Update of the ITS on LCR reporting due to LCR Corrigendum

London, 10 October 2018

Background

- The European Commission adopted and published the LCR amending Act on 13 July 2018.

Changes in the LCR calculation → *Update of the ITS on LCR reporting*

- The EBA is performing a monitoring of the LCR implementation. The update of the ITS incorporates some new elements in the interest of a better supervisory reporting instrument.

- Q&As on LCR reporting published to date have been incorporated into the ITS.

Granularity of the templates

- The LCR amending Act brings some changes in the LCR calculation that necessitate an increase of rows. This is particularly the case with the collateral swaps template.

- The introduction of the new template C 77.00 purely captures the identification of the entities reporting a consolidated LCR.

- Memo items have been reviewed and some have been deleted retaining only those that are strictly necessary.

Next steps

- Publication of the updated ITS and submission to the Commission is expected by April 2019 along with other reporting packages (FINREP and securitisations). The first reference date proposed is the first end month date after the application date of the LCR amending Act.

- DPM and Taxonomies of the ITS in the EBA reporting framework v 2.9.3

- The LCR amending Act will apply 18 months after publication in the OJ (i.e. around April 2020). No major gap between application dates of the LCR amending Act, the ITS and the taxonomies are expected.

- We will consider to update the ‘LCR calculation tool’ after publication of the ITS.

Content of the ITS update

LCR Amending act

-New approach for calculation of inflows & outflows in SFTs and collateral swaps

-Introduction of a waiver for the unwind of some SFTs and collateral swaps with central banks

LCR Implementation monitoring

-Rationalization of memo items

-Separate reporting of the excess amount of operational deposits

-New template on perimeter of consolidation

Q&As

-Q&As published on LCR reporting incorporated into the ITS

SFTs & collateral swaps: Inflows/outflows and unwind waiver

- *New:* The calculation of inflows/outflows in reverse repos and collateral swaps will follow the approach applied for repos up to now, i.e. the cash-leg (or the more liquid leg in a collateral swap) multiplied by the relevant rate based on the collateral haircuts.
- *New:* For the determination of the rate to be applied, the consideration of the collateral exchanged as HQLA does not require anymore that the operational requirements are met.
- However for the purposes of unwinding SFTs and collateral swaps in the determination of the HQLA caps, HQLA need to meet operational requirements, as is the case now.
- *New:* In addition to this, some SFTs and collateral swaps with central banks can be waived from unwinding for the determination of the HQLA caps.

As a conclusion the LCR calculation process requires granularity of all these transactions to:

- Identify those meeting operational requirements, that will be unwound
- Identify those where the counterparty is a central bank and where the waiver is granted, that won't be unwound

For example, in the case of repos… (C 73.00)

Outflows from secured lending and capital market-driven transactions
Counterparty is central bank
level 1 excl. EHQ Covered Bonds collateral
of which collateral extended meets operational requirements
level 1 EHQ Covered Bonds collateral
of which collateral extended meets operational requirements
level 2A collateral
of which collateral extended meets operational requirements
…
Counterparty is non-central bank
level 1 excl. EHQ Covered Bonds collateral
of which collateral extended meets operational requirements
level 1 EHQ Covered Bonds collateral
of which collateral extended meets operational requirements
level 2A collateral
of which collateral extended meets operational requirements
…

MEMORANDUM ITEMS
…
Secured funding waived from Article 17 (2) and (3)
of which: secured by L1 excl. EHQCB
of which: secured by L1 EHQCB
of which: secured by L2A
of which: secured by L2B

Rationalization of memo items

- Memo items have been reviewed. In some cases they have already met the purposes for which they were introduced in the interest of a better understanding of the LCR.

- The memo items to be kept are confined to those that are strictly necessary and that are not available anywhere else in the supervisory reporting.

- We have been able to remove a material number of memo items in some templates. In others they remain at similar levels.

- Mainly, in C 72.00, on HQLA, 12 memo items are deleted and in C 73.00 12 memo items are deleted and 5 new memo items are added.

