

# Comments

## EBA ITS on Additional Monitoring Metrics for Liquidity Reporting (EBA-CP-2016-22)

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### General comments

Looking ahead to the proportionality approach of the draft CRR2, all memorandum items should not have to be entered by small banks.

C 67.00, C 68.00 und C 71.00

For proportionality reasons, an absolute de minimis threshold of EUR 50 million that prevents any requirement to report insignificant items from the outset should be introduced alongside the 1% limit.

C 71.00

For the sake of consistency and simplicity, creation of groups of connected clients should be based on the definition of groups of connected clients for credit risk reporting. For details, see reply to question 2 below.

Generally we think that verifying the data with FinRep is not meaningful and should be dropped in any case. Should, nevertheless, the EBA seek for such verification, it should explicitly address this at the relevant places of the data set.

**Q01: Do respondents agree to the structure and content of the maturity ladder template as proposed in Annexes XXIV and XXV, with in particular the items in the contingency section and memorandum item section? If not, would respondents have substantiated reasons for amending or not including a particular data item?**

Annex XXV:

- We welcome the restructuring of reportable positions in line with the LCR.
- 11) For taxes there is no contract available; does this mean taxes should be considered only where the exact amount is known? The same for bonuses and dividends. We request clarification that only definitive tax assessment notices or approved dividends have to be reported here and that no projected figures have to be calculated for reporting purposes.
- 12 b) The option to advance outflows from the institution should be presumed to be exercised where there is a market expectation that the institution will do so: this requirement should be deleted since measurement of such kind of market expectations is not feasible.
- 12 e) This requirement seems to refer to inflows only. What about outflows?
- Row 690: The document says that the contingent inflows should not be reported here: Does this mean that those inflows should not be reported at all because in section 4 'Contingencies' there is no row for inflows available.
- Row 730-1080, third paragraph: The requirement referring to low levels of concentration is not a reporting issue but a liquidity management issue: it should be mentioned elsewhere, but not here.
- Row 730-1080, fourth paragraph: The instructions correctly point out that only unencumbered assets shall be reported as counterbalancing capacity. In this respect, however, for the definition of encumbered assets reference is made to Commission Delegated Regulation (EU) 2015/61. We would like to point out that the Delegated Regulation on the LCR only gives a definition of **un**encumbered assets (Article 7 para. 2).
- Row 730-1080, tenth paragraph: "...and the resulting cash flows shall be reported in item 2.6." Shouldn't they be reported in item 2.5?

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- Row 740: It should be clarified whether or not the minimum reserves should be deducted (as treated under the LCR). Furthermore, the reference to Article 10 (1) (a) of Regulation (EU) No 2015/61 is not correct. It needs to be changed to Article 10 (1) **(b)** as (a) refers to cash and coins.
- Row 970: explanation is identical with 960
- Row 1090: "in a given time period" is open to misunderstanding. Does it mean that the earliest possible date(s) should be reported?
- Row 1100 and 1130: (Row no for 4.1.1 should be 1100 instead of 1010 in the instructions document). The difference between credit facilities and liquidity facilities and the exact definitions of these products should be clarified.
- Row 1140, third paragraph: item 1 presumably means section 1?
- The definition of CBC should be the same for C66.00 and C71.00, but in C66.00 there is no position for gold.
- Who is the counterparty for gold (column 10 of C71) in the case of physical gold positions?
- Clarification would be welcome for physical cash positions as well.

### Annex XXIV:

Whilst the illustrative examples of different types of products are very helpful, we miss presentation of secured and unsecured lending transactions, as these directly impact counterbalancing capacity. We should therefore welcome the inclusion of further examples in this connection.

Row 1270, 1280, 1290 – Behavioural Cash Flows: These rows should be deleted. Significant operational burdens have to be taken by institutions to deliver such numbers as relative figures (cash flows) are not elements of the COREP-data framework. Mixing real cash flows with expected cash flows is not meaningful. It would be better to give such information via the ILAAP. What is more, within larger institutions liquidity models, meaning economic liquidity managements systems exist, which take into account such cash flows.

## **Q02: Do respondents agree to the structure and content of the proposed revisions to the templates and instructions of the non-maturity ladder templates Annex XVIII to Annex XXI of Implementing Regulation 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular paragraph or cell description?**

### Annex XVIII:

- The change indicated with regard to the relevance of transactions for reporting template C69 does not make sense, in our view. Transactions are to be reported that still exist at the end of the reporting period; transactions that start and end within the reporting period are, however, ignored. Supervisors' reasons for this are not clear to us.

