POSITION PAPER

ESBG Response to EBA CP/2014/44: Amending ITS on reporting

ESBG (European Savings and Retail Banking Group)

Rue Marie-Thérèse, 11 - B-1000 Brussels

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ESBG

Dear Sir/Madam,

Thank you for the opportunity to comment on the EBA consultation paper on Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC's Delegated Act on the LR. Below you will find our input to the consultation.

Following the changes in the EC's Delegated Acton on the LR, ESBG appreciates that the scope of consolidation of the leverage ratio is now consistent with the consolidation of the risk-weighted capital adequacy ratio, which leads to a better comparability of the two ratios.

However, ESBG is concerned about the reporting and disclosure of the LR during 2015, as the EC's Delegated Act is not yet reflected in the ITS on supervisory reporting with regard to the LR, nor the draft technical standards on disclosure for the LR.

Some institutions must provide an intra-year mandatory disclosure of the leverage ratio as of 31 March 2015. If the new reporting and disclosure requirements currently under consultation with the EBA do not apply before December 2015, the leverage ratio figures during 2015 may not be reported and disclosed according to the Delegated Act and comparability with the earlier disclosed leverage ratio figures would be difficult. With reference to Article 456 (1) j in the Capital Requirements Regulation (CRR) ESBG believes that the disclosure of the leverage ratio should not be required before December 2015 (in parallel with the entry into force of the new EBA reporting and disclosure standards) for the first time. This would ensure that disclosed Leverage Ratios going forward are comparable.

Q01: Would respondents have substantiated arguments to change remittance dates of the current ITS?

No, we do not believe that the remittance dates of the current ITS should change.

Q02: Would respondents have substantiated arguments for an implementation period different from the abovementioned?

Our understanding is that the new Leverage Ratio-reporting and disclosure formats would be introduced at the earliest in December 2015. If this is correct, we have no objection with regards to the implementation period.

We believe that it would be prudent to provide notification only, rather than detailed disclosures prior to December 2015 in regards to the old disclosure formats under EU Regulation 575/2013. These disclosure requirements will be replaced from December 2015. As mentioned previously we believe that comparability would be severely hampered if the leverage ratio is disclosed under different definitions.

Q03: Do respondents agree to the structure and content of the proposed templates and in particular the amendments proposed to Annex X of Regulation (EU) No 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular cell or template?

In principle, we agree with the content and structure of the forms. We particularly support the new labelling of the cells to be extracted by the character "(-)" in the form LRCalc. These changes are helpful as they improve the comprehensibility of the form. We highly recommend this representation for the lines 055, 065, 075 and 085 on the sheet LR3 as these lines are likely to contain negative values.

The consultation proposal of LRCalc does not contain a summary row for the exposure calculation. In order to improve the presentation of the data in the form we would recommend the introduction of such a line.

Q04: Do respondents agree to the structure and content of the proposed instructions and in particular the amendments proposed to Annex XI of Regulation (EU) No 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular paragraph or cell description?

Part II: Template Related Instructions

With respect to the formula used to calculate the leverage ratio - transitional definition it is our understanding that the position {LRCalc; 140; 1} should be added and not subtracted. The suggested formula is (adjustments in red colour and bold):

Leverage Ratio – transitional definition = {LRCalc;280;1} / [{LRCalc;010;1} + {LRCalc;020;1} + {LRCalc;030;1} + {LRCalc;040;1} + {LRCalc;050;1} + {LRCalc;060;1} + {LRCalc;070;1} + {LRCalc;080;1} + {LRCalc;090;1} + {LRCalc;100;1} + {LRCalc;110;1} + {LRCalc;120;1} + {LRCalc;130;1} **+** {LRCalc;140;1} + {LRCalc;150;1} + {LRCalc;160;1} + {LRCalc;170;1} + {LRCalc;180;1} + {LRCalc;190;1} + {LRCalc;200;1} + {LRCalc;210;1} + {LRCalc;220;1} + {LRCalc;230;1} + {LRCalc;240;1} + {LRCalc;250;1} + {LRCalc;260;1} + {LRCalc;300;1}]

