

Draft ITS on supervisory liquidity and leverage reporting

Public hearing on 18 July 2012

EBA

European
Banking
Authority

European System of Financial Supervision

Agenda

- EBA's mandate to develop implementing technical standards (ITS)
- Common aspects of all ITS on reporting

- Main aspects of liquidity risk reporting ITS
- Next Steps and timeline
- Questions

- Main aspects of leverage ratio reporting ITS
- Next Steps and timeline
- Questions

BTS in the context of EU legislation

Common rulebook

Maximum harmonisation

...but proportionate to different financial institutions

EU legislators
Sectoral Directives

EU Commission
'Implementing legislation'

EBA to
provide advice

EBA developing binding
technical standards

ITS on Reporting – CRR mandate

- EBA to deliver ITS by 1.1.2013 in the following areas (CRR):
 - Art 95 Own funds reporting – CP published in Dec 2011
 - Art 96 Mortgage exposures reporting – CP published in Dec 2011
 - Art 383 Large exposures reporting – CP published in Feb 2012
 - Art 403 Liquidity – CP published in June 2012
 - Art 417 Leverage – CP published in June 2012
- Integrated approach to ITS development
 - Several ITS packaged as one EU Regulation
 - Use of common structure/conventions/concepts/definitions

ITS on Reporting – main features

- Objectives:
 - Increase efficiency in reporting systems (cost reduction for banks)
 - Enhance analytical ability for NSA and EBA (common set of data, quality)
- Adoption by EU Commission via implementing acts in form of regulation or decision
- Direct application – no further implementing regulation on national level
- Proportionate to nature, scale and complexity of institutions' activities
- Details: data templates, definitions, data point model, XBRL taxonomies (not mandatory)

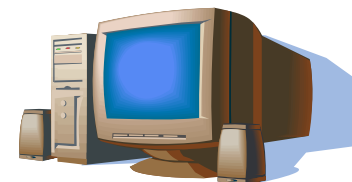
ITS on Reporting – uniform implementation

- ITS features to ensure uniform implementation:
 - References made to the CRR
 - Definitions included in the instructions to further clarify legal references

To be consulted in Q4 2012:

- Data point model containing all the relevant technical specifications necessary for developing an IT reporting format
- Validation rules (quantitative relations between data points)

ITS development process



Data definitions (CP 2012/05)

- Reporting templates
- Instructions with field definitions



Data point model (CP 2012/xx)

- Standardisation of data
- Multi-dimensional
- Validation rules



Taxonomy

- To be delivered within the COREP framework

ITS on liquidity reporting – Main Features

- Reporting population
 - Credit institutions and investment firms
 - Consolidated level and individual level, unless waiver is granted
- Frequency
 - Monthly for liquidity coverage
 - Quarterly for Stable funding
 - No exceptions
- Proportionality
 - No different levels of application envisaged for Liquidity coverage and Net stable funding reporting,
 - Materiality threshold for significant currencies
 - Proportionality will be applied to additional metrics in terms of scope and frequencies

ITS on liquidity reporting - timeline

June 2012

- Draft ITS
- Consultation period 2.5 months

Q4 2012

- Draft DPM consultation

December
2012

- ITS submission to EC

15 February
2013

- First remittance of Liquidity coverage data (reference day 31 January)

15 April
2013

- First remittance of Net Stable Funding data (reference day 31 March)

ITS on liquidity reporting: Questions included in the CP

- ***Q1: Are the proposed dates for first remittance of data, i.e. end of January and end of March 2013 feasible?***
- ***Q2: Do respondents agree with this proposal for defining significant currency?***
- ***Q3: Is the proposed remittance period of 15 days feasible?***
- ***Q4: Are there additional sub-categories of inflows and outflows that are consistent with the specification of the liquidity coverage requirement in the CRR and would inform policy options that should be reported?***
- ***Q5: For the purposes of providing guidance as to transferrable securities of high and extremely high credit and liquidity quality, what additional assets, if any, should the ITS collect?***
- ***Q6: Do respondents agree that the template captures the requirement of the draft CRR on reporting of stable funding?***

ITS on leverage ratio reporting – Main Features

- Reporting population
 - Credit institutions and investment firms
 - Consolidated level and individual level, unless waiver is granted
- Frequency
 - Quarterly reporting
 - No exceptions possible
 - CRR requires quarterly average on monthly data, unless waiver is granted by national authorities (Article 475(3))
 - Extensive re-use of COREP fields in order to ease reporting burden
- Proportionality
 - Proportionality will be applied with respect to derivatives reporting
 - Only institutions with larger derivatives exposures compared in relation to the total exposure are subject to more detailed reporting, especially in relation to credit derivatives
 - Two thresholds proposed in respectively templates LR1/LR2 and LR4

ITS on leverage ratio reporting - timeline

June 2012

- Draft ITS
- Consultation period 2.5 months

Q4 2012

- Draft DPM consultation

December
2012

- ITS submission to EC

May 2013

- First remittance of leverage ratio reporting together with COREP/FINREP (reference day 31 March)

ITS on leverage ratio reporting: Questions included in the CP

- Q1: „Do institutions agree with the use of existing and prudential measures? Is there additional ways to alleviate the implementation burden?“
- Q2: „Do institutions already have the data required under this proposal on a monthly basis? If so, is this data of the required standard as other data reported to supervisory authorities?“
- Q3: „The same timelines are proposed for reporting on a consolidated level as well as on an individual level, is this seen as problematic? If so, would you propose a different timeline for reporting on a consolidated level?“
- Q4: „What additional costs do you envisage from the proposed approach to reporting the leverage ratio in order to fulfil the requirements of the CRR outlined in this ITS?“

Questions from Annex II

- Q5: „Is the calculation of the derivatives share threshold sufficiently clear?“
- Q6: „Do you believe this method captures institutions derivatives exposure in a sensible way?“
- Q7: „Does the reduction of fields to be reported in a given period by institutions that do not exceed the threshold value in that period, lead to a significant reduction in administrative burden?“
- Q8: „Preliminary internal calculations by supervisors suggest that a threshold value should be in the range of 0.5% to 2%. Would you suggest a different threshold level, if yes, please justify this?“
- Q9: „Is the calculation of the nominal amount threshold sufficiently clear?“
- Q10: „Preliminary internal calculations by supervisors suggest that the nominal threshold value should be in the range of 200 to 500 million. €. Would you suggest a different threshold level, if yes, please justify this?“
- Q11: „Is the term “reference name” and the distinction from “reference obligation” sufficiently clear?“

Questions from Annex II

- Q12: „Is the treatment of credit derivatives referring to indices and baskets sufficiently clear?“
- Q13: „Which additional contractual features should be taken into consideration when assessing offsetting of written and purchased credit derivatives? How would this add to complexity and reporting burden?“
- Q14: „Is the classification used in template LR6 sufficiently clear?“
- Q15: „Do you believe the current split, which is predominantly based on the exposure classes for institutions using the standard method are appropriate or would you suggest an alternative split?“
- Q16: „Is the classification used in template LR7 sufficiently clear?“

The graphic features a vertical orange bar on the left side. To its right, there are two stylized stars: a larger one in the upper left and a smaller one in the center. The background consists of a grid of vertical lines in shades of blue and orange, with a wavy pattern on the far left.

EBA

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