### Annex XIX:

- 1.1, No. 2: Clarification is requested on whether the financial liabilities should be equal to the total liabilities according to Finrep.
- 1.1, No. 4: Does this mean that in the case of optionality not being exercised the original maturity should be unchanged although the effective maturity will be longer then?
- Rows 070/080 (C69.00): Why haven't the examples been replaced by examples calculated with original maturity instead of deleting them? This is the case for other items in the template.

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- 1.3, No. 5 c): In a) it is said that the threshold should be calculated on level 1.1, 1.2, etc. but in c) it is said that the threshold should be applied on aggregated level, i.e. on positions 1 and 2. Please clarify.
- Position 2 has to be ungreyed in template C68.00.
- Please provide an overview of the differences between the “initial maturity” und “original maturity” concepts and clarification that “the period between trade date and settlement date” can be ignored for all transactions as the cash flows to be reported actually only take place on the settlement date.
- 1.4, No. 8: The implementation burden is immense, since daily data has to be collected in order to identify the maximum amount. The benefit of this information is poor, as the spread will not be significantly different from those based on the amounts at the end of the reporting period. The volumes will not be significantly different either, since liquidity management is not exercised with the aim of reporting “friendly” figures.

### Subject: Reporting securities

- The general remarks on CBC (instructions No. 3 “counterbalancing capacity”, p.15f) include the requirement that existing securities in CBC are to be reported at maturity as an outflow in CBC and, at the same time, as an inflow under no. 2.6 (“other inflows”, row 690). This is, however, at odds with the description in no. 2.5, according to which the aforementioned inflows are to be reported under no. 2.5/row 680.
- Our understanding is that inflows from maturing securities stemming from CBC have to be reported at their nominal amount under no. 2.5/row 680, whereas the corresponding outflows in CBC are reported at current market values. Comparisons of these two positions will therefore inevitably always lead to differences in value. We should be grateful for clarification as to whether this is intended.
- Where are repayments from “non-CBC-eligible securities” to be reported (row 680 or 690)?
- It is not clear whether inflows from contractual interest or coupons on securities are to be reported and, if so, in which row. One option would be to report interest on securities under no. 2.6/row 690 (“Other inflows”).

### Subject: Central bank deposits in CBC

The new instructions – no. 3 / rows 730-1080 – still contain the requirement that the assets reported as CBC should always be “...available to the institution to convert into cash at any time ...” In addition, row 740 (withdrawable central bank reserves) now only allows outflows in the overnight maturity ladder. This raises the following specific questions:

Does this this qualitative restriction in CBC and the restriction on the temporal outflow of central bank deposits to the overnight maturity band mean that that a clear demarcation from the LCR (“Other central bank assets”) has been made? Our understanding is that time deposits held with central banks would at least still have to be reported in initial stock but no longer in inflows and outflows.

But how is the outflow of central bank deposits that are actually available at any time to be reported if the next day after the reporting date is not a bank business day? Is the outflow from CBC nevertheless to be reported as overnight? If so, how is the inflow in row 640 (no. 2.2.5) to be reported? Is the inflow there also to be reported as overnight or only in the maturity band into which the deposits actually flow (as a rule, “up to two days”).

### Subject: Reporting outflows due to downgrade triggers

Under the LCR, we see a downgrade trigger as a sudden event that immediately triggers additional funding obligations leading to liquidity outflows within a period of 30 days (actually even on the next

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day). Is this to be seen likewise in C66.00, so that the outflows are to be reported in the “overnight” or “up to two days” maturity band?

### **Subject: Reporting the “contingencies” maturity bands**

We request additional explanation on which assumptions distribution to the “contingencies” items, particularly “facilities”, is to be based. Without using modelling assumptions, the only remaining option would be to report all facilities in the “overnight” column, though this does not appear appropriate to us. In addition, the other maturity band columns are not greyed out, which suggests reporting spread across the maturity bands.

### **C67/C71**

#### **Subject: Creating groups of connected clients**

We understand the attempt to report each counterparty once in the Top 10 and thus, unlike under the large exposures regime, to assign a counterparty that has to be allocated there to several groups of connected clients only to the largest group of connected clients under the ALMM. This may, however, lead to restricted reporting of dependencies, particularly on the public sector. In the case of public-sector groups of connected clients, our understanding is that under the ALMM, like under the large exposures regime, a group of connected clients comprising all assigned state-owned entities also does not have to be created with the state itself. Instead, the state-owned entities have to be treated separately from each other and the state has to be assigned to each single entity (so-called ‘silo’ group of connected clients). If multiple assignment is now no longer allowed, however, and the positions directly vis-à-vis the state remain relatively constant, small fluctuations in the positions vis-à-vis individual state-owned entities may lead to a different public-sector group of connected clients having to be reported in the Top 10 every time.

