



Consultation on the disclosure of encumbered and unencumbered assets

Public Hearing

22 January 2014 | London

Mandate

- > **Article 443 of the CRR** – EBA to develop guidelines on unencumbered assets taking into account the ESRB Recommendation ESRB/2012/2 on funding of credit institutions, in particular Recommendation D – Market transparency on asset encumbrance.
- > Guidelines will be finalised by **30 June 2014** and will be reviewed after one year. By end 2016, EBA will develop technical standards on asset encumbrance disclosure.
- > Guidelines are the first step to harmonize the disclosure on asset encumbrance across the EU and are intended to supplement the existing disclosure requirements in financial statements prepared in accordance with IFRS.

Scope of application

- > GL apply to institutions as defined in point 3 of Article 4(1) of CRR:
 - Institutions subject to asset encumbrance reporting, or
 - Institutions that have to comply with disclosure requirements in Part VIII of CRR
- > GL are part of Pillar III (Part VIII of CRR, Disclosure requirements)
- > Scope of consolidation according to Title II, Chapter 2 of the CRR
- > Definition of AE is the same as in the ITS on asset encumbrance reporting (EBA/2013/ITS/02)

Disclosure principles

- > Disclosure of both encumbered and unencumbered assets on a consolidated basis, including standard and non-standard operations with central banks.

- > No disclosure on
 - Assets in insurance activities that back liabilities to policy holders;
 - Amount of ELA provided by central banks (reported as unencumbered);
 - Collateral swaps with central banks.

- > First disclosure as of 31.12.2014:
 - Based on median values of at least quarterly data of the reporting year;
 - Currency and units as required in Part VIII of CRR;
 - Reported on an annual basis;
 - Time lag no more than 6 months.

Templates

- > Templates are based on the supervisory reporting templates (ITS on reporting):
 - Template A: Encumbered and unencumbered assets in carrying amounts (and fair value for equity and debt instruments);
 - Template B: Collateral received;
 - Template C: Sources of encumbrance;
 - Template D: Box for narrative information on the importance of AE for an institution.

- > Instructions specified in Annex VII to the ITS on reporting.

Template A-Assets		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Assets of the reporting institution				
020	Loans on demand				
030	Equity instruments				
040	Debt securities				
100	Loans and advances other than loans on demand				
120	Other assets				

Template B-Collateral received		Fair value of encumbered collateral received or own debt securities issued	Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
		010	040	070
130	Collateral received by the reporting institution			
140	Loans on demand			
150	Equity instruments			
160	Debt securities			
220	Loans and advances other than loans on demand			
230	Other collateral received			
240	Own debt securities issued other than own covered bonds or ABSs			

Template C-Sources of encumbrance		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs
			010
010	Carrying amount of selected financial liabilities		
020	Derivatives		
040	Deposits		
090	Debt securities issued		
120	Other sources of encumbrance		

Overview of the questions

1. Should the disclosure information on encumbered and unencumbered assets, in particular on debt securities, be more granular and include information on, for example, sovereigns and covered bonds? Please explain how sensitive the disclosure of this information is.
2. Should the disclosure information on encumbered and unencumbered assets also include information on the quality of these assets? What would be a suitable indicator of asset quality? Please explain how sensitive the disclosure of this information is.
3. Do you think that the disclosure required in Template A could lead to detection of the level and evolution of assets of an institution encumbered with a central bank, given that the information should be disclosed based on median values and the lag for disclosure is no more than 6 months?
4. Should the disclosure of information relating to the '*nominal amount of collateral received or own debt issued not available for encumbrance*' on unencumbered collateral be requested? Please explain the relevance of this information for market participants and the sensitivity of the disclosure of this information.

Overview of the questions (cont.)

5. Do you agree with the proposed granularity of Template B given that collateral swaps with central banks will not be disclosed? Please explain how sensitive the disclosure of this information is.
6. Do you think that the information on the sources of encumbrance in Template C is too sensitive to be disclosed? Should this information be disclosed in Template D instead (as narrative information)? Please explain the relevance of this information for market participants and the sensitivity of the disclosure of this information.
7. Should the information be disclosed as a point in time (e.g. as of 31 December 2014) instead of median values?
8. Do you agree with the proposed list of disclosures under narrative information in Template D? Should the guidelines explicitly state that emergency liquidity assistance by central banks (ELA) should not be disclosed?
9. Do you agree that the disclosures should be published no later than six months after the publication of the financial statements? Do you consider a time lag of no more than six months sufficient to ensure that the information disclosed will not adversely impact the financial stability of markets and institutions?

Contact information

Send comments via EBA web page:

<http://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-disclosure-of-encumbered-and-unencumbered-assets>

by clicking on 'Send you comments' button by **20 March 2014**

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