Deutsche Bank

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Mr. Adam Farkas
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Dear Mr. Farkas

DB's response to the European Banking Authority's consultation on draft implementing technical standards on supervisory reporting requirements for liquidity coverage and stable funding.

Deutsche Bank (DB) welcomes the opportunity to respond to the EBA's consultation on supervisory reporting requirements for liquidity coverage and stable funding in a wider effort to harmonise the reporting of prudential standards in the EU and internationally.

Given the delay in reaching political agreement on CRD 4, we strongly support EBA's pragmatic approach to implementation of financial reporting requirements. Meeting the deadline of 1 January 2013, without having the final rules in place, would be impossible. Reporting of the liquidity coverage and stable funding will require alignment between the legislative framework and final reporting templates before institutions can start to implement the requirements. The time necessary for system and process development, after publication of the final requirements, suggests to us that the appropriate start date is 1 January 2014. In the interim, reporting can continue using the BCBS QIS templates. The implementation timeline will also pose challenges to regulators as they may not have the necessary time to build and develop systems to receive and analyse all the data.

Due to the increasing volume of data banks are required to report, it is crucial to ensure that European and international standards are aligned as much as possible. This would assist both regulators and banks. Our response highlights a number of material differences between the proposed EBA reporting templates and those used under the BCBS QIS.

Finally, we recommend including as many potentially buffer-eligible asset classes in the template as possible, including index equities, precious metals and high quality retail backed securities. The observation period for the Liquidity Coverage ratio (LCR) needs to allow for real testing of the liquidity of the full array of instruments under consideration by Basel.

Our more detailed comments are attached in the Annex.

Yours sincerely,

Andrew Procter
Global Head of Government and
Regulatory Affairs

ANNEX I

Question 1 – Are the proposed dates for first remittance of data, i.e. end of January and end of March 2013 feasible?

The first regular remittance date of January 2013 now appears to us to be impossible given the delay in reaching political agreement on CRD 4 and that the final reporting templates proposed in this consultation paper are unlikely to be published before November 2012 (and probably several months later).

Even though most banks have already reported LCR and NSFR metrics under the BCBS QIS process, the implementation of the new reporting format will require a thorough analysis and system changes to reflect the final templates so that sufficiently high quality of reporting is ensured. A transition period of not less than six months should be granted from the date of finalisation of reporting templates before the first remittance of data to allow credit institutions to establish reliable systems and approaches to gathering and verifying the required data. During the proposed transitional period, institutions could be required to submit the BCBS QIS on a more frequent basis. In our view, having regard to present progress, as an aid to certainty, we suggest that a commencement date of not before 1 January 2014 should now be agreed.

Question 2 – Do respondents agree with this proposal for defining significant currency?

The definition of significant currency is in line with the Basle III and we agree with this proposal. However, the definition does not provide any clarification around the measurement basis for the threshold to be calculated in case of entity / subgroup-level calculations. We assume LCR by Currency is a Group-level requirement and the determination of material currency is thus relevant for Group level only, but we would like confirmation that our assumption is correct.

Question 3 – Is the proposed remittance period of 15 days feasible?

This submission deadline is not workable due to the need to reconcile, align and audit with financials and other COREP forms.

There is a trade-off between the shorter remittance period and the quality of data reported. A short remittance period leaves insufficient time to quality-assure and to align the data reported in these templates to the data used for bank's financials, which in case of most European banks have significantly later disclosure dates (see quarterly and annual statements under IFRS). Therefore to ensure quality we propose submitting the data on the last working date of the following month, rather than 15 calendar days as proposed in this consultation.

Question 4 – 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?

Granularity of templates

The proposed templates deviate from the Basel QIS template for YE2011 in a number of places. For example:

1. The granularity increased substantially for reporting of secured funding run-off as well as reverse repo by underlying type. In the QIS split of underlying information by level 1, 2 and 3 was sufficient.
2. Structure for reporting of deposits outflows, e.g. SME class is now lumped into the retail category. QIS requires separate reporting of the SME class.
3. The collateral swaps section is missing entirely from the proposed reporting template but there is a separate section in the current QIS. The same applies for contingent funding obligations such as guarantees, letters of credit and potential debt buy backs.

