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POLISH BANK ASSOCIATION

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European Banking Authority

Polish Bank Association Response to EBA consultation on Draft Implementing Technical Standards on Additional Liquidity Monitoring Metrics under Article 403(2) of the draft Capital Requirements Regulation (CRR) (EBA/CP/2013/18)

Dear Sirs,

Polish Bank Association welcomes the opportunity to comment the EBA consultation paper related to the draft implementing technical standards on additional liquidity monitoring metrics under article 403 (2) of the draft Capital Requirements Regulation (CRR). The presentation of position of Polish banking sector is limited to answering the questions posed by EBA in its consultation paper.

Q1: 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 agree that the final remittance date shall be consistent with the final remittance date for LCR proposed in the final draft of ITS on reporting requirements for liquidity coverage. We use this opportunity to express our opinion that the proposed remittance date of 15 days is not feasible neither for LCR nor for additional metrics. Remittance dates for monitoring metrics and other regulatory reports should be introduced correctly to reduce the pressure on time and personnel

resources and to enable better control of data quality in banks. As for the LCR, we are skeptical that the remittance date of 15 calendar days enables to keep high quality of data to be supplied to the supervisor. Looking at broad scope of information required from banks to prepare regular reports and looking how these information has to be detailed, the remittance date should be 20 days or later.

The draft of regulation does not deliver the clear picture if banks will be required to report on consolidated basis or on only on solo basis. In our opinion it is not possible to submit the reports on consolidated basis every month with remittance date of 15 days. At present this kind of reporting has remittance date of 60 days and concerns the data at the end on each quarter. The same rule could be implemented for EBA requirements included in draft of implementation technical standards. The remittance date for the consolidated reports should be longer than the one for the individual reports because the work of intragroup reconciliation has to be taken in consideration.

With regard to the application date, we would like to recommend granting a one year horizon for the implementation of the extensive and new reporting requirements of the monitoring metrics, beginning from the date when the final ITS is published. As the Commission will receive the final ITS in January 2014, the earliest application date is 31 March 2015.

Q2: Are the proposed frequency dates feasible? Has the proportionality been adequately considered?

The frequency of reporting of information pursuant to the template set out in Annex 1 and 3 should be the same as the frequency of reporting LCR index. We propose to submit the information on quarterly basis, particularly in the initial period of first 2 years after the implementation of new requirements. In the transition phase a quarterly reporting of the metrics is sufficient, especially due to the fact that short term risks and in-/outflows should be covered by the LCR. The implementation of reporting requirements are time, personnel and cost consuming for banks. Therefore it is necessary to have certainty that the required information are useful for bank supervisors.

It should be also remembered that competent authorities have the power to require higher frequencies at all times (in particular in times of crisis or when the first signs of deterioration in the position of a single institution occurs). As a matter of proportionality, we would like to suggest that the additional liquidity monitoring metrics would depend on the "level" of the LCR of the institutions

concerned (following the principle of proportionality, the smaller banks and less complex ones may report information required on a semi-annual basis).

Q3: 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?

The size could be raised to 2% of total assets, because this limit is used often for prudential purpose in order to mark the banks and branches which are important for local financial market.

It should be also reconsidered the criterion expressed in paragraph 3. According to this paragraph the privilege of quarterly reporting can not be done to the institution which forms part of a group with subsidiaries or parent institution located in jurisdictions other than the one of its competent authority. This rule excludes automatically the possibility that small foreign subsidiary (branch) can report with quarterly reporting frequency. This frequency can not be applied also to the bank when its activity in other country is marginal.
It is necessary to consider the special reporting requirements for these banks where the Institutional Protection System was set up.

Q4: Are the reporting templates and instructions sufficiently clear? Shall some parts be clarified? Shall some rows/columns be added or deleted?
First of all, there is a genuine need for a higher simplification by bringing the specifications more in line with the CRR/LCR and NSFR, a well as a need for a further distinction between the two types of reporting, with a different level of data quality requirements. The positions should be furthermore (as far as possible) in line with LCR reporting (i.e. exclude cash flows from non-financial activities like taxes, bonuses etc.).
The templates, instructions and perimeters of the reporting should be more clearly specified. There are many examples where the templates should be clarified. Below we indicate a few of them:
<u>"Concentration of funding by counterparty"</u> – it is not clear, what should be reported in position all other liabilities – external source of financing or the all other liabilities as own funds, income for last period, etc. It is also not clear what bank shall fill in template in situation when different product types and currencies are used in transaction with the same counterparty included in the list Top 10.
In position "<u>concentration of funding by product type</u>" it is the problem how bank should determine the value of each product type in position: covered or not covered by Deposit Guarantee Scheme. In

practise the liabilities from all types of products are combined for deposit guarantee purpose. It is possible to determine global amount of covered and uncovered client liabilities but how to divide them for each product. It can be made only using the proportionality rule but what is the sense of such reporting.