In the explanation of the cell {LRCalc; 170; 1} the following sentence has been added: "This includes liquidity facilities and other commitments to securitisations incorporating the changes according to the Enhancements to the Basel II framework. That is the CCF for all eligible liquidity facilities in the securitisation framework is 50% regardless of the maturity. "We ask that a definition of the term “eligible liquidity facilities” is provided as it is not clear to us what this means. Is the definition the liquidity facilities that meet the requirements of Article 255 CRR?

The references in the notes to the cells {LRCalc; 310; 1} and {LRCalc; 320; 1} are incorrect. The references should be as follows:

{310; 1}: "This is the leverage ratio as calculated under paragraph 4 of Part II of this Annex."
{320; 1}: "This is the leverage ratio as calculated under paragraph 5 of Part II of this Annex."

The equation provided in paragraph 30 is, in our opinion inconsistent (when compared to LR exposure LRCalc and LR exposure LR4). We recommend the following equation with some modifications (bold and highlighted in red and crossed out):

[{LRCalc; 010; 1} + {LRCalc; 020; 1} + {LRCalc; 030; 1} + {LRCalc; 040; 1} + {LRCalc; 050; 1} + {LRCalc; 060; 1} + {LRCalc; 070; 1} + {LRCalc; 080; 1} + {LRCalc; 090; 1} + {LRCalc; 100; 1} + {LRCalc; 110; 1} + {LRCalc; 120; 1} + {LRCalc; 130; 1} + {LRCalc; 140; 1} + {LRCalc; 150; 1} + {LRCalc; 160; 1} + {LRCalc; 170; 1} + {LRCalc; 180; 1} + {LRCalc; 190; 1} + {LRCalc; 200; 1} + {LRCalc; 210; 1} + {LRCalc; 220; 1} + {LRCalc; 230; 1} + {LRCalc; 240; 1} + {LRCalc; 250; 1} + {LRCalc; 260; 1}] = [{LR4; 010; 1} + {LR4; 040; 1} + {LR4; 050; 1} + {LR4; 060; 1} + {LR4; 065; 1} + {LR4; 070; 1} + {LR4; 080; 1} + **{LR4; 080; 2} + {LR4; 090; 1} + {LR4; 090; 2}** +

~~{LR4; 100; 2} + {LR4; 110; 1} + {LR4; 120; 2}~~ + {LR4; 140; 1} + {LR4; 140; 2} + {LR4; 180; 1} + {LR4; 180; 2} + {LR4; 190; 1} + {LR4; 190; 2} + {LR4; 210; 1} + {LR4; 210; 2} + {LR4; 230; 1} + {LR4; 230; 2} + {LR4; 280; 1} + {LR4; 280; 2} + {LR4; 290; 1} + {LR4; 290; 2}]

Q05: Do respondents agree to the impact assessment? If not, would respondents have substantiated reasons why they would foresee a different conclusion?

We have no comments in regards to this question.

About ESBG (European Savings and Retail Banking Group)

ESBG brings together savings and retail banks of the European Union and European Economic Area that believe in a common identity for European policies. ESBG members support the development of a single market for Europe that adheres to the principle of subsidiarity, whereby the European Union only acts when individual Member States cannot sufficiently do so. They believe that pluralism and diversity in the European banking sector safeguard the market against shocks that arise from time to time, whether caused by internal or external forces. Members seek to defend the European social and economic model that combines economic growth with high living standards and good working conditions. To these ends, ESBG members come together to agree on and promote common positions on relevant matters of a regulatory or supervisory nature.

ESBG members represent one of the largest European retail banking networks, comprising of approximately one-third of the retail banking market in Europe, with total assets of over €7,300 billion, non-bank deposits of €3,479 billion and non-bank loans of €3,947 billion (31 December 2012).

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