

Annex I - SUPERVISORY REPORTING REQUIREMENTS FOR LIQUIDITY COVERAGE AND STABLE FUNDING RATIO

Feedback on the public consultation and on the opinion of the BSG

On 7 June 2012, the EBA publicly consulted on the Draft Implementing Technical Standards (“ITS”) on Supervisory Reporting Requirements for Liquidity Coverage and Stable Funding (“CP05”).

The consultation period lasted for twelve weeks and ended on 27 August 2012. 28 responses were received, of which all were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them, if deemed necessary.

In many cases several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In such cases, the comments, and EBA analysis are included in the section of this paper where EBA considers them most appropriate.

Changes to the draft templates and instructions have been incorporated as a result of the responses received. Further changes will be needed once the CRR is finalised. A final ITS (comprising the legal text, as well as final templates and instructions) will be published once the CRR is finalised.

The majority of respondents voiced concerns on the proposed timeline for implementation, particularly in view of the uncertainty regarding the final date of adoption of the CRR. A second concern raised related to the proposed integration of liquidity reporting into the COREP framework. In our answers below we clarify to what extent we want to follow such an integrated approach and what commonalities of COREP we intend to use. There was little concern however regarding the level of granularity requested in the proposed formats themselves.

The Banking Stakeholder Group (“BSG”) responded to the consultation paper with a number of comments. Regarding the implementation timeline, the BSG echoed other respondents’ concerns about the short timeframe between a possible CRR adoption in autumn and the date for first data remittance. The BSG supported the EBA’s proposal for defining ‘significant currencies’, i.e. establishing a threshold of 5% of total liabilities; however it suggested applying this threshold only at the consolidated level. The BSG also welcomed proposals to include additional liquid assets in the templates for reporting purposes and suggested that assets and liabilities towards group or network members are reported separately.

Proposals for amendments to the templates, including those made by the BSG, are included in the table below.

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
General comments			
<p>Common Reporting (“COREP”) Integration & the Data Point Model (DPM)</p>	<p>Several respondents questioned the decision to integrate liquidity reporting into COREP. Some queried the implementation dates if liquidity reporting is to begin on 1 January 2013 when some national authorities will not implement COREP until later in the year.</p> <p>Others queried if COREP will be flexible enough to allow changes to the liquidity templates if required, if the liquidity reporting DPM is part of the COREP DPM, if and how the liquidity data will be reconciled back to COREP data if data sources are different?</p> <p>Some thought that reporting frequency would be an issue as Liquidity Coverage reporting is to be monthly but COREP reporting is generally quarterly. Some called for non-COREP Excel templates to be used, at least during the observation period.</p>	<p>Liquidity reporting is to form part of the (COREP) framework. It allows for a harmonised methodology to collect the data and a stabilised infrastructure to analyse and manipulate it. The liquidity reports will be separate reports within COREP but will use the same IT process and reporting methods.</p> <p>If the liquidity templates need to be amended over time, COREP is flexible enough to allow this. The DPM is not attempting to reconcile each data point in the liquidity template to a data point in the existing COREP returns, it is checking if any data point points are the same to avoid duplication. Liquidity reporting by its nature has different data requirements to other COREP reports and is based more on cash-flow data.</p> <p>Institutions can use COREP for monthly reporting of the liquidity templates. Reporting can be more frequent, if required.</p> <p>If institutions are unable to submit liquidity returns using the XBRL format, they may submit them in another format, subject to approval by the competent authority, which shall define such data exchange format.</p>	<p>No impact on ITS</p>

