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EBA-CP-2013-18@eba.europa.eu

## **Comments on consultation paper on Additional Liquidity Monitoring Metrics under Article 403(2) of draft Capital Requirements Regulation (CRR)**

### **Introduction**

Swedish Bankers' Association welcomes the invitation to comment on the consultation on additional liquidity monitoring metrics.

### **General comments**

We consider that several points in the consultation paper have to be clarified. The purpose of the reporting should be better explained and the level of application of the reporting is partly unclear. Also, it is not clearly stated when the reporting is planned to be implemented.

We have another view on the frequency of the reporting where we consider the suggested monthly reporting as too frequent. We also have a different view on the cost-benefit analysis' estimate of general limited or low compliance costs for the institutions.

### **Specific comments**

#### *Purpose of the reporting*

In general the purpose of the reporting could be better explained. If the purpose of the reporting is thoroughly described, the institutions understand better for what the figures are collected and used.

#### *Level of application of the reporting*

According to the consultation the report applies to all institutions and investment firms on an individual basis. However, competent authorities will be allowed to waive in full or in part the application of part six of the CRR (Liquidity requirements) to an institution and to all or some of its subsidiaries. We consider the reporting should be harmonized, but we fear this will not be the case if local competent authorities could



give exemptions. Instead we believe the reporting should only be performed on a consolidated level.

#### *Implementation*

The institutions need sufficient time for implementing the report. It could take considerable time to adapt the reporting system and to educate staff. Also, the institutions have several new reports to implement in the coming years. We also believe that the reporting and reporting dates should be implemented and synchronized with the LCR to reduce the reporting costs and resources.

#### *Frequency of the reporting*

We consider quarterly reporting would be a general feasible reporting frequency. The liquidity figures do normally not change in such an extent that monthly reporting is motivated. Monthly reporting would entail high reporting costs, but little change between the monthly reported figures.

#### *Cost of reporting*

EBA has made a cost-benefit analysis where the institutions compliance cost has been estimated as limited or low. As regards "one-off"-costs we agree that they have limited impact. However, we believe that the cost regarding "ongoing"-compliance cost is not low impact but rather high impact. Considerable resources have to be spent on creating new tables, definitions, instructions, etc. Also, new personnel have to be recruited to collect and examine the figures.

### **Comments to questions**

The comments by the Swedish Bankers' Association follow the questions asked in the consultation on additional liquidity monitoring metrics. Questions have been answered where we have comments of importance to us.

**Q01.** *Are the proposed remittance dates feasible? Does the specification in paragraph 2 give sufficient clarity on which flows are included and excluded for the purposes of this RTS? If not, please provide us with an alternative specification.*

We consider instead 20 calendar days would be a feasible remittance date. Taking in consideration the collection and examination of the figures, and to submit them, 15 calendar days are too short and especially if the quality of the figures should be adequately secured.

**Q02.** *Are the proposed frequency dates feasible? Has the proportionality been adequately considered?*



We consider quarterly reporting would be a general feasible reporting frequency in normal conditions. Monthly reporting is too frequent taking in consideration that the reported figures in normal conditions would hardly change between the monthly reporting occasions. Monthly reporting could be introduced in exceptional stressed situations.

**Q03.** *Is the above size threshold of 1% of total assets suitable to determine a higher reporting frequency? Should such threshold be substituted or complemented by a liquidity-risk-based threshold or other quantitative criteria? If so, by which?*

We think that the reporting on an individual basis is too granular and that it should be enough to report the liquidity on a consolidated basis. Financial groups normally handle liquidity, funding, etc, on a consolidated basis.

**Q04.** *Are the reporting templates and instructions sufficiently clear? Shall some parts be clarified? Shall some rows/columns be added or deleted?*

-Annex I (template 1) – Behavioral flows

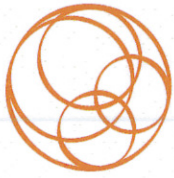
In the instructions to the template EBA write that “the behavioral flows shall be based upon a base case economic scenario used by the reporting institution in its current business planning”. We do not consider the behavioral flow template to be sufficiently clear and in particular the meaning of “base case economic scenario”. The “base case” must be described in more detail. Is the “base case” supposed to be dynamic or static?

In addition, the information regarding behavioral flows, e.g. the purpose and the use, need to be elaborated in the technical standard

The guidelines and instructions are very brief regarding the behavioral flows. We think that more guidelines are necessary in order to make the information useful, comparable and possible to analyze e.g. regarding the set up of the base case scenario. Should the base case scenario assume new business volumes or not?

We have the opinion that the reporting should be harmonized throughout the EU. To our understanding it will not be possible to compare the reported figures in the template between banks. If the intention is to compare banks behavioral flows the instructions have to be rewritten. The reference to Counterbalance Capacity is not relevant and should instead be the high quality liquid assets (HQLA) as is described in CRD IV/CRR.

The template behavioral flows will in addition need considerable resources to be able to report. The reporting will be complicated to perform.



- Annex III (template 2)

Prices for Various Lengths of Funding: To calculate the spread in the left hand side of the columns in certain time buckets, EURIBOR should be used for EUR and LIBOR should be used for GBP and USD.

Roll-overs of funding: The instructions to the template are indistinct and it is unclear what should be reported. Is it supposed that the banks should be able to report future refinancing costs?

**Q05.** *Could you indicate whether all the main drivers of costs and benefits have been identified in the table above? Are there any other costs or benefits missing? If yes, could you specify which ones?*

As regards the cost for institutions we agree that "one-off"-costs has limited impact. However, we believe that the cost regarding "ongoing"-compliance cost is not low impact but rather high impact. Considerable resources have to be spent on creating new tables, definitions, instructions, etc. Also, new personnel have to be recruited to collect and examine the figures.

**Q06.** *For institutions, could you indicate which type of costs (A1, A2, A3) are you more likely to incur? Could you explain what exactly drives these costs and give us an indication of their expected scale?*

See comment on Q05 above.

**Q07.** *Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?*

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SWEDISH BANKERS' ASSOCIATION



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