Standard Chartered

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11 August 2016

European Banking Authority
One Canada Square (Floor 46)
Canary Wharf
London, E14 5AA

Dear Sir / Madam,

STANDARD CHARTERED RESPONSE TO THE EUROPEAN BANKING AUTHORITY'S ('EBA') CONSULTATION PAPER EBA/CP/2016/06 ON DRAFT GUIDELINES ON LCR DISCLOSURE TO COMPLEMENT THE DISCLOSURE OF LIQUIDITY RISK MANAGEMENT UNDER ARTICLE 435 OF THE CRR

We are pleased to provide our comments on the Consultation Paper EBA/CP/2016/06 on Draft Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of the CRR.

We support the EBA's objective to harmonise and specify the disclosures which are required under general principles in the CRR on liquidity and particularly on the LCR.

We thank the EBA for the opportunity to take part in the consultative process. In our letter, we provide responses to five of the fourteen questions listed in the consultation paper. The responses provided below are for selected questions where we have concerns with respect to the proposed disclosure requirements. We have also provided feedback to the British Bankers' Association industry response.

Our main concerns with the draft guidelines are highlighted below:

- We support the objective to increase transparency and comparability of Banks' LCR information. However, the LCR disclosure template proposed is too granular, and additional information beyond the total value of HQLA, total Net Outflows and the LCR percentage does not add value in terms of understanding.

- We propose a simplified LCR disclosure framework based on average values over monthly observations. Daily LCR processes are not designed to support an external disclosure, and the operational burden in enhancing these exceeds any benefit from an increase in the number of reference dates in the LCR calculation disclosed.

- The proposed application date of June 2017 is too early, especially if the requirement to derive LCR averages is based on daily LCR metrics. We support an application date of January 2018, aligned with the full phasing in of the LCR.

We would be pleased to discuss the contents of this letter, and related matters, with you or your representatives at your convenience.

Yours faithfully,

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RESPONSES TO SELECTED CONSULTATION QUESTIONS

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

We propose the first application date should be as of January 2018, consistent with the full phasing in of the LCR requirement.

A first application date of January 2018 will allow for a full four quarters of average LCR calculation in 2017, based on the revised Delegated Act LCR calculation template which will be implemented in Q3 2016.

A January 2018 application date will mitigate the requirement for the transitional period required in the event that the LCR disclosure requirement was to apply from June 2017.

Question 4: Do respondents have any comment relative to the proposed LCR related items prone to rapid change?

We agree with the explanatory text which states that the LCR is a very short term metric designed for stress scenarios, which makes it exposed to considerable volatility in the short run and thus prone to rapid change.

The summary level items proposed in the consultation form the major components of the ratio calculation. These components of the calculation would be available for disclosure more frequently than annually.

The proposed template on LCR quantitative disclosures should be limited to the same summary level items which are identified as forming the major components of the ratio calculation.

Question 5: Do respondents have any comment relative to the content of the table in Annex I of the draft guidelines and the way to display it?

The qualitative disclosure table should allow flexibility for respondents to provide information they believe to be relevant to disclose. This is important mainly because different respondents will have different business models and face varying levels of liquidity risk.

It is questionable whether presenting these disclosures in a rigid tabular format would add much value, and, depending on the location of the disclosures, this could cause information to be duplicated (e.g. some banks already disclose some of this information in other sections of their annual reports).

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

We are concerned at the level of granularity proposed within these guidelines. We believe that the detail required as part of these proposals will not add value for many investors or other market participants.

The proposed granularity of information is likely to exceed the information requirements of most users, and may create confusion, thus hindering the objective of enhancing transparency of institutions' liquidity risk.

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?

The requirement to disclose an average LCR based on daily observations gives rise to operational complexities, due to the differing timescales provided for LCR calculation on a daily basis vs. the month end regulatory submission remittance dates.

Daily LCR calculations are designed to provide timely information to monitor limits, with information generally required on a next day basis. Regulatory submission of LCR at the month end date allows 30 days for preparation of the returns (15 days effective from Q2 2017).

In view of the short timeframe for calculating LCR on a daily basis, improvements are likely to require further IT system enhancements. IT system changes are costly to implement and generally have an extended delivery period. This may propose challenges with respect to the application date proposed for the LCR disclosure guidelines

We propose a disclosure of average based on month-end calculation of LCR rather than daily, for the following reasons:

1. The month-end LCR calculation is already designed to support external disclosure (ie. the month-end regulatory submission requirement).

2. We do not observe significant changes in LCR at month-end dates vs. other dates in the month. Therefore a simple average of month-end LCR calculations is unlikely to present a materially different view of our liquidity risk position, as compared to an average of daily calculations.