

Comments

on the EBA Draft ITS

"On Asset Encumbrance Reporting under article 95a of the draft Capital Requirements Regulation (CRR)"

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Berlin, June 24, 2013

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Comments "On Asset Encumbrance Reporting under article 95a of the draft Capital Requirements Regulation (CRR)" dated May 28, 2013

Dear Sir/Madam,

we would like to express our appreciation for this opportunity to comment on the EBA Consultation Paper "Draft Implementing Technical Standards on Asset Encumbrance Reporting under article 95a of the draft Capital Requirements Regulation (CRR)" (CP/2013/05). We have examined the Consultation Paper in analogy to the order of the questions, however, we would first like to made some general comments.

1. General comments

General Comments

The basis for the CP/2013/05 is the requirement of Article 95a CRR as well as the publication of ESRB 2012/2 of 20 December 2012. While the CRR requires that institutions report, at least in a summarised form, the volume of their repurchase agreements, securities lending and all forms of encumbrance of assets, the ESRB recommendation contains details of the data which are to be covered by a guideline yet to be adopted by the EBA (now, instead of this guideline, an ITS is being introduced due to the CRR requirement).

The ESRB publication foresees a phase-in period for reporting obligations. According to this, the information reported should include a breakdown by asset type and should be provided on an annual basis. Based on the experience gained until 31 December 2014, the requirements should be extended to include the disclosure of asset quality and semi-annual reporting in as far as the EBA believes that this will provide reliable and meaningful information.

The Consultation Paper now published by the EBA goes far beyond the requirements which the ESRB deems to be necessary in order to fulfil its macro-prudential oversight. Notably, there is no phase-in period foreseen, the reporting interval is at times extended to quarterly reporting, and the information to be reported includes far more data than "asset class" and "asset quality".

We advocate that the new reporting obligation only apply to CRR institutes with a balance sheet total of more than €30bn (30 billion) and that this be implemented gradually in analogy to the requirements of the ESRB and only in as far as the expansion of the reporting obligations can be proven to supply reliable and meaningful information. For this purpose, we propose that for the year 2014 reporting be initially on an annual basis for Part A (encumbrance overview) and Part D (covered bonds). In order to provide banks with sufficient time to take the necessary technical steps to implement the new requirements, reporting should not begin before Q3/2014. Any expansion to semi-annual reporting with additional data requirements could be implemented in 2015 following evaluation of the results by the EBA.

The CP foresees that the reporting obligations must be observed on an individual and consolidated basis. However, the paper does not contain any details regarding the size of the consolidation group. In order to meet with the liquidity requirements, LCR and NSFR (Part 6 of CRR), Article 16 CRR restricts the consolidation group. However, since reporting obligations on asset encumbrance are based on Article 95a CRR, this restriction could not be applied. Because the data to be reported is closely related with a view to content and methodology to the requirements of future liquidity reporting (LCR and especially NSFR),

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we urgently recommend that reporting on asset encumbrance be limited to the liquidity consolidation group. Any other approach would result in inconsistent data reports and would mean both technical and process-related efforts for implementation.

Pledging assets or providing collateral is an instrument that is commonly used by the banking industry and which is widely recognized by EBA. The provision of collateral is hence not specific to covered bonds and we do not consider covered bond programs to be one of the main drivers of asset encumbrance.

It is worthwhile noting that the covered bond market is already the most transparent market segment compared to other asset encumbrance drivers, such as ECB money market transactions, derivatives, repo or securitization transactions. Supervisors and investors have access at all times to detailed information about the volume and composition of cover assets set aside for covered bond holders. In addition, covered bond funding does not constitute the only form of long-term encumbrance. The ECB's two longer-term refinancing operations with a maturity of three years and collateral for longer-term derivatives, especially as part of the initial margin, are just another two examples of long-term asset encumbrance. This should be taken into consideration when introducing reporting templates that require information on covered bonds which is not required for other asset encumbrance drivers.

