



# DRAFT GUIDELINES ON LCR DISCLOSURE

Public Hearing, 13 June 2016

## Legal references and international developments

- **Article 435 (1) (f) CRR contains generic disclosure requirements on key figures and ratios, also in the context of the liquidity risk**
- **Absence of a specific mandate in the CRR to further develop these key liquidity figures and ratios in a harmonised manner**
- **The BCBS published in March 2014 the Liquidity coverage ratio disclosure standards**
- **Dec 2014 EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency “ without specific reference to liquidity.**



**The EBA has power to issue own initiative guidelines with a view to ensure a harmonised application of Union law**

## Basic principles of the LCR disclosure guidelines

- ***The Guidelines would apply to credit institutions where the LCR applies and which are subject to disclosure requirements in the CRR.***
- ***The Guidelines incorporate the necessary granularity of quantitative and qualitative data to ensure market participants are well informed for their making decision process whilst preventing from triggering procyclical effects.***
- ***The disclosure templates on LCR closely follow the approach proposed by the BCBS and are complemented by necessary EU specific items.***
- ***The principle of proportionality is intended to be applied in an effective manner and consistently with the Dec 2014 EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency” .***

# 1 - Table on Liquidity risk management:

Table on qualitative/quantitative information of liquidity risk in accordance with Article 435 (1) of Regulation (EU) 575/2013

Comment

Strategies and processes in the management of the liquidity risk	
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	
Scope and nature of liquidity risk reporting and measurement systems	
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	
A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution’s profile and strategy.	
A concise liquidity risk statement approved by the management body succinctly describing the institution’s overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in Annex II of these guidelines) providing external stakeholders with a comprehensive view of the institution’s management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body	

## 2 - LCR disclosure template :

LCR disclosure template, on quantitative information of LCR which complements Article 435 (1) (f) of Regulation (EU) No 575/2013.

		Total unweighted value (average)	Total weighted value (average)
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total high-quality liquid assets (HQLA)		
<b>CASH-OUTFLOWS</b>			
	...		
16	<b>TOTAL CASH OUTFLOWS</b>		
<b>CASH-INFLOWS</b>			
	...		
20	<b>TOTAL CASH INFLOWS</b>		
EU-20a	<i>Fully exempt inflows</i>		
EU-20b	<i>Inflows Subject to 90% Cap</i>		
EU-20c	<i>Inflows Subject to 75% Cap</i>		

- Four figures need to be disclosed: those corresponding to the previous four quarters to the disclosure date.
- These figures should be simple averages of the daily observations during each quarter.
- No separate disclosure is required by significant currency.
- The daily observations to be considered for the disclosures are derived from the reporting templates following specific instructions for this.

### TOTAL ADJUSTED VALUE

21	<b>LIQUIDITY BUFFER</b>	<del> </del>	<del> </del>	<del> </del>	<del> </del>	<del> </del>	<del> </del>
22	<b>TOTAL NET CASH OUTFLOWS</b>	<del> </del>	<del> </del>	<del> </del>	<del> </del>	<del> </del>	<del> </del>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>	<del> </del>	<del> </del>	<del> </del>	<del> </del>	<del> </del>	<del> </del>

### 3 – Template on qualitative information on LCR:

Template on qualitative information on LCR, which complements the LCR disclosure template.

	Comment
Concentration of funding and liquidity sources	
Derivative exposures and potential collateral calls	
Currency mismatch in the LCR	
A description of the degree of centralisation of liquidity management and interaction between the group's units	
Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.	

## Next steps

- ***After the consultation process the EBA will assess the feedback received. Particularly those questions related to proportionality issues are of especial importance in order to consider whether alternative templates for smaller banks are necessary and to assess the operational feasibility of the methodology proposed in the LCR template based on daily reporting observations.***
- ***The final draft Guidelines will be presented to the EBA Governance Structures in the last quarter of the year for approval and publication.***
- ***The Guidelines are expected to apply from approximately June 2017.***

## Questions to attendants

***1- Do attendants think that the table and templates are clear enough from the perspective of both credit institutions, for their release, and market participants for their analysis?***

Particularly on the LCR disclosure template:

***2- Given that LCR-requirements apply on a continuous basis, do attendants think that the use of daily reporting observations is 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?***

***3- Do respondents think that the opportunity of having a simplified disclosure template (e.g. only ratio, numerator and denominator) for smaller credit institutions should be assessed? Why? What specific criteria would respondents suggest to identify those smaller institutions for which a simplified disclosure template could potentially be disclosed?***





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