



ITS on additional monitoring metrics

Public Hearing

EBA

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Agenda

- > Background :EBA tasks
- > Timeline of the ITS
- > Purpose of the ITS
- > Main features of the ITS

Background – EBA tasks – BTS



Background – EBA tasks

- > New proposals on capital requirements (CRR / CRDIV) were published on 20 July 2011
- > Presidency compromise texts published and final text of 20 March 2013;
- > Final text of CRR / CRDIV published on 27 June in Official Journal.
- > The CRR contains specific mandates for the EBA to develop draft Regulatory or Implementing Technical Standards (henceforth 'RTS' and 'ITS') related to Liquidity. These standards will be part of the single rulebook enhancing regulatory harmonisation in Europe in particular in the area of liquidity reporting requirements.

Background – EBA tasks – BTS

- > Development of the draft BTS by a Project Team (standing committee, working group or other internal body identified in the EBA) with the support/lead of EBA Staff (policy and legal experts)
- > Cost-benefit and Impact Assessment analysis of proposals (unless where inappropriate or disproportionate, e.g. in cases of externally imposed deadlines) to be carried out according to EU standards
- > Adoption of draft proposals by the Board of Supervisors according to its rules of procedures
- > Public consultation and consultation of the BSG
- > Feedback process and updating of the proposal
- > Adoption of the draft BTS, publication and submission to the Commission

Timeline and objectives

- >Objective: To obtain a comprehensive view of banks' liquidity risk profile beyond liquidity coverage and stable funding requirements.
- >Consultation period: 23 May – 14 August 2013
- >Review of comments and preparation of final ITS, including feedback statement from the consultation: September – November 2013.
- >Publication DPM beginning Q4.
- >To be submitted to Commission by 1 January 2014.

Outlook on the next steps for liquidity risk regulation

- > Finalisation of ITS on AMM after consultation period has ceased and submission to COM before 1 January 2014.

- > Finalisation of RTS on additional collateral outflows before 31 March 2014.

- > Further CPs to be released in the second semester of 2013:
 - ITS on currencies with constraint availability of liquid assets,
 - RTS on derogations for the ALA approach,
 - GL on retail deposits with higher outflows.

- > Reports to be submitted to COM in December: Economic impact assessment and HQLA definitions.

Purpose of the ITS

- > This is the second part of the liquidity reporting package we are mandated to deliver in Article 415 CRR.
- > It will provide supervisors with an adequate toolkit to assess liquidity risk in a much broader sense than it could be monitored by liquidity coverage and stable funding requirements.
- > All EU competent authorities monitor liquidity risk already – however the approaches and tools differ significantly. A common toolkit will enhance understanding of liquidity risk and facilitate discussion in supervisory colleges and joint decisions.

What do we propose?

1. Maturity ladder,
 2. Concentration of funding by counterparty and product type,
 3. Prices for various lengths of funding,
 4. Rollover of funding.
- > Similar to the contractual maturity mismatch put forward by the BCBS text

1. Maturity ladder

- Designed to capture maturity mismatch of institution's balance sheet
- Provides insight into the extent to which an institution relies on maturity transformation under its current contracts
- Comprises two separate reports - one for contractual flows and one for behavioural flows
- Maturity of outflows and inflows to be reported range from open maturity up to greater than 10 years (13 buckets in total)

2. Concentration of funding by counterparty and product type

By counterparty

- Identification of sources of wholesale and retail funding of significance where withdrawal could trigger liquidity problems
- Report top ten largest counterparties > 1% of total liabilities
- Also report additional information on counterparty name, type and location; product type, currency, amount received, weighted average, initial and residual maturity.

By concentration

- Information about the institution's concentration of funding by product type
- Broken down into different funding types related to retail and wholesale
- Report the total amount on product category > 1% of total liabilities
- Also report additional information on product type, currency, amount received, weighted average and residual maturity.

3. Prices for various lengths of funding

- Collect information on average transaction volume and prices paid for funding
- With different maturities ranging from overnight to 10 years

4. Rollover of funding

- Collect information about the volume of funds maturing and new funding obtained

Main features

- > Scope of application on a solo- and consolidated basis.
- > Also Article 415(2) CRR report separately to the competent authorities of the home Member State when:
 - (i) aggregate liabilities in foreign currency, $\geq 5\%$ total liabilities; or
 - (ii) a significant branch as defined in Article 52 CRD in a host Member State using a currency different from the reporting currency.

- > Possibility for a waiver

- > Remittance period: 5 days for liquidity coverage, but transitional clause under discussion

- > Monthly reporting frequency – possibility to reduce proportionate to nature, scale and complexity of an institution's activities.

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Specifically seek views on content of reporting templates, proportionality and remittance.

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