In position "Prices for various lengths of funding" banks ask for explanation which position should be included in 1.1-1.5. The proposed reporting requirements imply that banks have to calculate the spread (liquidity premium and credit risk premium) which is not foreseen in Basel III. Banks ask for indication of the legal basis for requirement of spread monitoring in the version proposed by the EBA. We are afraid that the scale of required information is much broader than the elements mentioned in CRR. Banks need also the confirmation that spreads are to be quoted on the new deals made in the reporting period and not for whole banking book. Some banks ask the question if length of funding should refer to the contractual terms of funding or remaining time of existing funding. The problem for banks how to report the bank funding without any contractual term.

If the template has to be prepared for all currencies together, it generates additional problem how to measure the spread when one transaction has the basis in relation to EURIBOR and the other one to LIBOR.

Further clarification is necessary in this position: it should be clarified if reporting refers to both retail and wholesale funding or just wholesale. If retail funding is included, more granularity in terms of products should be requested (e.g. the item "Cash deposits" divided by retail and wholesale funding and by demands and maturing funding).

In position "roll over of funding" the aim of this indicator in not clear. Further instructions would be welcomed to ensure a common interpretation and implementation of this part of reporting. Banks ask question concerning the meaning of new funding: is it roll –over funding or all new funding (including roll-over). Some banks have the problem how should be treated the funding which was collected in a way of replacing of former deposit which term expires and will be not offered by banks anymore in the same way in new kind of deposit. Instruction to the annex 3 does not also indicate in clear way if this template should be reported in all currencies together or be separated in funding in each currencies. Banks are not sure if indicated maturing should be presented on the basis of contractual terms. Banks ask also how should be treated the term deposit which was not rolled over but the money were transferred to the current account in the same bank.

There is also general question concerning all these templates reported by banks. According to Article 415 of CRR bank has to report separately the liabilities in foreign currency if all liabilities in this currency are higher than 5% total bank liabilities. Banks ask if the same rule is used for the purpose of reporting the dates indicated in template of annex 3.

Q5: 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?

The main drivers have been correctly identified. However, the type of impact (low/limited etc.) cannot be determined in advance, but it will be driven by the size and complexity of the balance sheet, and depends on the required granularity and remittance period.
No other costs and benefits have been identified. However, we are sceptical if the implementation of such complex and heavy reporting framework will really bring the benefits for bank supervision.

Q6: 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?

The biggest cost will be the cost of new IT implementation. The required details are not always in line with dates used by banks internally and require various changes in IT infrastructure. The main costs will be mainly related to changes in systems and processes. The cost will depend on time how quickly the templates have to be filled by banks. The next category of IT cost will be the cost of safe keeping of database.
The second big category of additional cost for banks will concern the additional information gathering. The costs will increase as additional staff resources will be necessary to comply with the proposed reporting requirements.
It is obvious that the level of additional costs will wary considerably and they will be driven e.g. by the complexity of the bank activity and the size of credit institution. They will depend on the reporting frequency and final remittance date.
In our opinion the presented in proposition low/limited cost of new requirements for banks in underestimated.

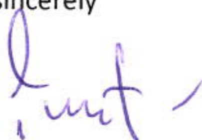
Q7: Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

The bulk of reporting requirements (LCR, Additional Liquidity Monitoring Metrics, Leverage Ratio etc.) combined with the short time for implementation is an overload of the industry and cannot be captured.

According to some banks, the implementation costs will depend on the data quality expected by the supervisor. That is why, as currently drafted, we do not agree that the compliance costs are low.

The lack of information in current bank databases can be the biggest problem, bigger than is was presented in research. Banks will have to prepare and implement the broad modification of process of collection of new kind of information, particularly concerning the templates as "roll over of funding" or "prices for various lengths of funding" (spreads). The collection of new information will cause the necessary change in IT systems in banks.

Yours sincerely



Krzysztof Pietraszkiewicz

President