We would propose the granularity of the current QIS exercise serves as a basis to define the final reporting templates on LCR and stable funding. In cases where the templates differ from the QIS structure, a grace period will be necessary to implement all the changes and that time be set aside for a Q&A session to clarify all questions around how to fill in the new templates beforehand.

Outflows template

There is no separate position for outstanding debt issuances maturing within the LCR horizon of 30 days; we assume this outflow is to be reported under 'other liabilities' position 1.2.8 of the proposed template. We would recommend including a separate position on this outflow to enhance transparency and would also welcome clarification on where outflows related to collateral swaps transactions should be reported. There is a separate section on this type of inflows and outflows in the current QIS structure for LCR.

Inflows template

There is no 'other inflows' category in the inflows section of the LCR. This would be helpful to capture any inflows different from those explicitly defined but still relevant for LCR reporting and would as well be symmetrical to the outflows presentation in the template (See position 128 for other outflows). Moreover, we haven't found any separate position for the inflows as defined under CRR Art. 413.7.

We would welcome clarification whether inflows which are to be received in third countries where there are transfer restrictions, or which are denominated in non-convertible currencies are included in the final reporting template for future inflows. We would recommend these have a separate position.

Further clarification is also required as to where inflows related to collateral swaps transactions should be reported. There is a separate section on this type of in- and outflows in the current QIS structure for LCR. We would recommend having a separate section which would mirror the QIS.

Question 5 – 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?

We would recommend including as many additional potentially buffer-eligible asset classes in the template as possible such as index equities, gold or high-quality residential MBS into the buffer reporting template. Splitting the EBA-specific template provided in the last QIS for LCR as per year 2011 would be a good starting point for defining such additional asset classes.

Question 6 – Do respondents agree that the template captures the requirement of the draft CRR on reporting of stable funding?

We would like further clarification whether the full amount for particular categories is to be reported or the amount after applying the relevant haircut as defined under CRR. A separate column on haircuts as well as additional position for the LCR calculation result would be welcome and bring greater transparency. Further, the proposed template does not contain a section on reporting inflows and outflows related to the collateral swaps hence clarification as to exactly those items expected to be reported would be welcome.

Required and available stable funding: We agree that all assets and liabilities from the institution's balance sheet should be included in stable funding reporting. However, due to different consolidation rules existing for IFRS and stable funding reporting (regulatory banking group consolidation scope) purposes, as well as due to different netting rules for secured funding transactions and derivatives contracts, the total of assets and liabilities under IFRS might very well differ from the total of assets and liabilities reported under stable funding reporting requirements. In addition, own funds are to be reported here under stable funding sources and not the IFRS shareholders' equity which leads to a further difference. Such framework differences need to be taken into account while reconciling with the Bank's balance sheet.

Outflows template:

- Position 1.2. under CRR Art. 410.1 - Liabilities resulting from operating expenses are weighted with 0% and are thus irrelevant for LCR calculations. We would therefore propose to exclude this category from the template.
- Position 1.2.5. cross references to itself, and we think the right reference would be to position 1.2.3. Please can this be verified.

Required Stable Funding template:

- Positions in section 1.1. do not seem to be in line with the template-related instructions provided together with the templates. Please can this be verified and changed accordingly if required.

Providing stable funding template:

- Position 1.2.2. - is the reference to CRR Art. 410.3 correct or is it Art. 410.4? Pease can this be verified.
- Position 1.2.3 - we would suggest wording 'liabilities' and not 'deposits' as secured lending transactions are summarized under this position as well.
- There is no separate position on funding resulting from derivatives contracts listed in Annex II which would be an analogue position to the position 1.8. on the required stable funding template. Where exactly are these derivatives payables to be reported – would it be position 1.2.3. or 1.2.7.? We would propose a separate position as it is the case for derivatives receivables in the required stable funding template.
- Instructions - Position 1.2.1.2. is included in the instructions but cannot be found in the template itself. Please verify.