

Based on your experience with providing information according to the 2014 Guidelines or with using information disclosed as per these Guidelines, do you believe that the use of median values for disclosures offers sufficient relevant information while also addressing potential financial stability concerns or would you prefer disclosures using end of period values? Is there another appropriate value for disclosure? Please provide reasons for your answer.

In our opinion median values have no beneficial effect on the actual consumer of the disclosure. In addition commenting on median values might make the narrative part redundant, e.g. an effective and sustainable change in encumbrance will only materialize in the figures considerable time later. We propose to always use “as of” figures for all disclosure reports.

Q3. – The value to be disclosed in the “Total” and “Sub-Total” rows

Do you agree that the ‘median of the sums’ method is the most relevant to be used in calculating a “Total” or “Sub-total” row in the case median values are used for disclosure? Please provide reasons for your answer.

If median values shall be used we suggest the using of ‘median of the sums’ as a viable approach



Q4. – The indicator of asset quality to use

Do you agree with the disclosure of assets of extremely high liquidity and credit quality (EHQLA) and assets of high liquidity and credit quality (HQLA) in accordance with Commission Delegated Regulation (EU) 2015/61 as the most relevant information possible in terms of asset quality of encumbered and unencumbered assets? Please provide reasons for your answer. In case you disagree with the disclosure of the EHQLA and HQLA metrics, please indicate the most appropriate alternative metrics according to you (central bank eligibility, traditional asset quality indicator, risk-weights, internal rating/asset quality step, external rating, or another indicator) for providing relevant information on the asset quality of encumbered and unencumbered assets.

We see no benefit in incorporating a different measure of asset quality in the disclosure than in the regulatory reporting (CB-eligibility) especially if it could lead to a further restriction of eligible asset classes (e.g. non-marketable assets eligible as CB-collateral not HQLA). In our opinion the CB-eligibility is a sufficient measure of asset quality and is a valid approximation of general asset quality with regards to asset encumbrance considering both, the operational burden, as well as the lack of comparability connected to the other suggestions (i.e. internal rating, external rating etc.)

Q5. – Qualitative information

Do you agree with the qualitative disclosure requirements in Template D? In case of disagreement, please identify any requirement you disagree with or state any disclosure requirement you would like to see enhanced or included in Template D.

Yes we agree with all points.

Q6. – Frequency of disclosure

Does the proposed annual disclosure frequency meet the needs of users for transparency? Please provide reasons for your answer.

In our opinion the annual disclosure fully meets the customer requirements and increasing the frequency would considerably increase the operational burden on fulfilling the qualitative requirements of the disclosure (i.e. quarterly/semi-annual review). Furthermore we do not see any added value to the customer from increasing the frequency of disclosing said part, as both structure of encumbrance and future development (i.e. strategy) are not subject to significant changes below one year.

Conclusion

Please let us conclude by again thanking you for this opportunity to comment and reiterating our position that the inherent complexity and sensitivity of this information must be kept in mind when drawing conclusions from this consultation. As always members are more than willing to answer any queries that you may have.



About ESBG (European Savings and Retail Banking Group)

ESBG – The Voice of Savings and Retail Banking in Europe

ESBG brings together nearly 1000 savings and retail banks in 20 European countries that believe in a common identity for European policies. ESBG members represent one of the largest European retail banking networks, comprising one-third of the retail banking market in Europe, with 190 million customers, more than 60,000 outlets, total assets of €7.1 trillion, non-bank deposits of €3.5 trillion, and non-bank loans of €3.7 trillion. ESBG members come together to agree on and promote common positions on relevant regulatory or supervisory matters.



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