FK | Finanssialan Keskusliitto
FC | Finansbranschens Centralförbund
FFI | Federation of Finnish Financial Services

24.8.2012

Salminen Elina

To the European Banking Authority

Reference: EBA/CP/2012/05

CONSULTATION PAPER ON DRAFT IMPLEMENTING TECHNICAL STANDARDS ON SUPERVISORY REPORTING REQUIREMENTS FOR LIQUIDITY COVERAGE AND STABLE FUNDING

The EBA has published a consultation paper on draft Implementing Technical Standards (ITS) on supervisory reporting requirements for liquidity coverage and stable funding.

The Federation of Finnish Financial Services (FFI) welcomes the opportunity to respond to the EBA consultation on this topic. FFI is a member of the European Banking Federation, whose comments we also support.

1 General remarks

The FFI supports the goal of uniform reporting templates and the Single Rule Book for all credit institutions in EU member states. It will ensure a level playing field and will streamline the reporting for cross-border groups.

Given that CRD4/CRR texts have been delayed and the draft ITS CP/2012/05 is based on current CRR texts, we propose a new consultation of the industry after the final texts of CRR and ITS have been introduced.

In general, we think these templates do not enable to assess the economic impacts of the implementation, as they only focus on LCR/NSFR standards, not to the potential measures that banks needs to take for compliance.

EBA proposes that LCR templates would be integrated into COREP reporting. FFI supports the goal of authorities to reduce the double reporting by taking advantage of existing reports. However, due to the monthly reporting requirement for liquid assets, the synergies will be lost since the COREP data is based on end-quarter figures. We are worried that it would only cause confusion and might put additional burden on COREP reporting processes. Accordingly, we would prefer separate reporting templates at least for the transition period, during which there might be several changes to the draft ITS templates.

1.1 Application dates

According to the draft ITS liquidity reporting will be applicable already from 2013 January. EBA intends to submit the finalized ITS to the Commission for approval on November 2012, assuming that a final CRR will be available beforehand. This would mean that the reporters would have only a few months to build and test all reporting templates. It would be reasonable to have sufficient time, at least 6 months, for implementation. It should also be noted that during the year-end there can be no massive IT-changes going on since banks will have to concentrate on producing their financial statement figures etc. IT-systems should be already tested and ready prior to the year-end.

Taking into account the IT changes this reporting implementation requires, it would seem reasonable to postpone the liquidity reporting to June 2013, depending on the final version of the CRR and the final ITS.

1.2 Reporting frequencies

According to Article 403.3 of CRR the EBA shall develop uniform frequencies, dates and delays of reporting.

The draft ITS states that the reporting frequency would be monthly for the liquidity coverage reporting starting from January 2013. However, the liquidity coverage requirement will be binding no earlier than 2015. Since the reporting has a monitoring nature for two years it is not justifiable to demand monthly reporting for the transitional period. Monthly reporting seems like overburden not only for reporters, but also for the authorities who would have to go through the excessive number of reports.

The need for monthly or even quarterly reporting should be carefully assessed; reporting frequency should reflect the monitoring nature of the reporting. For the purpose of calibrating uniform definitions and reporting templates, even semiannual reporting should be sufficient

1.3 Comments on reporting templates (Annex I, Annex II)

To be consistent with the upcoming liquidity and stable funding requirement, the reporting templates should include the risk weights and factors needed when weighting the liquid assets, inflows and outflows. Respectively, the templates should calculate the liquidity and stable funding ratio.

1.4 Other comments on the draft ITS:

According to Chapter 3, Section 1, Article 5: “Institutions shall have the operational capacity to increase the frequency to weekly or even daily in stressed situations at the discretion of the competent authorities.” FFI proposes that no requirements for the operational capacity should be placed during the reporting period before the liquidity requirement is applicable i.e. no earlier than 2015.

Article 1.4 of the draft ITS states that “individual reporting may only be waived according to the procedures outlined in Articles 7 and 19.” We think that there should also be a reference to Article 9 of CRR which states that also group central cooperatives has to be monitored on a consolidated basis if decided by national authorities.

After all, we would like to point out that references to articles in ITS and CRR are confusing in part. There should be a clear practice how to refer those articles in a way that Level 1 articles are not confounded with articles of the ITS. It seems that Article 5 is stated twice in the draft ITS.

2 Response to consultation questions:

Q1: Are the proposed dates for first remittance of data, i.e. end of January and end of March 2013 feasible?

It is necessary to give reporters sufficient time for implementation. The time period between November 2012 (final ITS) and January (first liquidity reporting) is much too short for banks to adapt their IT-systems and reporting processes. There is no certainty that the final CRR would be available at a significantly earlier point of time.

Even though the CP/2012/05 templates are somewhat similar to Basel III QIS templates there are still many differences which will require IT changes. In addition, not all institutions have reported BIS tables, which means they will have to build all the new templates.

To avoid double work when preparing for the reporting before the final ITS, the EBA should consider postponing the remittance of data for liquidity reporting until e.g. June 2013 depending on the final CRR and ITS.

Q2: Do respondents agree with this proposal for defining significant currency?

The 5% limit is acceptable. However, the definitions should be more accurate and should exclude derivatives booked on the balance sheet.

Q3: Is the proposed remittance period of 15 days feasible?

The remittance period for reporting of only 15 calendar days is very short time period. This is specifically the case with NSFR with dependency on the balance sheet. This in practice leads to double reporting, with a ‘preliminary’ report and a ‘final’ report.

At least 30 business days would be feasible at least for the transition period of 2013–2015, due to the monitoring nature of the reporting. Most of the data for the liquidity and stable funding reporting require preliminary reporting and calculations on e.g. capital adequacy. Demanding a short period for institutions to fill in the reporting templates will increase the number of corrections and additions made after the remittance date, which will add to the workload in reporting institutions and authorities.

We think that due to the monitoring nature of the reporting, such a tight remittance period cannot be justified.

Q4: Are there additional sub-categories of inflows and outflows that are consistent with the specification of the liquidity coverage requirement in the CRR and would inform policy options that should be reported?

Sub-categories are consistent but the definitions are not clear for certain inflow and outflow categories. For example, definitions for “extremely high liquidity assets” and “high liquidity assets” as well as “retail deposits” will probably be reported differently by individual banks before the EBA gives further instructions. This will lead to less comparable data.

Q5: For the purposes of providing guidance as to transferrable securities of high and extremely high credit and liquidity quality, what additional assets, if any, should the ITS collect?

We propose that ITS should collect also RMBS and other debt instruments of financial institutions (CDs, CPs, senior bonds), ECB eligible assets as a whole including loan portfolio. We think this would constitute the easiest definition of liquid assets. In addition, we propose the ITS could collect holdings of self-issued covered bonds.

Q6: Do respondents agree that the template captures the requirement of the draft CRR on reporting of stable funding?

The template has the elements of CRR but the definitions are not clearly stated. The instructions are still missing in some parts, which makes it impossible to specifically conceive what needs to be reported (e.g. derivatives). Even though the templates are based on QIS they are not exactly similar, which will require IT-changes.

We refer here also to detailed comments given by the EBF.

FEDERATION ON FINNISH FINANCIAL SERVICES

Kaija Erjanti
Head of Financial Markets