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Your ref., Your message of Our ref., person in charge Extension Date

BSBV 115/Horvath 3141 10th August 2016

**EBA Consultation on Draft Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013**

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the above cited consultation document and would like to submit the following position:

# General Comments

We appreciate the effort undertaken by the EBA to develop guidelines to harmonize and specify the LCR disclosure requirements. Please find below our answers to the specific questionsof the consultation.

# Answers to the Questions

**Question 2:**

We believe that the date of application should be postponed to at least end of 2017 to provide institutions with enough time for the necessary implementation. In this context we would also like to point out that as a result complex transitional provisions could be avoided, in particular for those institutions which are obliged to disclose annually.

**Question 3:**

The starting point for calculation and provision of the LCR data should not be in advance to the finalization and publication of this guideline. Not only a different schedule for the current LCR reporting as outlined in the Draft Guideline might be an obstacle but also ongoing implementation efforts due to a delayed finalization of necessary technical standards or differences in currently implemented definitions (e.g. intervals, calculation basis etc.) should be kept in mind when defining a starting point. Therefore we suggest to define a clear start for the disclosure that gives time enough for any necessary implementation activity or calibration needs.

Since there is currently no obligation for credit institutions to observe the LCR with a daily frequency the first disclosure should be published one year after the application date.

**Questions 6-9:**

We call for the using of end of period values for disclosure purposes. The calculation of average values requires additional resources and leads to an additional technical and operational burden. We believe that end of period values are even better suited to provide market participants with consistency since financial statements also use end of period values to show the entity’s financial situation. Additionally, the Commission Delegated Regulation (EU) 2015/62 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio also declares that point in time reporting of the leverage ratio at the end of the quarterly reporting period rather than reporting on the basis of a three-month average better aligns the leverage ratio with solvency reporting.

The proposed disclosure templates require an observation on daily basis. We would like to point out that there is no requirement for any monitoring or reporting on a daily basis regarding the LCR. A daily observation only for disclosure pruposes stands in no relation to the use and should be avoided. According to the Commission Implementing Regulation (EU) 2016/322 institutions shall submit the information on LCR with a monthly frequency. As the EBA mentions in paragraph 3.2. of the Consultation Paper on Draft Guidelines on LCR disclosure there is no specific mandate to elaborate these Guidelines and therefore no legal basis for imposing any additional requirements for institutions resulting from these Guidelines.

In the light of the above mentioned and to comply with the EBA’s intention to provide the basis for harmonisation without adding new elements in the disclosure package institutions should not be obliged to disclose average values but rather end of period values.

**Question 10:**

The Draft is currently describing a disclosure based on a daily average LCR instead of snapshot results. The information that shall be disclosed under the LCR disclosure template in Annex II shall state the values and figures referred to the previous four quarters prior to the disclosure date and shall be calculated as simple averages of daily observations over the corresponding previous quarter.

When looking at the intention of any disclosure it shall give (potential) investors and the market (or even the depositor) an overview of the current situation of an institution. This information should be comparable not only with other institutions but also consistent with further disclosure and reporting requirements within the same institution. Otherwise it would become a challenge for the intended addressee as all other reported information (monthly or quarterly) are not based on average figures. Therefore we would suggest reconsidering the approach of average figures and instead using peak figures or snapshots, which would be also advantageous when defining a consistent interval or frequency for the disclosure and/or reporting data selection. In addition we do not see obstacles why this approach could intervene a clear requirement to be able to calculate LCR on a daily basis.

**Question 11:**

The EBA proposal for disclosing the averages of daily observations of the LCR is excessive and does not provide any added value. Monthly results provide sufficient and adequate information for the purpose of disclosure of the LCR, especially when it comes to banking groups composed of many units and subsidiaries.

Furthermore there is no legal basis for requiring banks to report daily LCR results. According to Art 414 CRR an institution which does not meet, or expects not to meet the requirement set out in Art 412 CRR shall daily report the LCR.

If this is not the case institutions should decide based on the proportionality principle on the frequency of their LCR reporting in order to assure the requirement stated in Art 4 of Commission Delegated Regulation (EU) 2015/61 that the LCR is met at any time.

**Question 13:**

The principle of proportionality seems from our point of view vitally important. Appreciable advantages are the quantitative and qualitative facilitations for not systemically important institutions with total assets of less than EUR 30 billion.

In its Draft Guidelines on LCR disclosure EBA opts for a quarterly disclosure of an average LCR based on daily values. Although it is understood and well accepted that in times of a crisis banks have to report LCR on a daily basis, the daily reporting of LCR in at least normal times is an unproportional burden to banks in terms of efforts or IT costs and it is in no relation to gained transparency compared to weekly or even monthly reporting frequencies. Therefore we urge to reconsider and adapt this approach accordingly. It seems adequate, if the averages could be based on monthly observed reporting data.

We ask you to give our remarks due consideration.

Yours sincerely,

Dr. Franz Rudorfer

Managing Director

Division Bank and Insurance