

European Banking Authority

Sent by email to: EBA-CP-2013-18@eba.europa.eu

Re: On Additional Liquidity Monitoring Metrics under Article 403(2) of the draft Capital Requirements Regulation (CRR)

Dear Sirs

HSBC Banking Group appreciates this opportunity to respond to the European Banking Authority regarding its discussion Consultation Paper on “Additional Liquidity Monitoring Metrics under Article 403(2) of the draft Capital Requirements Regulation (CRR). HSBC understands the objective of the paper and supports the proposed EU common reporting framework for liquidity, this should ensure consistency and allow competent authorities to compare and contrast liquidity risk both within the same institution and across the industry.

A. General Comments

Whilst we appreciate and support the EBA’s goal to better manage the risk associated with liquidity in general and the reporting thereof, we are concerned around the timing of implementation of the requirements and the scope of reporting.

B. Timing of Implementation

As the scope of the requirements around this reporting for an EU lead regulated bank is both at single entity and consolidated level, this requires a global financial services group, such as HSBC, to implement in many jurisdictions across the globe. We are committed to undertaking just such a requirement, but with the ongoing commitment to report both LCR and NSFR on this basis we believe the current timescale, as proposed, is wholly inappropriate and unachievable given the amount of system implementation required to automate these reports. We think that a timescale of between 12-18 months post final EBA decision making process on the metrics is appropriate, this indicates implementation not before January 2015 and more realistically June 2015.

C. Scope of Requirements

Conceptually HSBC is opposed to the use of consolidation for liquidity metrics. With regard to LCR and NSFR metrics we can understand the attraction of consolidated reporting for supervisors; however for these monitoring metrics we are concerned the information contained within the reports may in fact mask, rather than reveal, liquidity risk. This will therefore be in direct contrast to the objective, stated within the paper, to “provide the cornerstone of information that aids supervisors in assessing the liquidity risk of an institution, because they can help competent authorities identify potential liquidity difficulties signaled through a negative trend in the metrics of through an absolute result of the metrics,” when the structure of a group is managed materially via a subsidiary rather than branch legal set-up. As an example, these templates are unable to take into account the notion of trapped liquidity and the concentration of funding by counterparty in a small entity will bear no relationship with risk when considered against the consolidated balance sheet of HSBC.

D. Response to questions posed by EBA

Q1. Are the proposed remittance dates feasible? Does the specification in paragraph 2 give sufficient clarity on which flows are included and excluded for the purposes of this RTS? If not, please provide us with an alternative specification.

Until such time as the Basel objectives for liquidity are implemented in full globally, we believe the 15 calendar days is too short a timescale and 30 calendar days would seem more realistic. In addition the reporting should, as much as possible, be consistent with the COREP reporting framework.

Q2. Are the proposed frequency dates feasible? Has the proportionality been adequately considered?

HSBC believes the frequency of reporting should be regular, but should also mirror the nature of risk. Therefore if a metric is more structural, rather than volatile, this metric should be managed/reported at a less frequent basis, an example of this consistency is the NSFR (a structural metric), which is due to be reported on a quarterly basis. It is therefore for the EBA to consider the most appropriate frequency.

Q3. Is the above size threshold of 1% of total assets suitable to determine a higher reporting frequency? Should such threshold be substituted or complemented by a liquidity-risk-based threshold or other quantitative criteria? If so, by which?

HSBC has no comment to make on this question.

Q4. Are the reporting templates and instructions sufficiently clear? Shall some parts be clarified? Shall some rows/columns be added or deleted.

HSBC has no specific comments to make at this time other than to encourage the EBA to implement an efficient and effective Q&A process for when the final detail is required to be implemented.

Q5. Could you indicate whether all the main drivers of costs and benefits have been identified in the table above? Are there any other costs or benefits missing? If yes, could you specify which ones?

HSBC has no comment to make on this question.

Q6. For institutions, could you indicate which type of costs (A1, A2, A3) are you more likely to incur? Could you explain what exactly drives these costs and give us an indication of their expected scale?

HSBC has no comment to make on this question.

Q7. Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

HSBC has no comment to make on this question.

HSBC Group appreciates the opportunity to share feedback and is happy to engage with regulators to further consider the issues around Additional Monitoring Metrics.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. S. Sinclair', with a long horizontal flourish extending to the right.

Mark Sinclair (Group Head of Liquidity Policy and Control)