Debt owed to state 1: constant EUR 10 billion  
Debt owed to state-owned entities 1: in T1: EUR 100 million/in T2: EUR 90 million  
Debt owed to state-owned entities 2: in T1: EUR 80 million/in T2: EUR 120 million

C67 - Situation in T1 with single state assignment:

GCC state-owned entities 1 EUR 10.1 billion -> reporting in C67  
GCC state-owned entities 2 EUR 0.08 billion -> no reporting in C67

C67 - Situation in T2 with single state assignment:

GCC state-owned entities 1 EUR 0.09 billion -> no reporting in C67  
GCC state-owned entities 2 EUR 10.12 billion -> reporting in C67

Comparing an institution’s funding/debt and analysing its risk exposure to counterparties over time are thus made impossible.

The same goes for the Top 10 in C71.

To avoid needlessly distorting Top 10 reporting through double counting, we suggest that instead of individual assignment in the Top 10 each counterparty should be shown only once in the total amounts reported. The difference between the figure reported in the total-amount row and the sum of the amounts assigned to the individual groups of connected clients is then the exposure to counterparties which appear in several groups of connected clients and are thus double-reported in the Top 10. In our view, this,

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firstly, creates sufficient transparency and, secondly, allows consistent comparisons of the development of groups of connected clients over time.

Such presentation is a technical challenge that should not be underestimated, as in all other presentations clients may be included in several groups of connected clients and thus double-reported. A completely new method of identifying groups of connected clients would have to be established technically for such reporting. Hence, paragraph 1.2, no. 5 should be deleted.

**C67**

**Subject: New type of product OSWF ("Other secured wholesale funding")**

Please provide examples of which products are to be reported under this term.

**C68**

**Subject: Reporting tied to the 1% funding threshold (Annex XIX, instructions paragraph 1.3 C68.00, No. 5 a -c)**

The rules on when a reporting requirement applies are, in our view, unclear. As we see it, it is not clear for which product rows only the volume of funding in this product determines whether reporting is required and for which products other products or even the superordinate row are to be included to determine whether the 1% threshold is exceeded and reporting is required.

According to a), the 1% threshold is to be applied to rows 1.1 to 1.4 and 2.1 to 2.2. Rows 1.1 to 1.3 are single-amount rows, whilst the others are total-amount rows.

According to b), the procedure resulting from a) is explained for row 1.4 but not for 2.1 and 2.2.

According to c), the threshold is, however, to refer to each aggregated sum in rows 1 and 2.

Retaining the present rules would undoubtedly simplify reporting. Should this not be possible, we request that the rules be worded clearly and consistently.

**C69**

**Subject: valuation**

According to paragraph 1.4, no. 11, book values have to be reported. This raises two questions, in our view: Are the book values to be reported on the reporting date or on the day funding is obtained? Are foreign-currency transactions to be converted at the exchange rate applying on the reporting date or on the funding date if funding was in a significant foreign currency within the meaning of Article 415 (2) a) of the CRR?

**C69/C70**

Paragraph 1.1 ("general"), no. 7 of Annex XIX says, by way of introduction, that cancellation or withdrawal at the earliest possible date has to be taken into account to determine original and residual maturities.

What does this mean in concrete terms for reporting in C69 and C70? To put it more precisely:

Does a new transaction with a maturity of over ten years have to be reported in C69 if the first possible opportunity to cancel or withdraw is within the first ten years? Does a maturity reflecting cancellation or withdrawal at the first possible date have to be taken into account when calculating spreads in benchmarking? Do securities callable but not called in the previous month have to be reported as

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“maturing” and “rolled-over” in C70? Do the maturities up to first cancellation or withdrawal generally have to be reported as original maturities in C70?

**XX:**

**C 71.00**

Reporting funds.

The Deutsche Bundesbank has informed us that aggregation under one issuer is required for funds. Deletion of the term “issuer” means that the counterparty has to be used. This is, in turn, always the respective separate trust assets, so that funds should never be aggregated but reported individually. Please make this clear.

