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EBF COMMENTS ON THE EBA'S DRAFT RTS ON DISCLOSURE OF ENCUMBERED AND UNENCUMBERED ASSETS

GENERAL COMMENTS

1. We note that the disclosures which are being proposed are intended only within the framework of the disclosure requirements in Part Eight of the CRR and that, as a consequence, they are not meant to be used as the basis for compliance with IFRS Disclosure requirements (see pages 13 and 14 of the CP).

We conclude from this that banks are only required to disclose information on asset encumbrance in their Pillar 3 report and not in their financial statement. It would be useful for the Explanatory Memorandum which will accompany the forthcoming RTS to confirm this.

2. Although the EBA consultation paper is based on the templates A,B, C, and D of the Guidelines already issued in June 2014, EBA requires the disclosure of some further information, both qualitative and quantitative (e.g. in relation to assets and collaterals in EHQLA and HQLA), which would entail organizational and operational implementation issues to upgrade current IT systems.
3. We note that the consultation paper does not provide any guidance to competent authorities about the timeframe which they are expected to impose on institutions for the revised templates to be implemented.

We believe that it would be appropriate for the final version of the Guidelines to include a recommendation specifying that competent authorities are expected to provide institutions with sufficient time to implement them. Should the EBA decide to retain the EHQLA and HQLA metric as the asset quality indicator, we envisage a minimum period of 2 years due to the reasons given in our answer to Question 4, which also takes into consideration the numerous regulatory and IFRS projects that banks are currently implementing.

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ANSWERS TO THE ISSUES FOR CONSULTATION

Q1. Given the balance between transparency and the need to avoid detection of central bank liquidity assistance, do you agree with the disclosure requirements proposed in this RTS? Do you agree with the fields in the Templates that are required to be disclosed? Please provide reasons for your answer.

We agree with the disclosure requirements which are being proposed in this RTS and with the fields in the Templates which are required to be disclosed.

Q2. Based on your experience with providing information according to the 2014 Guidelines or with using information disclosed as per these Guidelines, do you believe that the use of median values for disclosures offers sufficient relevant information while also addressing potential financial stability concerns or would you prefer disclosures using end of period values? Is there another appropriate value for disclosure? Please provide reasons for your answer.

We agree that the use of median values for disclosures offers sufficient relevant information.

We believe that it would be appropriate for the final version of the Guidelines to specify that the medians need to be calculated only on the quarterly Asset Encumbrance reportings and, moreover, how many reportings need to be included in the median calculation.

We further believe that the median calculation should cover five consecutive reportings from December of year n to December of year N+1, so that each median value corresponds to an actual data point.

Q3. Do you agree that the 'median of the sums' method is the most relevant to be used in calculating a "Total" or "Sub-total" row in the case median values are used for disclosure? Please provide reasons for your answer.

We agree that the 'median of the sums' method is the most relevant to be used in calculating a "Total" or "Sub-total" row in the case median values are used for disclosure.

Q4. Do you agree with the disclosure of assets of extremely high liquidity and credit quality (EHQLA) and assets of high liquidity and credit quality (HQLA) in accordance with Commission Delegated Regulation (EU) 2015/61 as the most relevant information possible in terms of asset quality of encumbered and unencumbered assets? Please provide reasons for your answer. In case you disagree with the disclosure of the EHQLA and HQLA metrics, please indicate the most appropriate alternative metrics according to you (central bank eligibility, traditional asset quality indicator, risk-weights, internal rating/asset quality step, external rating, or another indicator) for providing relevant information on the asset quality of encumbered and unencumbered assets.

A breakdown by asset type and central bank eligibility is the most preferable solution as it is most informative and less burdensome to implement than any other indicator.

In our opinion the eligibility with central banks of the encumbered and unencumbered assets would be a better indicator in comparison to EHQLA/ HQLA indicators considering that:

- it is better suited to meet the asset encumbrance's objective to provide information on the existence and availability of bank assets to be used as collateral to secure funding. This is different from the objective pursued by the liquidity framework which is to ensure that banks have the necessary assets to address short-term liquidity disruptions. Moreover, considering

that central bank eligibility is also being required in the LCR framework, the recommendation made by the ESRB that the liquidity framework needs to be taken into consideration is also fulfilled with the use of this matrix.

- it is the most realistic indicator of the capabilities of institutions to obtain funding from their central bank and, therefore, more informative to users.
- as its use is also mandatory for supervisory reporting purposes, the information is readily available and, therefore, not burdensome for institutions to provide.
- it can be applied to all types of exposures.

We do not agree with the statement made in the consultation paper that the use of EHQLA /HQLA would not cause undue cost or effort for banks since it is already required under the liquidity framework. This is not correct considering that certain balance sheet positions are irrelevant for the liquidity coverage ratio due to its definition and hence not all balance sheet positions are today identified with EHQLA and HQLA. On the other hand, the disclosure for asset encumbrance would require banks to identify the asset quality for all the balance sheet positions. Therefore, to use the EHQLA/HQLA as asset quality indicator for the purpose of asset encumbrance disclosures would incur significant implementation efforts and costs.

It is erroneous to believe that the EHQLA/HQLA metrics may readily also be used to provide insight into the asset quality of unencumbered assets.

Q5. Do you agree with the qualitative disclosure requirements in Template D? In case of disagreement, please identify any requirement you disagree with or state any disclosure requirement you would like to see enhanced or included in Template D.

We agree with the qualitative disclosure requirements which are proposed in Template D.

Q6. Does the proposed annual disclosure frequency meet the needs of users for transparency? Please provide reasons for your answer.

We agree that the proposed annual disclosure frequency should meet the needs of users for transparency.
