EBA Banking Stakeholder Group

EBA Consultation Paper

on Draft Implementing Technical Standards

on Supervisory reporting requirements
for liquidity coverage and stable funding

EBA-CP-2012-05

Comments and answers to listed questions

August 26, 2012

Introduction

The EBA Banking Stakeholder Group ("BSG") welcomes the opportunity to comment on the Consultation Paper 2012-05 (EBA/CP/2012/05) on draft ITS on Supervisory reporting requirements for liquidity coverage and stable funding. This consultation paper was presented and briefly discussed at the BSG July 2012 meeting and this response has been prepared on the basis of these comments and shared among the BSG members.

As is the case with the CP50 on supervisory reporting requirements for institutions and the CP/2012/06 on leverage ratio reporting, the BSG supports an initiative that aims at harmonizing reporting across Europe in order to ensure fair conditions of competition between institutions and more efficiency for cross-border groups. The BSG also expects this initiative to facilitate data sharing between European supervisors and avoid reporting duplications for banks.

However, as the CRD4/CRR final text has not yet been adopted, the BSG believes that the implementation schedule risks becoming too tight and that, accordingly, it should be updated once the Level 1 text is released.

The detailed answers to the CP are presented in the document attached, with our main comments being summarized below.

1. Implementation schedule (questions 1 and 3)

We believe there are risks in squeezing the time window between the CRR approval and the first data remittance, and therefore suggest that a 6-month delay be introduced between the release of the final CRR and ITS texts and the reference date for the first data collection. Furthermore, a longer delay should be considered for smaller institutions who are likely to face particular data collection problems most especially in the early stages.

On first-time adoption, a remittance period of 15 days may prove detrimental to data quality. We suggest that EBA set a longer remittance period (e.g., 30 or 60 days) for the first few months and that a shorter time window be gradually enacted as institutions' own data production processes become smoother. Also, we suggest that a longer remittance period be considered for smaller institutions.

2. Materiality threshold for "significant currencies" (question 2)

We appreciate EBA's proposed definition of "significant currencies" and suggest that the 5% materiality threshold be applied on a consolidated basis, as that would prove more effective in avoiding disproportionate reporting obligations for minor currencies which do not pose a threat to a group's overall liquidity position.

3. Additional data items for LCR (questions 4 and 5)

The draft ITS suggests that the final CRR text might include additional liquid assets such as equities, gold, high-quality residential mortgage-backed securities or state-guaranteed bank debt; accordingly, they might be included in the reporting template. We welcome this proposal and suggest that reporting be extended to all assets eligible at the ECB and other central banks, and to any asset with a high level of liquidity even if it is not currently eligible.

Also, we suggest that information be collected on the amount of securities which: i) fall into the categories to be reported (e.g., covered bonds), but; ii) do not qualify as assets of (extra) high liquidity and credit quality, based on a bank's internal criteria and/or the guidance issued by national supervisors.

4. Reporting on stable funding

We suggest that assets and liabilities towards group or network members be given separate detail in the reporting template.

Also we notice that some more details have been added in the EBA data template, compared to the Basel 3 QIS, and would appreciate if EBA could provide a clear rationale for their inclusion, bearing in mind the costs and benefits of additional data items. This is the case, for example, with line 1.8. concerning "derivatives receivables" in the section on "items requiring stable funding".

5. Other comments

We suggest that assets and liabilities towards group or network members be reported separately. Also, we recommend that all data items requested in the new templates be accurately defined by EBA in order to avoid misunderstandings with banks, as well as inconsistencies between European and national supervisors.

We suggest that, whenever institutions find it too burdensome to provide the full level of detail requested by the ITS, they be allowed to use a less detailed but more conservative approach. For example, if an institution finds it too complex to sort an item into two buckets with different run-off factors, it would always retain the option to report them both in the bucket with the higher run-off factor. Such a rule should be explicitly mentioned in the draft ITS.

The attached document is submitted on behalf of Sony Kapoor and David T. Llewellyn, respectively Chair and Vice Chair of the BSG, in my capacity as Head of the BSG Working Group on Liquidity.

Best regards,

(Andrea Resti)

August 26, 2012