A. Introduction

Deutsche Börse Group (DBG) welcomes the opportunity to comment on EBA's consultation paper "Draft Implementing Technical Standards On Additional Liquidity Monitoring Metrics under Article 403(2) of the draft Capital Requirements Regulation (CRR)" - EBA/CP/2013/18 - issued on 23 May 2013[1].

DBG is operating in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and as such mainly active with regulated Financial Market Infrastructure providers.

Among others, Clearstream Banking S.A., Luxembourg (CBL) and Clearstream Banking AG, Frankfurt/Main (CBF), who act as (I)CSD[2] as well as Eurex Clearing AG as the leading European Central Counterparty (CCP), are classified as credit institutions and are therefore within the scope of the European Capital Requirements Directive (CRD). Clearstream subgroup is supervised on a consolidated level as a financial holding group.

However, all group entities in scope of CRD/CRR are offering limited banking activities ancillary to their function as Financial Market Infrastructure (FMI).

This paper consists of general comments (part B) and a part which contains our responses to the questions for consultation (part C).

[1] In our responses we refer to the final articles of the Capital Requirements Regulation (Regulation (EU) No 575/2013), in the following CRR

[2] (International) Central Securities Depository

B. General Comments

As entities concerned within DBG are primary Financial Market Infrastructure providers which offer in addition ancillary to this function banking services and are therefore classified as credit institution, the business is not comparable to the majority of the other credit institutions. The ancillary banking services are only provided against other financial market members. Our customers place cash with our group companies in order to facilitate settlement or clearing mainly intraday or very short-term (e.g. over night) or provide cash collateral (e.g. as margin or clearing funds collateral at the CCP). To a limited extent our companies issue in the course of their liquidity management commercial papers and invest own funds in low risk, high liquid securities (bonds, bills, etc.)

The proposed additional liquidity monitoring metrics, developed for “normal” credit institutions, do not fit to business models with dedicated focus like ours and in our view delivery of the metrics to the competent authorities in such cases is not adding value. This is in particular true due to the focussed and dedicated clients (financial sector only), the short term cash positions on both sides of the balance sheet as well as the limited scope of products (mainly holdings / overdrafts on current accounts or short term (secured) inter-bank placements).

Therefore for such specialized business models possibilities for the respective competent authority should be introduced, independent from the size of the credit institution (stand alone or consolidated level), to grant a waiver for parts of the required reporting and/or to extend the reporting frequency. Such a waiver option does not create an automatic exemption but would allow exemption under certain conditions in line with the general aim of CRD IV / CRR to take care – partially using the rule of proportionality – of different business models. Any information needs beyond standard reporting under article 99 CRR which already gives very detailed information (e.g. FINREP) is possible using the means of pillar II. We refer further to our concrete proposal in that regards in our response to question 2.

Chapter 3 of the draft standard currently does not set any concrete date for the first application of the reporting of the additional liquidity monitoring metrics. As the requirements / details for the additional monitoring metrics according to Article 415 (3b) CRR are only in discussion recently and do not have a similar history than the topics on LCR and NSFR, the necessary implementation time most likely will be around 12 month and therefore – taking finalisation of the ITS yet to come into account – first reporting reference date should not be prior to January 2015. (see also our feedback to question 6).

In appendix 1 of the consultation paper a potential addition to template 2 is presented (Concentration of Counterbalancing Capacity - CCC). The detailed description introduces new definitions which should be defined within the general legal framework (single rule book).

Related to the CCC proposal in detail, we want to raise the following topics:

1. The template lists one line for each of the top ten counterparties. However, the template does neither indicate the need for potential grouping of clients nor differentiate the line into sub-lines. This is neither in line with the columns nor fits to the instructions.
   The columns suggest splitting by product type, currency etc. whereas the instructions give (insufficient) hints how groups of connected clients should be reported.
   In case one line per counterparty is intended, any split which goes beyond this should be removed. Else, the template needs to be set up differently.
   The instructions need to give clear guidance on the level of reported counterparty (single entity or group of connected clients).
2. The handling of foreign branches (i.e. being domiciled in a different country than the country of incorporation of the legal entity as such) needs to be clarified. In our understanding, only the legal entity with the country of incorporation needs to be reported regardless if certain positions are resulting from positions with foreign branches.
3. Clear wording should be used throughout the single rule book for country identifications (either country of incorporation or country of residence, etc.).
4. The product type instruction for column H lists several categories in bold. It fishes off with "Other" being not bold. It is therefore unclear, if only the ones described are intended to be used and if "other" should be bold or if further categories might be defined by the reporting institution. We want to point out, that we disagree to a split by product type in any way (see above). Furthermore, it is unclear to us, where equity positions not listed on a recognized exchange or issued by a financial institution are to be reported.
5. The credit quality step might be derived from the counterparts as such (issuer rating), from the central government (government rating or

country classification) or for the concrete instrument. The instructions mix up issuer rating with instrument information (maturity). It is totally unclear what is targeted here. Also, deviations from solvency / large exposure rules on how to derive the credit quality steps (especially if there is more than one rating) are not acceptable. Finally, we want to point out once more that – if at all – only one line per counterparty should be used which would not make a differentiation by instrument (issue rating) possible.

6. For column K only the book value as derived from the applicable accounting standard should be reported. The mandatory usage of the MtM / Fair value only for the purpose of this report is neither feasible nor useful.