National covered bond legislation restricts the number or type of eligible assets. The German Pfandbrief Act, for instance, is particularly strict when it comes to the eligibility criteria for cover assets and thus considerably restricts the volume of outstanding covered bonds. Ultimately, the interests of secured and unsecured creditors must be fairly balanced by recognizing the added value covered bonds generate for the stability of financial markets.

We therefore challenge the negative connotation of 'asset encumbrance'. During the financial crisis, covered bond funding was the only point of access to private capital funding for a significant number of credit institutions. There is also evidence that covered bond funding prevented liquidity shortfalls and consequently insolvencies in the banking industry and that asset encumbrance was a strong contributor financial stability during stressed periods. This benefitted both depositors and unsecured creditors.

Reporting date/starting date:

The coming into force of the reporting requirements for asset encumbrance on January 1, 2014 and the first reporting date of March 31, 2014 are neither realistic nor possible due to the high data and reporting requirements. For this reason, we recommend that the requirements come into effect no earlier than January 1, 2015.

Reporting frequency:

Generally speaking, we consider the quarterly frequency for the templates Asset Encumbrance (AE) Part A: Encumbrance Overview, AE Part B: Maturity Data and AE Part D: Covered bonds to be too high and half-yearly reports to be sufficient because changes, for instance, in the cover pool of covered bonds are relatively minor. Moreover, the detailed reporting requirements for asset encumbrance require considerable effort in order to prepare, analyze and report the data.

We consider the reporting frequencies for the templates Asset Encumbrance Part E: Advanced Data (every six months) and Asset Encumbrance Part C: Contingent Encumbrance (every twelve months) to be reasonable.

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Comparability with FINREP:

Pursuant to the consultation paper, section 3. Background and rationale, "Background and regulatory approach followed in the draft ITS", para. 3, page 6, refers to the comparability of the asset encumbrance ratios with the FINREP ratios. Annex II does not contain any more detailed information or references. Annex II refers to the adjusted FINREP templates. The validation rules merely contain a partial reconciliation with FINREP in terms of the AE asset table and audits in terms of the AE sources table. Furthermore, it is much more difficult for institutes that apply local GAAP to reconcile or identify items. We hence request clarification as to how local GAAP institutes, which are exempt from reporting according to FINREP, should handle such comparability.

2. Comments on the questions from the ITS

Q1: Is the definition of asset encumbrance sufficiently clear?"

Yes, we generally welcome that a wide definition has been proposed that is based on economic principles and covers all assets that are subject to any withdrawal restrictions.

We generally consider the definition to be sufficiently clear. In light of the fact that there is still no EBA definition for "encumbrance", even for determining the high liquidity assets to be calculated as part of the LCR, we would like to point out that all of the reporting obligations should be urgently synchronised.

We would now like to explicitly comment on one of the "encumbrance types" listed in the explanatory text:

For partially used central bank facilities, for which more assets than are currently necessary have been pre-positioned in the ECB cover pool, the EBA now proposes that these assets be counted on a pro-rata basis as encumbered.

According to the rules of Basel III-Monitoring on LCR, however, these assets must be considered to be encumbered in a waterfall principle that ranges from "worst" (level 3) to "best" (level 1). This assumption also reflects the actual approach and is in line with the conditions of the ECB according to which unused collateral can be withdrawn at any time from the pool. For economic reasons, "level 1" assets would be the first to be withdrawn and returned to the institute's unencumbered stock.

The EBA should use this approach for all current and future definitions. In our opinion, a "pro-rata" approach does not reflect reality and is too conservative an approach.

The final bullet point of the explanatory text is also not sufficiently clearly worded. In our opinion, "assets in cover pools" are always under the control of the trustee irrespective of whether or not the issuing institute holds the corresponding covered bonds. The underlying assets are hence are not available to the

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institute to raise liquidity and would therefore have to be seen to be encumbered. We kindly request clarification of this matter.

