Verband der Auslandsbanken in Deutschland e.V.
Association of Foreign Banks in Germany

EBA-CP-2013-19@eba.europa.eu

August 14, 2013

EBA/CP/2013/19

Dear Madam or Sir,

The Association of Foreign Banks in Germany very much appreciates the possibility to respond to the EBA Consultation Paper “Draft Regulatory Standards on additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on the institution’s derivatives transactions, financing transactions and other contracts for liquidity reporting under Article 411(3) of the Draft Capital Requirements Regulation (CRR)” (hereinafter referred to as “the Consultation Paper”).

We represent more than 200 foreign banks, investment management companies, financial services institutions and representative offices in Germany, among them several entities belonging to the leading institutions world-wide.

We have one proposal relating to Questions 1, 5, 11 and 15:

The Consultation Paper does not take into account whether a derivative contract has been entered into for hedging purposes. This results in unjustified burden for institutions which would be required to consider additional liquidity outflows as regards the derivatives transaction without calculating the hedging effects.

An adverse scenario for a derivative position is always a favorable scenario for the financial instrument being hedged. For example, if a high quality liquid asset (e.g. government bonds) was hedged with a financial future, the adverse scenario for the futures contract would always be a scenario leading

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Representation of interests of foreign banks, investment management companies, financial services institutions and representative offices

Registered in the interest Representative Register of the European Commission, Register ID: 95840804-38 to market value appreciation of the government bonds. Negative liquidity effects will be invariably weighed out by positive liquidity effects.

Thus we propose that positive liquidity effects in high quality liquid assets which arise in adverse scenarios for derivatives contracts entered into for hedging purposes should be calculated and taken into account when determining additional liquidity outflows from potential collateral needs. This should apply under all the approaches set out in the Consultation Paper, at least in cases where the institution is able to demonstrate that derivatives transactions were entered into for hedging particular and specified financial instruments (high quality liquid assets).

Should you have any queries or wish a personal discussion, please do not hesitate to contact us.

Kind regards

Dr. Oliver Wagner Wolfgang Vahldiek