As a general comment also for other parts of the single rule book, we ask the EBA to be more specific on the Legal Entity Identifier (LEI). The LEI is still in discussion and not yet implemented. It is unclear if the LEI reference is mandatory or not and what is to be done in case the counterparty does not have a LEI (e.g. private clients, clients from countries which do not issue a LEI, etc.) This topic therefore needs to be addressed within the single rule book as a whole.

C. Responses to the questions for consultation

1. Are the proposed remittance dates feasible? ~~Does the specification in paragraph 2 give sufficient clarity on which flows are included and excluded for the purposes of this ITS? If not, please provide us with an alternative specification.~~

   Article 3 (1) defines the reporting reference date. The used wording could be misleading and therefore we would propose to define it as follows:

   "Monthly reporting: as per the last calendar day of each month".

   As already mentioned in our consultation feedback to EBA/CP/2012/05 and CP 50 in 2012, the preparation of the general and specific liquidity reporting – especially on a consolidated level – is time consuming, needs to rely on proper value date corrected accounts and needs sufficient quality checks. Depending on the size and complexity of the business 15 calendar days will not be sufficient to deliver the requested detailed information. The credit institutions cannot solve the conflict of early delivery and desired data granularity without compromising quality. In case the regulator requires a short timeframe as proposed (15 calendar days), preparation efforts and cost will be higher compared to reasonable longer periods and the required data quality needs to be regarded as a “best effort” approach. In this approach full reconciliation with accounting is hardly to archive. Credit institutions cannot be forced to produce data quality on a level which cannot be attained in the defined time span.

Therefore, in order to perform at least proper quality checks a remittance period until the end of the following month would be necessary. Shorter periods can only be reached with a different approach regarding data quality and lower requirements regarding reconciliation with accounting figures.

We further refer to our answer to question 2 below.

We did not answer the second part of Question 1 as stated in chapter 5.2 of the consultation paper as the reference is unclear.

2. Are the proposed frequency dates feasible? Has the proportionality been adequately considered?

While we can in general accept the monthly reporting frequency for the maturity ladder, we rather see a quarterly frequency for the other metrics as being sufficient (also taking into account the preparation time). The quarterly preparation should go in line with a general extension of preparation time to around 45 days (being aligned with solvency reporting) and the possibility for paragraph 3 (and 4; see below) possible enhanced reporting frequencies to semi-annual only.

Regarding the approach of proportionality, the approach chosen in paragraph 3 seems to be reasonable related to **size**. However, we feel that it does not take care for proportionality related to dedicated business models / activities.

As stated within our general comments in part B, highly depending on the individual business model of an credit institution a waiver possibility for the respective competent authority for certain reporting requirements should be introduced. Therefore we propose to introduce such a waiver possibility in **Chapter XX** (Format and frequency of reporting of additional monitoring metrics), Article XX, number 4 with the following content:

“4. As an exception from paragraph 1 and 2, competent authorities may allow institutions on a stand alone or consolidated level to report the information described therein with a quarterly reporting frequency or even waive parts or all reports as defined in paragraph 2, from the following year, where the following requirements are met:

(i) neither receivables nor liabilities with a maturity of more than 1 month exceed 10 % of the total receivable or liabilities respectively and

(ii) the general business model does not include mid/long term financing as well as mid/long term deposit taking and in consequence excludes substantial maturity transformation.”

3. Is the above size threshold of 1% of total assets suitable to determine a higher reporting frequency? Should such threshold be substituted or complemented by a liquidity-risk-based threshold or other quantitative criteria? If so, by which?

We refer to our answer to question 2.

4. Are the reporting templates and instructions sufficiently clear? Shall some parts be clarified? Shall some rows/columns be added or deleted?

As described before, our cash positions are mainly short term and therefore mainly the short term contents are relevant for us.

Nevertheless, the information required is very voluminous and therefore complex to setup, collect and maintain. Moreover an individual estimation how each institutions expects to fund the contractual funding gap and future business over the various time horizons is introduced. Some of the complete new reporting requirements are from our point of view oversophisticated and should therefore be deleted. In the following we want to specify this.

Annex I as well as the detailed descriptions within Annex II is adequate and clear for us.

The comments made with regards to CCC within part B above are in general also valid for Annex III (template concentration of funding by counterparty) and the respective instructions in Annex IV.

The purposes, design as well as the reference point for the specification of any spread are insufficient specified for Annex III – template prices for various lengths of funding within Annex IV. Moreover cash in different currencies over different maturities posses complete different spreads. The detailed instructions give no hint how these things should be handled and reported. In addition only a clearly specified reference point and thereof derived spread could lead to a comparable and reasonable result. Therefore this template should be completely renounced or reconsidered.

The same is true for Annex III – template roll over of funding incl. instructions in Annex IV. Purposes and design are totally unclear as well as the detailed instructions. Due to this, the template and instructions should be completely renounced, reconsidered and minimum be supplemented by any concrete example.

5. Could you indicate whether all the main drivers of costs and benefits have been identified in the table above? Are there any other costs or benefits missing? If yes, could you specify which ones?

No comments.

6. For institutions, could you indicate which type of costs (A1, A2 and A3) are you more likely to incur? Could you explain what exactly drives these costs and give us an indication of their expected scale?

No comments.

7. Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

No comments.

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We hope our comments are seen as a useful contribution to the discussion and final issuance on the respective ITS is reflecting our comments made.

Eschborn

14 August 2013

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