In addition to the above we want to remark that not all of our institutes share the view that repo-transactions bring about encumbrances of assets in every case. For instance International Capital Markets Association (ICMA) announced:

"Repo involves an outright sale of assets for cash. It therefore encumbers a borrower's assets no more than any other outright sale of assets. In return for the asset, the borrower receives cash, a generally superior asset in terms of credit and liquidity risk."¹

This view is explained by an example. Following this argument, encumbrance arises only in the amount of the "haircuts". In case repos are still seen as encumbrance in total amount we propose a net view on that business: Securities sold through repo-transactions should be set off against the amount of securities received through reverse-repo-transactions. In doing so, all kind counterparties should be captured.

With regard to the "various collateral agreements" mentioned in the second key point we would appreciate an explanation of the word "assets" in the context of "asset encumbrance", particularly mentioning if cash-settlements are encountered.

In every case we propose a net view of cash inflows and cash outflows, no matter if we look on bilateral, trilateral, OTC or CCP transactions.

Q2: Do you agree with the decision to follow the level of application as set out for prudential requirements? If not, what other level of application would be appropriate?

Yes, it seems to be appropriate to incorporate the ITS into the full reporting framework, especially into the COREP reporting framework.

Q3: Do you believe the chosen definition of asset encumbrance ratio is appropriate? If not, would you prefer a measure that is based solely on on-balance sheet activities (collateral received and re-used, for instance from derivatives transactions would not be included) or a liability?

We are not strictly in favor of only one of the alternatives given. In order to be in line with the wide definition, it would be consistent to include off-balance sheet items in the calculation of the encumbrance ratio threshold. In our view, it is important to also fully capture institutions with important off-balance sheet activities, because collateralized derivative transactions represent an increasing market segment and constitute an important driver of asset encumbrance.

But we could imagine a measure that is based on on-balance sheet activities without the inclusion of off-balance sheet collateral as well. One reason for this is that technical implementation would be more efficient on this basis given the short period of time before the reporting obligations are to be introduced.

¹ <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/short-term-markets/Repo-Markets/frequently-asked-questions-on-repo/32-does-repo-encumber-a-borrower-s-assets/>

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One important aspect, however, in our opinion is that the inclusion of off-balance sheet collateral received and re-used as part of derivatives transactions would adversely affect the reliability and meaningfulness of the reported data for the macro-prudential oversight. Using the data reported on encumbered assets, the ESRB aims to gain a comprehensive overview of non-encumbered and encumbered assets in the European Union and to analyse the possible impacts on macro-economic level. If, however, collateral received and reused is to be included in the encumbrance ratio, this ratio will be influenced by the inherent second-round effects (individual assets will be recorded as encumbered several times over).

Q4: Do you agree with the thresholds of respectively 30 bn. € in total assets or material asset encumbrance as defined as 5% of on- and off-balance sheet assets encumbered? If not, why are the levels not appropriate and what would be an appropriate level? Should additional proportionality criteria be introduced for the smallest institutions?

We basically welcome the application of the principle of proportionality. Hence, we also endorse the proposed approach of exempting institutions which do not exceed certain thresholds from some reporting requirements.

However, in its present form the provision would mean that both thresholds (EUR 30 billion and 5% respectively) may never be exceeded. Institutions with total assets of more than EUR 30 billion, irrespective of the proportion of asset encumbrance, would thus have to comply with all reporting requirements. This is unreasonable in our view. Instead, the comprehensive reporting requirements should only apply if the proportion of asset encumbrance is "material", i.e. if it amounts to more than 5% of total assets. At the same time, the proposed thresholds appear too low.

We therefore propose that the proportionality thresholds be set at EUR 50 billion and 10% respectively, in line with the levels discussed within the scope of the dual banking system (Liikanen Group).

In addition we suggest amending the EBA ruling in Annex XX of EBA/CP/2013/05 as follows:

*Institutions are ~~not~~ **only** required to report the information referred in point b of paragraph 1 or the information referred in paragraph 2 and 3 if they meet ~~each~~ **any** of the following conditions:*

Regarding covered bonds the reporting requirements should be better calibrated on the basis of the proportionality principle. We see the need to provide reporting relief to institutions with small covered bond issuance activity.

