



EBA consultation paper: draft RTS on disclosure of encumbered and unencumbered assets under Article 443 of the CRR

EBA public hearing event, 1 June 2016

Draft RTS on disclosure of encumbered and unencumbered assets

Article 443

Unencumbered assets

EBA shall issue guidelines specifying the disclosure of unencumbered assets, taking into account Recommendation ESRB/2012/2 of the European Systemic Risk Board of 20 December 2012 on funding of credit institutions (31) and in particular Recommendation D - Market transparency on asset encumbrance, by 30 June 2014. Those guidelines shall be adopted in accordance with Article 16 of Regulation (EU) No 1093/2010.

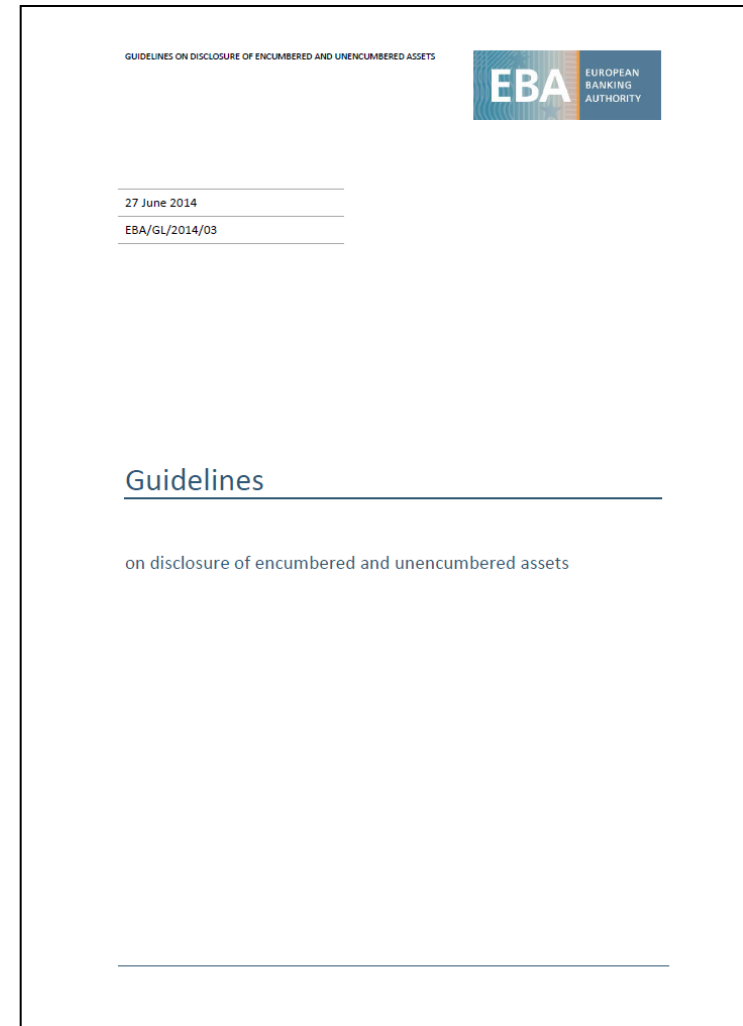
EBA shall develop draft regulatory technical standards to specify disclosure of the balance sheet value per exposure class broken down by asset quality and the total amount of the balance sheet value that is unencumbered, taking into account Recommendation ESRB/2012/2 and conditional on EBA considering in its report that such additional disclosure offers reliable and meaningful information.