For example, in C 72.00 and C 73.00

MEMORANDUM ITEMS (C 72.00 on HQLA)
~~Alternative Liquidity Approaches: Additional Level 1 / 2A / 2B assets included due to currency consistency not applying for ALA reasons~~
~~Deposits by network member with central institution (obligated investment in Level 1 excl. EHQ CB)~~
~~Deposits by network member with central institution (obligated investment in Level 1 EHQ CB assets)~~
~~Deposits by network member with central institution (obligated investment in Level 2A assets)~~
~~Deposits by network member with central institution (obligated investment in Level 2B assets)~~
~~Adjustments made to assets due to net liquidity outflows from early close-out of hedges~~
~~Adjustments made to assets due to net liquidity inflows from early close-out of hedges~~
~~Member State-sponsored guaranteed bank assets subject to grandfathering~~
~~Member State-sponsored impaired asset management agencies subject to transitional provision~~
~~Securitisations backed by residential loans subject to transitional provision~~
Level 1 / 2A / 2B assets excluded due to currency reasons
Level 1 / 2A / 2B assets excluded for operational reasons except for currency reasons
~~Level 1 Non-interest bearing assets (held by credit institutions for religious reasons)~~
~~Level 2A Non-interest bearing assets (held by credit institutions for religious reasons)~~

MEMORANDUM ITEMS (C 73.00 on outflows)
~~**Retail bonds with a residual maturity of less than 30 days**~~
~~**Retail deposits exempted from the calculation of outflows**~~
~~**Not assessed retail deposits**~~
Liquidity outflows to be netted by interdependent inflows
Operational deposits maintained for clearing, custody, cash management or other comparable services in the context of an established operational relationship
provided by credit institutions
provided by financial customers other than credit institutions
provided by sovereigns, central banks, MDBs and PSEs
provided by other customers
~~**Non-operational deposits maintained by financial customers and other customers**~~
~~provided by credit institutions~~
~~provided by financial customers other than credit institutions~~
~~provided by sovereigns, central banks, MDBs and PSEs~~
~~provided by other customers~~
~~**Funding commitments to non-financial customers**~~
~~**Level 1 excl. EHQ covered bonds collateral posted for derivatives**~~
~~**SFTS monitoring**~~
Intra group or IPS outflows
of which: to financial customers
of which: to non-financial customers
of which: secured
of which: credit facilities without preferential treatment
of which: liquidity facilites without preferential treatment
of which: operational deposits
of which: excess operational deposits
of which: non-operational deposits
of which: liabilities in the form of debt securities if not treated as retail deposits
FX outflows
~~**Third countries outflows - transfer restrictions or non-convertible currencies**~~
~~**Additional balances required to be installed in central bank reserves**~~
Secured funding waived from Article 17 (2) and (3)
of which: secured by L1 excl. EHQCB
of which: secured by L1 EHQCB
of which: secured by L2A
of which: secured by L2B

Excess amount of operational deposits

- Operational deposits received trigger preferential outflow rates (generally 25% vs 40% or 100% if from non-financials or financials) as long as its amount is necessary for the provision of operational services.
- Any excess of this amount in the operational deposits cannot apply such preferential treatment.
- This excess is a relevant item for supervisors to closely monitor due to the lack of accuracy of its definition in the Regulation and the impact it has.
- Envisaging separate rows in the templates for the part of operational deposits applying the preferential treatment and the part that does not apply them (the excess) is key for an appropriate supervisory review.

OUTFLOWS
...
Operational deposits
maintained for clearing, custody, cash management or other comparable services in the context of an established operational relationship
covered by DGS
not covered by DGS
maintained in the context of IPS or a cooperative network
not treated as liquid assets for the depositing institution
treated as liquid assets for the depositing credit institution
maintained in the context of an established operational relationship (other) with non-financial customers
maintained to obtain cash clearing and central credit institution services within a network
Excess operational deposits
deposits by-financial customers
deposits by other customers
covered by DGS
not covered by DGS
Non-operational deposits
correspondent banking and provisions of prime brokerage deposits
deposits by-financial customers
deposits by other customers
covered by DGS
not covered by DGS
...

C 77.00 on Perimeter of consolidation

- The template is required to be submitted in the case of LCR at a consolidated level only but at any level of consolidation, including liquidity subgroups.
- It simply lists the names and identifying codes of the entities within the perimeter of consolidation of the LCR .
- This information is key for supervisors to identify the entities that are behind the reporting templates for a proper monitoring.

C 77.00 - LIQUIDITY COVERAGE - PERIMETER OF CONSOLIDATION

Level of consolidation	

		Name	Code	LEI code	Country code	Type of entity
Row	**Item**	010	020	030	040	050
010	Parent					
020	Subsidiary					
030	Subsidiary					
040	Subsidiary					
050 …	Subsidiary					

Questions

- Do you have any comment on how the changes in the LCR Regulation are captured in the update of the ITS, mainly those related to SFTs and collateral swaps?

- Do you find any part of the ITS unclear to be implemented?

- Do you expect any major operational challenge for its implementation on the expected application date?

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