We therefore advise the introduction of a 5% threshold for the specific reporting template for covered bond programs (Part D). Indeed, institutions should only be requested to report on covered bonds if their asset encumbrance level triggered by covered bonds is equal to or greater than 5%.

Below such a threshold, the encumbrance risk to institutions and to the financial system cannot be considered to be substantial and does not justify the reporting burden. In these cases, asset encumbrance triggered by covered bonds is sufficiently covered through template Part A which should be submitted on a semi-annual basis.

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In the case of banking groups where funding is only processed through the parent company and group members are funded internally, asset encumbrance reporting should be restricted to single bank level while exempting group level.

In as far as funding is processed through the parent company "only" in the case of banks or financial holding groups and the group members are only funded within the group with the parent company, asset encumbrance reporting should be restricted to single bank level (via the parent bank).

Q5: Under what circumstances might unencumbered assets of the types of loans on demand, equity instruments, debt securities and loans and advances other than loans on demand not be available for encumbrance?"

Unencumbered assets might not be available for encumbrance in the following cases:

- Assets that are not central bank eligible and are not recognized as security by private markets
- Debt securities which are blocked for minimum reserve purposes and/or intraday-liquidity management
- Syndicated loans where the borrower did not consent to the right to assign or transfer the loan or parts of the loan

Especially in the case of (consumer) loans, a right of transfer or sale must be contractually agreed to with the borrower so that transfer/use as collateral is possible.

Q6: What additional sources of material asset encumbrance beyond the one listed in rows 20 to 110 and 130 to 150 in template AE-Source do you see?

The template generally seems to correctly reflect all material asset encumbrance sources. Another future reason for asset encumbrance will be contributions to default funds of central counterparties as part of central derivatives clearing.

Q7: Do you believe the central bank repo eligibility criteria is an appropriate marketability criteria or should other criteria, such as risk weights, be used? If other criteria should be used, what could be the alternative?

There are good arguments in favor of the central bank eligibility criteria because the crisis has demonstrated that repo-eligible assets were still marketable during stress scenarios. However, central bank eligibility should not be the only criterion, the possibility to use an asset as collateral on the repo markets should also be taken into consideration. We would like to point out that the definition of marketability should – at least in the long term – be synchronised with the various ratios and requirements (e.g. asset encumbrance/LCR).

With a view to asset encumbrance, the focus is primarily on potential options for encumbering assets in order to enable funding (refinancing). Generally speaking, with a view to the marketability of assets, the central bank eligibility of marketable and non-marketable assets or marketability as security on repo markets should serve as a basis for asset encumbrance (within the meaning of "marketability"). Refer also to the information provided under the following link:

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http://www.bundesbank.de/Navigation/DE/Kerngeschaeftsfelder/Geldpolitik/Notenbankfaehige_Sicherheit/en/notenbankfaehige_sicherheiten.html

or

<http://www.ecb.int/mopo/assets/assets/html/index.en.html>

However, we very much advocate a common approach across different reporting lines in order to streamline the reporting burden and achieve synergies. We therefore refer to Art. 404 par. 3 CRR in order to identify the marketability of assets in line with the criteria applied in the area of liquidity reporting.

In the same line of thinking, risk weights of assets are also appropriate as they are already available in the 'data-warehouse' of credit institutions. For practical reasons, however, we propose using the risk weight as a criterion because this is already available for analysis in the data warehouses.

Last but not least the GC pooling suitability should represent a further criterion.

Q8: Do you believe the chosen scenarios are appropriately defined? What alternative definitions would you apply?

In our opinion, the scenarios have not been appropriately defined and are also no longer realistic, not even in extreme situations (30% decrease of the fair value). Assets, in particular those assets that can be used for secured refinancing, are typically higher value assets so that an average loss of value of this order is not plausible, not even in an aggregated stress scenario. A distinction must at least be made between the different types of asset encumbrance, e.g. cover pool with legal requirements, ECB cover pool, derivate collateral ...