<p>Accounting Standards and Financial Reporting (“FINREP”)</p>	<p>Several respondents questioned the basis of the accounting framework that should be used, how to reconcile data points to FINREP and where audited figures were required. Some questioned if IFRS is to be used?</p> <p>Most references were in relation to the use of balance sheet data in the Stable Funding templates.</p>	<p>Where applicable, liquidity reports will be based on the same accounting standards used in other COREP reports.</p> <p>If the reports are expected to be accurate, the initial internal reporting process should be audited and Competent Authorities may request externally audited reports, if deemed necessary. Fully externally audited figures are not required for regular Liquidity Coverage and Stable Funding reporting. However, if audited reports or financial statements highlight a material difference to liquidity returns, the credit institution is to report the change and revised liquidity returns, if necessary, to the relevant Competent Authority.</p>	<p>No impact on ITS</p>
<p>Waivers for individual basis reporting, Scope of Application and Consolidated Reporting</p>	<p>Some respondents have called for more information to be provided on the subject of waivers to liquidity reporting, specifically in relation to the threshold for reporting on significant currencies, in particular does the threshold apply on a consolidated, sub-group or individual basis? Further questions were received on how the reporting waiver is to be applied during the observation period.</p> <p>There were calls for the instructions around the consolidation scope of the liquidity templates to be more explicit and to be more definitive on the entities that it applies to, the application to holding companies, insurance companies and “shadow banking” institutions were mentioned.</p>	<p>The scope of application of the liquidity reporting requirements is detailed in Part Six, Title II and III of the CRR. The scope of prudential consolidation is set out in Article 10 of the CRR.</p> <p>Waivers to liquidity reporting on an individual basis are set out in Article 7 of the CRR. During the observation period, unless the CRDIV/CRR is revised, institutions will follow the process set out in Article 7 and Article 19 of the Regulation where applicable, subject to any transitional measures as outlined in Article 487 of the CRR (Council text).</p>	<p>No impact on ITS</p>

Basel QIS	<p>Some respondents requested convergence and alignment with the Basel QIS templates to reduce the burden of reporting with a mapping exercise to be undertaken.</p> <p>Others stated that using the QIS type templates would be over-burdensome on smaller banks. Some suggested increasing the frequency of Basel QIS reporting during a transitional EBA reporting period and others suggested ceasing the Basel QIS report once EBA reporting begins.</p>	<p>The EBA cannot comment on the Basel QIS reporting process. It is separate to the EBA reporting process.</p> <p>The EBA has a mandate from the CRDIV/CRR to develop reporting templates in line with the requirements as set out in the CRDIV/CRR.</p>	No impact on ITS
Accuracy	<p>Some respondents stated that if the lead-in time to implementation of the liquidity reporting requirements or if the remittance period is too short, data quality and accuracy would be an issue. They stated that they may have to sacrifice data accuracy to achieve timely submissions. Others mentioned that reporting should be on a “best efforts” basis during the observation period.</p>	<p>The EBA expects liquidity reporting during the observation period to be accurate.</p> <p>Data from the observation period will be used in the report to the European Commission on the specification of the general liquidity coverage requirement and on how it would be appropriate to ensure that institutions use stable sources of funding, including the impact assessment of both. Inaccurate data could result in an inappropriate final calibration.</p>	No impact on ITS
Proportionality Materiality Discretion Derogation	<p>Some respondents want the principle of proportionality to be applied to liquidity reporting and stated that smaller banks should not be expected to commit the same resources as their larger counterparts.</p> <p>Some respondents called for materiality to be addressed in the cashflow reporting, that significant resources may be spent on providing accurate data that may not be material.</p>	<p>The draft CRR does not envisage derogations to liquidity reporting for the Liquidity Coverage and Stable Funding Requirements.</p> <p>The draft CRR does not include such materiality</p>	No impact on ITS

	<p>There was a suggestion to allow institutions to choose a higher outflow bucket if it is too burdensome to allocate resources to finding specific data for some liability items.</p>	<p>threshold.</p> <p>Derogations to outflow rates, applying a higher outflow rate, will not be addressed in this ITS. Where applicable, it will be addressed by the individual guidelines or ITS dealing with the issue.</p>	
<p>Ratio Calculation Criteria Checks</p>	<p>There were some requests to have the Liquidity Coverage and Stable Funding ratio calculations included in the reporting templates.</p> <p>Some respondents asked that the liquidity reporting templates be used to determine whether certain operational requirements for holdings of liquid assets have been met, or to determine currencies with constraints on the availability of liquid assets.</p>	<p>The ratio calculations will not be included in the reporting templates. The templates are to be used in a data monitoring and evaluation exercise. The final specification of the Liquidity Coverage Requirement will be part of legislation planned to enter into force in 2015.</p>	<p>No impact on ITS</p>
<p>Observation Period Data and EBA Engagement</p>	<p>It was noted that the most recent QIS results have not been made public, questions were asked about the use of the data during the monitoring and observation periods, and how the EBA plans to use this data for the impact analysis and the final calibration.</p> <p>Some suggested the observation period reports could be supplemented with qualitative exchanges between the stakeholders and with feedback statements.</p> <p>Another suggestion was made that the EBA should provide a “help desk” approach during the observation period and there should be Q&A sessions in each jurisdiction.</p>	<p>The data from the 2012 QIS is currently being analysed by the EBA Impact Study Group (ISG) and is being used in the impact analysis of the liquidity metrics.</p> <p>The data from the observation period will be used in the same way. Using this data, the EBA is to report to the Commission in 2013 on whether the specification of the liquidity coverage requirement outlined in CRR is likely to have a material detrimental impact on the business and risk profile of Union institutions or on financial markets or the economy and bank lending. The EBA will not be releasing the full results of this analysis to the public or industry in the interim period.</p> <p>Furthermore, the EBA published the results of the Basel</p>	<p>No impact on ITS</p>

