German Banking Industry Committee

Die Deutsche Kreditwirtschaft

Comments

On the EBA Consultation Paper "Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR" (EBA/CP/2014/45)

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 2,000 banks.

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Comments on the EBA Consultation Paper Consultation Paper "Draft ITS amending Commission Implementing Regulation (EU) No 680/2014 with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR" of 16 December 2014

On 16 December 2014, the European Banking Authority (EBA) published the Consultation Paper "Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR". We gladly take the opportunity to deliver our opinion.

I. General comments

In general, we welcome the proposals made in the Consultation Paper. With the proposed changes, EBA creates the necessary transparency of the final LCR reports. With the help of the enclosed Excel tool, it is disclosed how certain items from the reporting sheets are incorporated into the calculation of the LCR.

The publication of the decision trees for classifying deposits into appropriate reporting items likewise serves the uniform reporting of specific transaction types. This creates a uniform general framework. However, it should still be possible to take into account national peculiarities.

From a supervision law point of view, the creation of the so-called "memorandum" items is comprehensible to obtain a full view of the bank's liquidity situation. From the banks' point of view, however, the reporting and control of these items means additional expenditure.

The new reporting requirements are to apply to CRR banks only. Investment firms are to continue to use the already known report templates. We believe it would make more sense to also enable investment firms to use the new report templates. Otherwise, investment firms belonging to a group would have to use the known templates for regulatory purposes and the new templates for internal deliveries to the group report. We believe this double expenditure is not intended.

II. Special comments

Q1: Do respondents have arguments to put forward a change on these aspects?

With regard to the reporting deadlines, we would like to point out that the defined 30-day observation period will result in an imprecise representation of the LCR whenever the LCR is to be reported for months having 31 days.

In certain transaction structures in the lending business, inflows from lending arrive on the last day of the month. If that day is the 31st of a month, these inflows are not included in the LCR report. Example: The report on 30 September 2014 covered the period until 30 October 2014. 31 October 2014 (Friday) was not included because it was outside the 30-day period. Therefore, the LCR report for the 30 days reported was worse than for the entire month that had 31 days.

We find the fundamental problem lies in the statutory definition of 30 days, which cannot be changed by the present delegated act. We propose that in such cases the competent supervisory authorities shall not automatically base their assessment of the bank's internal LCR solely on the report.

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Q2: Do respondents agree with longer remittance dates for the first reference dates for the new templates for the first six months?

n/a

Q3: Do respondents agree with the implementation period suggested?

EBA's proposal to use either December 2015 or the point in time six months after publication of the implementing standard in the Official Journal presents the banks with the problem that, from 1 October 2015, the ratio of 60 per cent has to be complied with. However, calculation of the LCR on the basis of the delegated act by using the reporting sheets published with regulation (EU) No 680/2014 of 16 April 2014 is not possible. Therefore we plead for the early joint introduction of the new reporting forms at the effective date of the delegated act, i.e. 1 October 2015. This would ensure a consistent reporting of the LCR Data according to the rules of delegated act 2015/61, published 10 October 2014.

Q4: Do respondents agree to the structure and content of the proposed new LCR templates added for credit institutions? Particularly comments from respondents on specific rows, columns or any other item would be very valuable and appreciated including comments on the treatment of secured transactions.

n/a

Q5: Do respondents find the new LCR instructions for credit institutions clear? Particularly comments from respondents on specific rows, columns or any other item would be very valuable and appreciated.

In our judgement, the instructions still lack information regarding the treatment of due, unsecured loans on securities. For example, it is not clear at the moment how and where these securities are to be entered once they are no longer capable of acting as a buffer but, nevertheless, have not yet been returned. The question of entry arises for both parties to the contract.

Also not clear is the question of the treatment of securities lending (maturity: until further notice). From a commercial point of view, such a transaction might be cancelled within 30 days at any time. From our point of view, the two parties to the contract may reflect this either as a cash inflow or a unilateral collateral swap or as a cash outflow or an outflow from the unilateral collateral swap.

Templates C73.00/C74.00 – Liquidity coverage outflows and inflows

According to the instructions, only cash-versus-collateral transactions are to be recorded in the cash outflow and inflow tables (see e.g. instructions regarding the cash outflows, no. 12). We interpret this to the effect that only repos / reverse repos are captured here.

Q6: Do respondents consider that the "LCR calculation tool" appropriately translates the use of the different templates for informative purposes?

We welcome the LCR calculation tool and consider it as helpful, as can help to understand how the correct calculation is to be undertaken.