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European Banking Authority
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Ref: EBA/CP/2014/11

Dear Sir/Madam

Draft Regulatory Technical Standards on Disclosure of Information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer under Article 440 CRR

Barclays welcomes the opportunity to comment on the EBA draft Regulatory Technical Standards on the Countercyclical Buffer disclosure and supports the intention to create a harmonised approach across the EU. Barclays has set out below its key comments about the proposals and has also set out answers to the specific consultation questions in the attached Appendix.

(a) Net long short positions – Trading Book Exposures

Barclays notes that in Table 1 Column 20 of the consultation the EBA proposes that Banks disclose net long and short positions for trading book exposures. Whilst in principle Barclays does not disagree with the proposal, for some banks operating internal approaches this may present a practical issue. Systems have not been configured to produce the proposed metrics and building this capability may require significant development. During the hearing at the EBA's offices, this issue was raised and it was discussed whether the column should be amended to contain net long and short positions for standardised exposures only. However this would result in the exposure and own funds requirements sections of the disclosure template being inconsistent.

Barclays recommends that the EBA should further consider using an alternative exposure measure for trading book positions, such as loss in default, which would equally fulfil the regulatory purpose, but could also be more readily be produced. Barclays would be happy to engage with the EBA to help develop the appropriate metric.

(b) Own funds requirements by country – Trading Book Exposures

Barclays notes that the instructions for Table 1 Column 050 refers to own funds requirements for trading book exposures in a specific country. However for some banks that use internal models to compute own funds requirements for trading book exposures, the calculations are conducted at portfolio level rather than at geographic level. The concept of country-specific own funds requirements is not defined in the CRR and it is unclear how the EBA expects banks with internal model permissions to populate Column 050 of Table 1.

Barclays proposes that, where banks have internal model permission, the column could be populated with the bank's own funds requirement for IRC, broken down by country with the diversification benefit allocated as outlined in our reply to question Q02 in the Appendix to this letter.

(c) Clarification of the scope of the disclosures

Barclays' assumption is that where the instructions refer to credit exposures, such as in the instructions for Columns 010-060, these are relevant credit exposures as per CRD IV Article 140 paragraph 4, and not all credit exposures. Additional clarity in the instructions on this point would be helpful.

(d) Date of introduction of the requirements

At the public hearing the EBA stated an expectation that the proposed RTS would come into force in the first half of 2015. It would be helpful if the EBA could confirm the implementation date, taking into account that if disclosure is required prior to Countercyclical Buffer rates being set, some banks may be unable to comply immediately and may need to bring forward their plans to introduce the capability to calculate bank specific Countercyclical Buffer rates. Given the need to plan for particular reporting dates, Barclays recommends that Article 4 be amended to include an application date as well as the date that the RTS enters into force.

Yours sincerely



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APPENDIX

Answers to Consultation Questions

Q01: Are the provisions included in these draft RTS sufficiently clear? Are there aspects which need to be expanded in more detail?

The provisions are generally clear. However neither CRR Article 440 or the draft RTS state the implementation date for the disclosure requirements. The EBA representatives at the public hearing indicated that the proposed RTS may come into force in the first half of 2015. As some banks operating the internal approach may need to undertake systems development to enable the production of the required metrics, Barclays recommends that the EBA confirms the implementation date in its finalised draft RTS.

Q02: Are the instructions provided in Annex 2 of the draft RTS sufficiently clear?

- (a) Table 1 Column 20 Net long and short positions of trading book exposures: As set out in our covering letter, whilst in principle Barclays does not disagree with the proposal, for some banks operating internal approaches this may present a practical issue as systems configured in terms of internal approaches may not readily produce this metric without systems development. During the hearing at the EBA's offices, this issue was raised and it was discussed whether the column should be amended to contain net long and short positions for standardised exposures only. However this would result in the exposure and own funds requirements sections of the disclosure template being inconsistent. Barclays therefore recommends that the EBA should consider using an alternative exposure measure for trading book positions, such as loss in default, which would equally fulfil the regulatory purpose, but could be also more readily produced. The EBA may wish to further engage with the banks to develop the appropriate metric.
- (b) Table 1 Column 050: Own Funds Requirements by Country: The instructions direct firms to populate Table 1 Column 050 with 'own funds requirements for trading book exposures in the country in question'. However, for some banks operating internal approaches own funds requirements are calculated on a portfolio basis and include diversification benefits. The CRR does not define the concept of own funds requirements for trading book exposures by country, and it is not clear how the EBA expects the diversification benefit to be captured.

In light of this, Barclays proposes that Column 050 could be populated as follows:

- Banks run the internal model with only exposures to the in-scope asset classes (i.e. excluding exposures to Sovereign and Institutions) to calculate the capital charge.
- Banks re-run the internal model for each country to calculate a country specific charge.
- Banks sum the country specific charges.
- Banks then allocate the diversification benefit to each country proportionately.

Barclays considers that this would be consistent with the requirements for the Countercyclical Buffer calculation, as set out in the finalised RTS on the identification of geographical location of exposures. In cases where internal model permission is only granted for part of trading book exposures, the above measure could perhaps be added to the country-specific own funds requirements for trading book exposures under standard rules when populating Column 050.

- (c) Clarification of Scope of Table 1: The instructions for Table 1 Columns 010-060 refer to credit, trading book and securitisation exposures without further qualification. Our assumption is that only

relevant exposures, as defined in CRD IV Article 140 paragraph 4, are to be included in the table. The EBA may wish to clarify the scope of the table in the finalised draft RTS.

Q03: Our analysis shows that the costs of implementation are negligible. Do you agree with our assessment? If not please explain why.

- (a) Costs of calculating net long and short positions: While Barclays agrees that disclosure requirements for elements of the countercyclical buffer already computed by banks would not impose significant additional costs, the production of the exposure metric for net long and short trading positions for some banks using internal approaches, are likely to lead to significant additional costs depending on the degree of systems development required. Barclays recommends that the EBA explores alternative exposure measures further.
- (b) Costs of early introduction of disclosure requirements: The EBA representatives at the public hearing stated their expectation that the proposed RTS would come into force in the first half of 2015. In order to produce the necessary metric, some banks may need to undertake systems development. The timing of the implementation date will have a bearing on the costs involved. Given the need to plan for particular reporting dates, Barclays recommends that the EBA confirms in its finalised draft RTS the actual implementation date.