		<p>III monitoring exercise as of 31 December 2011 on 27 September. .</p> <p>The EBA is to consider adding an FAQ on completing the liquidity reporting templates and making this available on the EBA website. Individual queries should be first addressed to the relevant Competent Authority.</p>	
Calendar Month	<p>There were requests for the EBA to state that the basis for 1 month cash flow reporting would be on a calendar month basis rather than on 30 days. It would still be for a 30 day stressed period but would be in line with industry and accounting norms.</p>	<p>The EBA is restricted to adhering to the CRR text on this point. The CRR states that it is cash flows over a 30 day period that will be used.</p> <p>It should be noted that the liquidity minimum ratios will have to be met on an ongoing basis, not just at month end.</p>	No impact on ITS
Further Clarifications/ Definitions	<p>Further clarification and more detailed definitions were requested for a number of areas in the ITS and alignment with COREP, FINREP and Basel definitions. Some requested the ITS deal with any definition gaps that may remain following the finalisation of the CRDIV/CRR and that without further clarification there could be inconsistencies in the liquidity reports.</p> <p>There were requests for clarity on the treatment of Minimum Reserves, Intra-Group and Network transactions, CIU's, and defining certain assets and liabilities.</p>	<p>The EBA will look at providing further detail on line items in the ITS where possible.</p>	Amend ITS accordingly
Additional Metrics	<p>Some respondents suggested the use of other metrics other than LCR and NSFR to monitor liquidity risk. Some highlighted the shortcomings of Liquidity Coverage and Stable Funding to monitor liquidity risk between 1 and 12 months.</p>	<p>Article 403 (3) (b) of draft CRR mandates the EBA to develop an ITS on additional liquidity monitoring metrics. The EBA will consult on its proposals in due course.</p>	No impact on ITS

Credit Quality	There was a suggestion that the CRD Credit Quality Steps should be incorporated into the ITS.	Credit Quality will be addressed in the report to the Commission on appropriate uniform definitions of high and extremely high liquidity and credit quality of transferable assets. The individual CRD credit quality steps will need to be included in the final ITS.	Amend the ITS to include CRR credit quality steps.
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Responses to questions in Consultation Paper EBA/CP/2012/05

