



Brussels, 21 March 2013

**Comments on the EBA's Discussion Paper**

**"On retail deposits subject to higher outflows for the purposes of liquidity reporting"**

The European Federation of Building Societies is pleased to use this opportunity to comment on the Discussion Paper "On retail deposits subject to higher outflows for the purposes of liquidity reporting".

The EFBS is an association of credit institutions and organizations that assist in and support the financing of home ownership. Its purpose is to encourage the concept of home ownership in a Europe that is growing together, both politically and economically. Bausparkassen grant loans secured by residential property to finance home ownership as a bulk business (retail). In addition, Bausparkassen are also allowed to use particular safe investment instruments.

In principle, Bausparkassen welcome the objective of a harmonised application of the CRR in all the Member States. However, key aspects of specialised institutions such as Bausparkassen have so far not been taken into consideration with regard to the common requirements to be met by analyses of liquidity outflows. In this respect, the comparability across national borders is also limited.

In our opinion, the principle of proportionality should play the key role, i.e. the aim should be to introduce reasonable requirements in particular with regard to the business model and the risk. It is our view that only limited account has been taken of the principle of proportionality in the Discussion Paper that has been presented.

Because of the specific structure of the home loan and savings business, the criteria proposed for calculating potentially higher outflow rates do not apply to this business model. For this reason, Bausparkassen would like to provide a brief description of the special character of the retail deposits of Bausparkassen (deposits under Bauspar contracts).

Historical data have shown that deposits under Bauspar contracts are subject to very low outflow rates. The variations of the rates have been very limited over time.

Deposits under Bauspar contracts are designed to achieve a long-term objective, which is to obtain a housing loan after saving the amount specified in the Bauspar contract. In addition, Bauspar contracts are designed to ensure that deposits will be stable in nature and that there will be a long-term investment incentive for depositors.

For depositors, the primary purpose is to save money, so that deposits are held at least until the savings target has been achieved. This means that, in terms of liquidity, they do not primarily respond to the risk factors addressed in the Discussion Paper. This also applies to a stress scenario. It should also be emphasised that, because of statutory limitations, the individual amounts are relatively low. Consequently, it can be assumed that the outflow rates of retail deposits that are aimed at a savings purpose (such as deposits under Bauspar contracts) will remain low.

The methodic approach as presented in the Discussion Paper will involve a considerable administrative and IT effort. However, the assessment of outflow rates which are earmarked for a specific purpose should be considerably simplified for retail deposits and therefore purposively

designed. In particular, it does not seem reasonable to repeat periodically the assessment for deposits under Bauspar contracts whose characteristics result from the Bauspar contract.

In addition, Bausparkassen would like to respond to some of the questions raised in the Discussion Paper:

***Q1: How do respondents assess the availability of data to empirically substantiate work on criteria for identification of retail deposits subject to higher outflows, as well as setting such outflow rates?***

Relying on the data of the national authorities seems to be a reasonable solution, even if the data is lacking sufficient granularity. To launch a data collection exercise among all the institutions among the EU that causes a substantial reporting burden is not in the best interest of Bausparkassen.

In the past, Bausparkassen have not experienced the stress scenarios described in the Discussion Paper (combined idiosyncratic and market-wide stress). While it would be possible to assume stress scenarios for Bausparkassen in the future which describe extraordinary events that are no longer plausible, this will not provide any empirical evidence to identify outflow rates.

***Q2: Can you identify any other factors that may lead to higher outflows, especially in relation to the introduction of innovative products designed to lower outflow rates?***

Since Bausparkassen have not experienced relevant stress phases in the past, no comments can be made about any other factors that may lead to higher outflows.

Innovative products designed to lower outflow rates are not relevant for Bausparkassen in light of statutory requirements.

***Q3: Do you agree with this characteristic? Should the local DGS amount be used instead of a fixed 100.000 EUR? Is it sensible to distinguish between high and very high value deposits? What are the concentration analysis and management tools used internally as regards high value deposits?***

In the opinion of Bausparkassen, a linkage with the local deposit guarantee scheme limits that are relevant for a given institution makes sense because these limits are likely to directly affect customer behaviour.

The relevance of high-value deposits is relatively limited for Bausparkassen because of their business model and statutory limitations applying to high-value Bauspar contracts.

***Q4: Do you agree with the criteria for deciding which products can be considered as rate-driven?***

Because of the particularities of Bauspar products, a peer group analysis could only be carried out for deposits under Bauspar contracts if ideal assumptions were applied; however, these assumptions would not reflect reality. This criterion is therefore unsuitable for Bausparkassen with regard to the proposed scorecard methodology.

Furthermore, to differ between average rates and compare it with a peer group should have no impact on the stability assumption. Deposits that exceed the average rate for similar products offered by their peers by 25 % should not be defined as rate driven. Therefore, products of specialized institutions like Bausparkassen should be considered and treated in a special way, since they have shown a very stable behavior even in times of general crisis.

**Q6: What are the other characteristics identified capture the key attributes of retail deposits subject to higher outflows? What is the internal policy extended to detect other characteristics ?**

Bausparkassen only have one kind of product (Bauspar savings) that has proven to be stable even in times of general crisis. The stability of our Bauspar savings is proven by our historical records of more than 30 years.

**Q9: Is the definition of products with rate-driven and preferential features precise enough? If not please specify what additional specification would you include?**

No. Please see our answers and comments to question 4.

**Q11 How much and what additional resources will be needed by institutions to implement this assessment? How much and what additional resources will be needed by institutions to run the assessment on an ongoing basis? Could you explain what will drive the costs (for instance, IT resources, additional staff, etc.)?**

Bausparkassen expect that the effort required to implement this assessment will be considerable because, due to their business model, Bausparkassen do not need the stipulated analyses for internal purposes. Bausparkassen use other, longer-term criteria within the context of simulations for Bauspar contracts to analyse and manage deposits from a liquidity perspective.

The regular burden to be expected and the necessary additional resources will mainly be driven by the analyses to be carried out. Currently, analyses are geared to the specific requirements of a Bausparkasse, while their focus would have to be broadened in the future.

In our opinion, the principle of proportionality should be duly taken into account with regard to the new requirements.

**Q12: Are there any other factors which appear to be associated with higher outflows on retail deposits? If yes, which factors? Please justify your answer.**

No.

**Q14: What is your opinion on the feasibility and resource-intensiveness of implementing the proposed methodology in your jurisdiction?**

Bausparkassen are not able to estimate the associated costs of an implementation of the proposed methodology in our jurisdiction.

**Q15: What is your opinion on the composition of the 2 groups of the characteristics ranked according to riskiness?**

The two categories mentioned are suitable to differ between normal risks of an outflow and a higher risk. Bausparkassen do not agree with the categorization of rate-driven products, which will lead to higher risks. In our point of view rate-driven products do not affect a higher volume outflow in a crisis. See also question 4.

**Q17: Do you believe it would be appropriate to allow derogations from the application of outflow rates on the basis of uniform strict criteria?**

Bausparkassen explicitly welcome the proposal to establish a mechanism that would allow taking into account the particularities of specific institutions or groups of institutions. A derogation should especially be possible if their products differ significantly from a standard retail deposit. However,

this mechanism should make it possible to consider not only higher outflow rates (as proposed) but also lower outflow rates, e.g. due to specific business models.

***Q18: What are in your opinion factors that could lead to the application of the above-described derogation mechanism?***

Specialized institutions like Bausparkassen, offering specialized or limited products defined by law or regulation should be treated according to their specialized business model taking into account a proven stable behavior in the past.