**Q03: Do respondents agree to the proposed clarification to the treatment of transactions that have rolled-over during the reporting period in paragraph 8 (reference should be paragraph 10) of the instructions to template C69.00 (as in annex XIX), or would it be preferable to have daily averaging of volumes and spreads as one alternative or end of month spreads as another (and why)?**

1.4, no. 10: In our view, the weighted spread approach to transactions calculated on a daily basis is preferable. We assume that templates C69.00 und C70.00 are to be compared. This daily-basis approach has to be adopted in any case for reporting in C70.00. We believe that a different calculation for C69.00 is unnecessary, as the templates can then no longer be compared with each other.

In the event that such a comparison is no longer desired, we would assume that the spread as of the end of the reporting period is more important than those which have matured. Thus, not the highest spread but the spread as of the end of the reporting period should be reported. Furthermore, the highest spread during the reporting period might belong to a totally different volume.

We request the EBA to make clear whether comparability between C69 and C70 is intended and how it should be achieved.

**Q04: Do respondents agree to the proposed clarification to the treatment of sight deposits in paragraph 9 (reference should be paragraph 11) of the instructions to template C69.00 (as in annex XIX), to focus only on those deposits that are new for the applicable reporting period, or would it be preferable to align the treatment with that of items that have rolled-over?**

1.4, no. 11: We agree with the proposed clarification to the treatment of sight deposits to focus only on those deposits that are new for the applicable reporting period. We understand that the aim of the template in general is to collect information about the volume of and prices paid for funding obtained during the reporting period and still present at the end of the period. Concerning the volume, we would assume that the proposed approach would underestimate the new funding volume as it ignores new funds on existing accounts. Thus, we propose taking the positive difference in volume at the end and the beginning of the period. With regard to the spread to be applied, we believe that the spread of all sight deposits at the end of the period might be appropriate.

We also believe that the volume should relate to that at the end of period.

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**Subject: Special arrangement for calculating the spread for sight deposits**

Annex XIX, paragraph 1.4 (instructions C69.00), no. 11 introduces a special arrangement for calculating the spread for sight deposits. We have the following comments:

**Definition of "sight deposits"**

Our understanding is that sight deposits are solely deposits without any maturity or notice period and thus positive balances on current accounts. This follows firstly, in our view, from Annex XIX, paragraph 1.1 ("general"), no. 3, according to which sight deposits are to be reported as "overnight", which does not usually apply, for example, to call deposits or short-term time deposits. Our understanding is that it also follows from this that other deposits with a maturity of less than 30 days under Article 25 (2) of Directive 2015/61 (LCR) are given a higher risk factor. Should the ALMM use a different definition of "sight deposits", please include this in the instructions.

**Calculating the spread for sub-monthly sight deposits**

We believe it is more meaningful if all new business in the previous month is taken into account in C69, including that which is no longer on the books. This delivers an idea of the aggregate volume and associated spreads. C70 is available to track volumes on a daily basis.

**Example of how we understand the approach in the consultation paper:**

A current account always shows a positive balance ("sight deposit") over the course of a month; this balance usually no longer exists at the end of the month, however. Such an account is not included in calculation of spreads until there is "by chance" a positive balance at the end of the month. Only then would this already long-established and heavily used account be included.

**Our proposal:**

A positive balance that exists over the course of a month is nevertheless used to calculate spreads; naturally weighted with the volumes related to these spreads.

**Q05: Would respondents have substantiated arguments for an implementation period different from the above-mentioned March 2018 application date?**

The implementation period should not be the same as for the NSFR. As is known, the EBA will begin work on the NSFR in 2017 (which probably means that the work will not be completed in 2017), so that we assume that the introduction of the NSRF will be postponed. If not, institutions would possibly have to implement the NSFR without an ITS (like we had for the LCR) and this ITS on the same reference date. This should be avoided.

Moreover, the implementation period of at least one year should not start on publication of the final ITS but on publication of the implementing regulation in the EU Office Journal.

**Q06: Do respondents have substantiated views on the effectiveness and clarity of the proportionality threshold of subparagraph (a) of paragraph 16b (2) of the ITS on reporting? Would they see alternative workable solutions?**

The criterion in 2 (a) says "the institution does not form part of a group with subsidiaries or parent institutions located in jurisdictions other than that of its competent authority".

It should be clarified whether institutions with no own subsidiaries located in jurisdictions other than that

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of their competent authority should report monthly where the parent institution has at least one. Example: Institution S is a subsidiary of parent institution P, both located in the jurisdiction of their competent authority, where P but not S has a subsidiary located in jurisdictions other than that of their competent authority. In such cases, it should be sufficient for S to report on a quarterly basis.

**Q07: Do respondents agree to the impact assessment? If not, would respondents have substantiated reasons why they would foresee a different conclusion**