Position Paper
Erste Group Bank AG
Bank Legislative Affairs

Notes on the EBA discussion paper on retail subject to higher outflows

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Please note that Erste Group does not want its comments to be published or disclosed.

Erste Group welcomes the opportunity to provide comments on the proposals put forward in the Consultation Paper.

1. The DP outlines possible characteristics and features of retail deposits potentially prone to higher outflow rates than proposed in the LCR measure by Basel Committee of Banking Supervision (BCBS 188 - December 2010, BCBS 238 – January 2013). In the May 2012 version of the CRR (Article 409 (3)), EBA was given the mandate to publish guidelines on the criteria to determine the conditions and product specifics under which higher outflow rates on retail deposits can be applied.

2. EBA, unfortunately, does not provide any guidance on the definition of established retail relationships (base criterion for „stable” retail deposits). Instead, it proposes 3 new higher outflow rates for specific retail deposits: 15%-20%-25% (based on EBA’s preceding survey of nationally competent authorities). The DP clearly goes against the most recent BCBS proposal (BCBS 238), in which retail deposits were on average given lower outflow rates (5% assumed outflow for stable retail deposits was reduced to 3%).

3. Selected identified factors of retail deposits prone to higher outflows:
   a. High value deposits (volumes above the deposit guarantee scheme)
   b. Term deposits and deposits with a period of notice
   c. FX deposits and deposits by non-residents
   d. Internet deposits or brokered deposits
   e. Rate-driven (campaign) deposits

   Two or more factors for a given deposit would mean that the higher outflow rates have to be applied in the LCR calculation.

4. Currently we are not able to judge the exact extent of the impact of introducing higher outflow rates for certain deposits, as we do not have information about the amounts in the entities that could be affected. The introduction of new outflow rates could mean substantial additional cash outflows (and therefore higher required buffer) at all.

5. The definition of the factor sophisticated or high network individuals as provided by the EBA paper is unclear.
6. From purely risk point of view the approach to apply higher outflow rates for high risk retail deposits is comprehensible. However, the proposed rates (up to 25%) are more than doubling the original rates (10% for less stable retail deposits). In fact a high risk retail deposit comes close to outflow rates of a corporate deposit (40% without deposit insurance). In general the proposed rates not only seem to be very high, but own data also show a much more differentiated picture. Therefore we would appreciate to go for more research especially with more local/regional entities. The outcome can be used to create a more detailed model instead of finding a „one-size-fits-all” approach.

7. Specific factors for SME should be defined as well.

8. Beside the above mentioned facts we also want to highlight the effort already made so far to establish the new LCR regime. By raising these issues as proposed by the discussion papers the timeline for monitoring and introduction of LCR regime seems to be very questionable. Especially necessary technical implementations already made would need a time schedule which would not be in line with the LCR starting point.

9. We want to underline that the recent BCBS proposal on LCR from January 2013 on retail outflows should thoroughly be taken into account also on Community level.

10. The proposal could mean that we have to allocate the respective ratios to the single deposit level. This would mean an enormous effort for the banks and very high cost burden. A single deposit view should therefore be avoided in any instance. We would propose a more general approach.