Purpose of this RTS

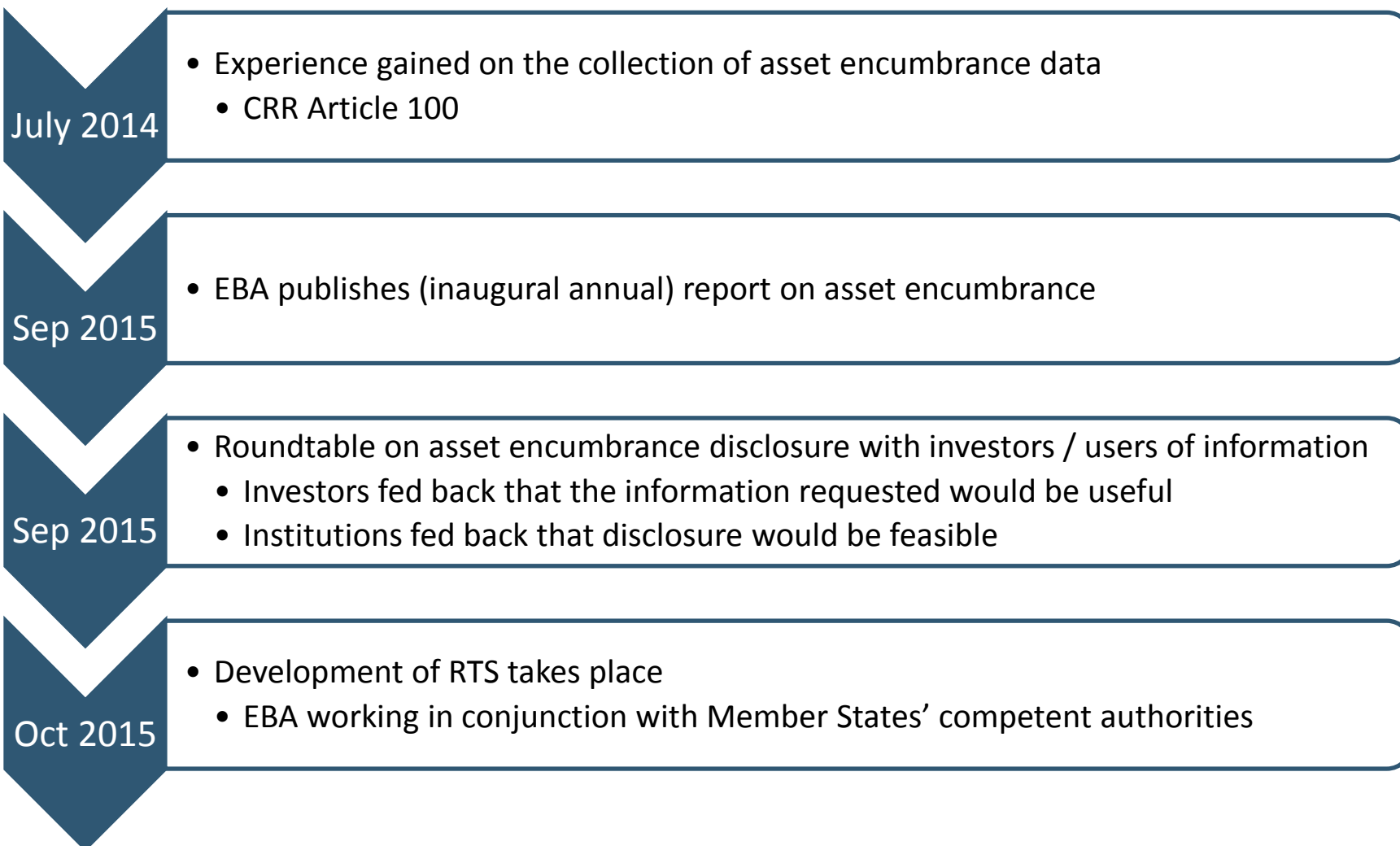
- Provide a comprehensive view on asset encumbrance.
- Achieve harmonised disclosure of asset encumbrance across the EU.
 - Achieve a higher degree of standardisation in the scope of application and presentation of information.
 - Create level playing field and avoid collective action problems.
- Bridge disclosure gaps in the accounting and regulatory frameworks.

EBA Guidelines on CRR Article 443

- Guidelines on disclosure of encumbered and unencumbered assets published June 2014
- Guidelines also address ESRB recommendation D of ESRB/2012/2
- These RTS build upon those Guidelines, following experience gained since their issuance
- RTS set out disclosure requirements



Timeline of EBA's involvement in asset encumbrance disclosure



Topics of note in developing draft RTS

- Disclosure of central bank funding
 - Hindrance on ability to conduct liquidity assistance operations (eg. emergency)
 - Institution-specific confidence shock impact on system-wide implications
 - Propose use of median rather than point-in-time values
 - Propose use of 'median of the sums'
- Disclosure of asset quality
 - Central bank eligibility / non-performing assets / credit ratings (internal & external) / HQLA
 - Indicator chosen should strike a balance between systemic stability and ease of implementation
- Qualitative information
 - Further information
 - Useful for jurisdictions with atypical funding models

Information required to be disclosed by draft RTS

Template A

The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type, with the carrying amount of unencumbered assets broken down by asset quality

Template B

Collateral received by an institution, by broad categories of product type

Template C

Carrying amount of encumbered assets/collateral received and associated liabilities

Template D

Narrative information on the importance of asset encumbrance for an institution

Enrichments to disclosure requirements

Template A-Assets								
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	010	030	040	050	060	080	090	100
010 Assets of the reporting institution								
030 Equity instruments								
040 Debt securities								
050 of which: covered bonds								
060 of which: asset-backed securities								
070 of which: issued by general governments								
080 of which: issued by financial corporations								
090 of which: issued by non-financial corporations								
120 Other assets								
121 of which: ...								
Template B-Collateral								
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered					
		of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA				
	010	030	040	060				
130 Collateral received by the reporting institution								
140 Loans on demand								
150 Equity instruments								
160 Debt securities								
170 of which: covered bonds								
180 of which: asset-backed securities								
190 of which: issued by general governments								
200 of which: issued by financial corporations								
210 of which: issued by non-financial corporations								
220 Loans and advances other than loans on demand								
230 Other collateral received								
231 of which: ...								
240 Own debt securities issued other than own covered bonds or ABSs								
241 Own covered bonds and asset-backed securities issued and not yet pledged								
250 TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED								
Template C-Sources of encumbrance								
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered						
	010	030						
010 Carrying amount of selected financial liabilities								
011 of which: ...								

Issues for consultation

- Encumbrance due to operations with central banks
- The value used for disclosures
 - Use of median values
- The value to be disclosed in the “Total” and “Sub-total” rows
 - ‘Median of the sums’
- The indicator of asset quality to use
- Qualitative information
- Frequency of disclosure

Overview of questions for consultation

1. 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.
2. 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 disclosure using end of period values? Is there another appropriate value for disclosure? Please provide reasons for your answer.
3. 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 case the median values are used for disclosure? Please provide reasons for your answer.
4. 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.
5. 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.
6. Does the proposed annual disclosure frequency meet the needs of users for transparency? Please provide reasons for your answer.



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