Question 1.	<p>21 of the 28 respondents said that the first remittance dates proposed (31 January 2013 for Liquidity Coverage and 31 March for Stable Funding) would not be feasible. Some went so far as to say that it would be impossible whilst others labeled it "challenging".</p> <p>A common cause for such opposition was banks expectations of data quality, with many respondents protesting that they could not compile "fully audited" figures in this timeframe. The development of appropriate IT systems to facilitate COREP was a further concern, with many favoring a continuation of excel file submissions (as currently conducted for the voluntary monitoring period).</p> <p>In terms of alternative suggestions, if the data is expected to be fully accurate and prepared as part of the COREP platform, 11 of the respondents said they would need at least one year to prepare for the Liquidity Coverage requirements and Stable Funding requirements i.e. first remittance date of 1 Jan 2014. 5 said that a six month period would be sufficient and 2 suggested a three month period. The remaining did not comment on the timescale but said that more time would</p>	<p>The CRR text is clear with regards to the issue of frequency. "...shall not be less than monthly for the requirement in Title II and Annex III Liquidity Coverage] and not less than quarterly for items referred to in Title III [Stable Funding]".</p> <ol style="list-style-type: none"> 1. These frequencies will apply from the date of inception of the regulation. 2. This is a mandatory stipulation of the level 1 text. 3. The text provides for no transitional provisions, as some institutions were suggesting. 4. The voluntary data collection will be continued until the reporting ITS is in place. 	<p>Amendments can be made as necessary when the CRR will be adopted.</p>
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	<p>be needed.</p> <p>The majority of respondents were in favor of maintaining the voluntary "QIS" quarterly reporting exercise for the duration of 2013 as part of a phased approach.</p>		
Question 2.	<p>15 out of 28 respondents agreed that the 5% threshold was appropriately appointed. Of the eight that disagreed, alternative suggestions were proposed and varied between 8% and 20%.</p> <p>A number of institutions also raised the suggestion that some kind of hard limit should apply i.e. nothing less than €2bn gets reported etc.</p> <p>It was clear that there was a large amount of confusion surrounding whether the 5% threshold would apply at the individual entity level, the consolidated level, or both.</p> <p>Some institutions suggested that there should be an exemption from this requirement for those institutions which have 'fully hedged' their FX liquidity risk.</p>	<p>Given broad agreement for the 5% threshold, this should be adopted. This threshold is also in line with the Basel requirements in this regard.</p> <p>Regarding the reporting of significant currencies, it is important to note that this is a requirement at both the individual institution and consolidated level according to the text of CRR i.e. Article 403 (2) states "an institution [e.g. single entity reporting] has a significant liquidity risk in another currency". Whereas Article 10 states that groups shall comply with all the requirements of "part six" on a consolidated basis. This includes the requirement to report significant currencies on the same basis. Unless a waiver is granted, both requirements operate in tandem.</p> <p>Exemptions due to FX hedging are neither desirable, now allowed for in the CRR.</p>	None.
Question 3.	<p>None of the 28 respondents agreed to the proposal for a 15 calendar day remittance period. Suggestions for a more appropriate delay ranged from 20 to 90 days.</p> <p>A number of other questions were raised, which seem to be influencing institutions view over the proposed</p>	<p>The majority of respondents in opposition to the 15 calendar day remittance period appeared to be influenced by a widespread assumption that figures for liquidity reporting need to be reconciled to audited balance sheet figures. This is most likely owing to the fact that liquidity reporting is operating on the</p>	<p>Clarifications on</p> <p>a) the type of data being requested, i.e. management information and b) the accuracy of the figures</p>

	<p>timescale, including:</p> <p>1) Whether it is a requirement that the figures be "audited" accounting data. The majority of institutions who made this assumption said that 15 days would not be appropriate for having an external review, full accountancy sign-off etc.</p> <p>Those institutions that interpreted Liquidity Coverage and Stable Funding reporting as a request for cash flow 'management information' (on an un-audited basis) on the other hand were more acceptable to the proposed remittance period.</p> <p>2) A number of institutions requested clarification as to whether this was 15 business or calendar days.</p>	<p>COREP/FINREP IT platform.</p> <p>However, although these figures are expected to be fully accurate, they are mainly projected cash flows, i.e. management data. We would expect that the process for deriving this data undergoes audit and that reported data are reconciled ex-post with their realisations.</p> <p>On that basis, the 15 calendar day remittance period is deemed appropriate.</p> <p>However, the EBA may consider to extend the remittance period to 30 days during the monitoring period until 2015, to ease implementation for institutions.</p>	<p>needed will be made in the final ITS.</p>
<p>Question 4.</p>	<p>Almost all respondents commented to some degree on the design of the inflow and outflow items. These comments mainly focused on missing categories which institutions were used to completing as part of the voluntary monitoring exercise.</p> <p>Suggestions for additional sub-categories were wide ranging in nature. The most popular suggestions for additional items, outside of the scope of those listed in the draft CRR, included:</p> <p>-Outflows due to secured funding relating to assets listed in Panel E of the EBA voluntary monitoring template</p>	<p>A number of the sub-categories of inflows and outflows suggested go beyond those mentioned in the CRR. However, we appreciate the industry's proposal to increase granularity of reporting items in the context of enhancing the content of the EBA's economic impact assessment.</p>	<p>Technical changes to the template:</p> <p>-Separate categories for insured and uninsured deposits with established relationships.</p> <p>-Combining inflows from</p>