Alternatively, the EBA could base its approach on stress scenarios that already exist in the internal liquidity models of banks and which have been examined by the regulator and found to be suitable for internal risk control.

Stress scenarios are already embedded in national legislation. Under German law, for instance, a mortgage lending value must be applied to eligible real estate, and mortgages are only eligible for the cover pool up to 60% of the mortgage lending value.

The mortgage lending value is the prudently calculated value of a property. It represents the value which, throughout the entire life of the loan, is likely to be achieved for a property sold on the free market – irrespective of temporary (for example, economically-induced) fluctuations in value on the respective property market. The purpose of this requirement is to eliminate speculative influences.

Given the 60% limit for cover pool eligibility, a further stress scenario of a 30% decrease in market value would result in a market value level of around 20% or even lower which we do not consider to be a reasonable scenario. We therefore challenge the need for any additional stress scenarios for property and public sector assets.

Similarly, the depreciation of 10% in significant currencies overlaps national legislation where currency stress scenarios have to be reported in accordance with national covered bond rules. Since this also

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overlaps the requirement to report LCR ratios on the basis of a number of significant currencies, this reporting position appears redundant to us.

As a matter of principle, the cover value calculation on national level (net present value approach) already takes stress scenarios into consideration. The German Pfandbrief Act, for instance, stipulates a depreciation in currencies of between 10 and 25%. Should these national simulations be factored into the scenarios of Template 'C', the resultant figures would be based on scenarios which would be stressed twice. For these reasons, we would welcome the exclusion of national stress simulations from the calculation of the stress scenarios of Template 'C' if this calculation is to remain.

We also suggest a differentiation between asset classes, for example high liquid assets and less liquid assets.

Q9: Does the instructions provide a clear description of the reporting framework? If not, which parts should be clarified?

In general we recommend improving consistency between the AE reporting templates and the existing requirements for LCR and/or NSFR reporting purposes where similar albeit not identical information is gathered. The complexity of collecting the requested AE figures must be weighed up against the added value for supervisors of receiving the targeted information rather than only slightly less calibrated figures. The complexity of the data collection exercise for banks is further exacerbated by the cover pool reporting requirements stipulated by national covered bond legislation which – again – are not completely identical to the AE templates.

Many templates require the allocation of encumbered assets to 'matching liabilities'. Template AE-Adv, for example, specifies that encumbered assets/encumbered collateral received should be listed against matching liabilities. Template AE-Maturity requires the allocation of encumbered assets to the corresponding residual maturity of liabilities as well as the AE-Assets and AE-Collateral templates where debt securities and loans on demand must be divided into 'encumbered' and 'unencumbered' and valued at FV and CA.

However, under most European covered bond regimes the allocation of an individual encumbered asset to a specific matching liability is not possible, as the cover pool on the whole serves as collateral for all outstanding covered bonds. Since assets and liabilities are generally matched at cover pool level, the requested figures can only be collected at cover pool rather than at single asset and liability level. If, indeed, the templates are to be completed with figures collected at cover pool level, we would very much appreciate confirmation from EBA to this effect.

We also refer to the footnote below Template AE-CB Issuance (Part 'D') where additional sets of rows 010 to 040 are to be added for each additional covered bond. We advise replacing 'covered bond' with 'Cover Pool'.

We recognize the aim to use accounting values in order to reconcile the reported figures with the balance sheet items (FINREP). However, the instructions (Annex II) lack any further guidance. The validation rules appear incomplete in this context (referring to AE-Assets and AE-Sources only); this produces particular challenges for smaller institutions that apply local GAAP only and which do not report under FINREP.

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In our view, the proportionality principle must be respected throughout all the templates. We regret that this principle is not observed, primarily, by Template D on 'covered bonds'. Explanation is provided below.