	<ul style="list-style-type: none"> -Outflows/Inflows due to collateral swaps -Outflows due to trade finance -Outflows/Inflows due to retail deposits >€1m -Outflows due to operational costs -Outflows/Inflows due to intragroup entities and cooperative network partners -Outflows due to maturing reverse repos covering shorts <p>The following changes were also suggested (not outside of the scope of CRR):</p> <ul style="list-style-type: none"> -“All other” inflows -Separate categories for insured and uninsured deposits with established relationships. -Combining inflows from natural persons and small business customers into one category i.e. “retail inflows” -Clarification on what “reducing” inflows means pursuant to Article 413. <p>Many institutions asked for further granularity in the description of existing items.</p>		<p>natural persons and small business customers into one i.e. “retail inflows”, thereby making it consistent with the outflow counterpart.</p> <p>Changes to instructions:</p> <p>Clarification on what “reducing” inflows means pursuant to Article 413.</p> <p>Further granularity in the description of existing items, where this is possible.</p>
<p>Question 5.</p>	<p>Almost all institutions commented that the list of eligible transferable securities of “extremely high” and “high” “credit and liquidity quality” should not just follow the</p>	<p>As there was widespread support for an expanded list of assets in the LCR reporting format, and as this could enhance the EBA’s economic impact assessment and</p>	<p>Amendments possibly to be made after CRR</p>

	<p>scope of the CRR, but incorporate at least all items listed in both Annex III of the regulation and Panel E of the EBA voluntary monitoring template.</p> <p>This therefore includes:</p> <ul style="list-style-type: none"> – Lower rated covered bonds – Lower rated non-financial corporate bonds – High quality RMBS – Gold – Equities featured in major indices <p>Financial corporate bonds, own issuances and unsecured bank issuances are explicitly excluded in Article 404.2(a) and (b).</p> <p>Central Bank eligibility seemed to be the common guideline for how institutions suggested assets might be considered for inclusion. Some suggested a split between collateral that has been pre-positioned and collateral which has not.</p> <p>It was suggested that Govt Guaranteed bonds issued to credit institutions as part of government support measures and with EU state aid approval should be shown separately.</p> <p>A number of institutions raised concerns that international agreement on what constitutes liquid assets</p>	<p>the work on criteria for the determination of HQLA, the EBA agrees to enlarge granularity of the information collected. This may include the proposals made by respondents and the information contained in Panel E of the EBA LCR monitoring template.</p> <ul style="list-style-type: none"> – Lower rated covered bonds, – Lower rated non-financial corporate bonds, – High quality RMBS, – Gold, – Equities featured in major indices, – Other assets, including own issuances, financial corporate bonds, unsecured bank issuances, lower credit quality RMBS <p>Reporting on a wider range of assets does not indicate their liquidity or viability as a source of liquidity coverage.</p>	<p>adoption.</p>
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	had not yet been reached, and therefore significant updates to the template would need to be made.		
Question 6.	<p>Comments regarding the Stable Funding Requirement were less elaborated than those for the Liquidity Coverage Requirement. The majority of respondents agreed to the template as currently drafted, but raised the following issues:</p> <p>W) whether and how the choice of accounting standard affects reporting for the Stable Funding Requirement.</p> <p>2) Why a breakdown of encumbered vs. non-encumbered assets was included in the EBA voluntary monitoring template but not in this reporting format.</p> <p>3) Suggestions to include the applicable ASF and RSF weightings in the templates.</p> <p>4) Include the operational deposit distinction, used in the Liquidity Coverage template, also for the Stable Funding.</p>	<p>There were no substantive comments regarding sub-categories for the Stable Funding Requirement, other than the fact that encumbered and unencumbered assets are not separated out – unlike the voluntary monitoring template.</p> <p>Although the CRR makes no mention of this split, the EBA deems this to be useful for its report on the impact of the ratio.</p> <p>The choice of accounting standard does not affect the reporting mechanism here.</p>	<p>Technical:</p> <p>Sub-category for established relationship deposits in the Available Stable Funding Section will be added to align with the Liquidity Coverage and make validity checks more possible.</p> <p>A breakdown of encumbered and unencumbered assets will be included within the template.</p>