Proportionality must also apply to the reporting frequency. We question a quarterly frequency for templates A, B and D. Cover pool changes over a three-month period are not sufficiently material to justify quarterly reporting. Instead, semi-annual reporting seems to be a much more suitable interval.

- Template AE- Advanced Part E of the template from line 37:

We are not certain how the template is to be completed. In our opinion, the term "matching liabilities" in column E is especially confusing. If the securities contained are to be presented here, then we would expect to see "matching assets" reported here. We would hence welcome a detailed explanation for the template, Part E.

- Further the templates D and C are the root of most of our concerns:

Part 'D', Covered Bonds:

We understand that the addition in line 15 [additional sets of rows 010 to 040 to be added for each additional covered bond] means that Part D must be completed for each cover pool for X covered bonds. We request clarification of this matter.

In our understanding the reporting statements should consider each class of Pfandbriefe (covered bonds) (mortgage Pfandbriefe, public Pfandbriefe, ship Pfandbriefe, aircraft Pfandbriefe) with a total of the values of cover asset positions of the relevant cover pool. According to the German legal system concerning Covered Bonds the assets of a cover pool are assigned to a set of covered bonds within a class of covered bonds, meaning that there is no direct allocation of a single cover pool asset to a single Pfandbrief . This should be clarified within the instructions of Annex II.

- Template AE-CB Issuance:

It is not clear whether the template also applies to 'Registered Covered Bonds' as it does to 'Bearer Covered Bonds'.

We recommend merging row 020 with 030. As the asset-specific value translates into full fair value, we do not see how this value deviates from the market value of row 020. In such a case, we assume that the same figure will be entered in both rows. Alternatively, we would welcome guidance on the delimitation of market value and fair value.

Regarding rows 220 to 250, we would like to once again emphasize that figures cannot be supplied on single covered bond level, but only on cover pool level. Clarification of this matter would be much appreciated.

We further want to remark the existence of compulsory public information on all covered bonds programs in the german Pfandbrief-Act (§ 28) and respective efforts on the European level (ECBC).

- Template AE-CB Eligible Assets:

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The reporting of unencumbered assets eligible for cover pool would mean a significant administrative burden. Covered bond issuers would have to apply the entire set of national eligibility criteria to all balance sheet items outside the cover pool. This exercise would require the classification of all 'remaining' balance sheet assets in terms of their potential eligibility features, the application of specific valuation rules to real estate assets and other covered bond specific criteria.

This administrative burden appears to be even more disproportionate in cases where the share of the cover pool in the balance sheet of the bank is insubstantial. In our view, the costs generated by the template do not justify the added value.

The term 'unencumbered assets eligible for cover pool' would also cover debt securities. However, debt securities are not listed in any of the subsequent boxes.

We challenge the availability of an 'asset-specific value' (IAS 39) of unencumbered assets. The reporting of the 'carrying amount' varies in accordance to the accounting rules applied (national accounting rules vs. IFRS) and is not intrinsic to cover pool management.

Finally, row 060 is unlikely to deliver any meaningful result. Cover pool derivatives and derivatives outside the cover pool are concluded on the basis of different master agreements. It is not legally possible to transform an unencumbered derivative into an encumbered cover pool derivative since such a transaction must be qualified as a 'novation' that would require termination of the existing unencumbered derivative contract. This means that it is not legally possible to encumber a derivative which has been concluded outside the cover pool.

Part 'C', Template AE-Contingent:

We refer to our response to Q 8.

In addition, some confusion arises from the wording: 'decrease by 30% of the fair value of encumbered assets' in comparison with Instruction N° 28 where 'it shall be assumed that all encumbered assets decrease 30% in value'. This leaves open to interpretation that a 30% decrease in value will only be applied to assets which have been valued on the basis of fair value and not to assets valued at book value (e.g. loans).

We would also welcome guidance on the treatment of hedge transactions within the stress scenarios (derivatives inside and outside cover pools). Ignoring these transactions would distort the overall picture significantly.

Part 'A', Encumbrance Overview:

▪ Template AE-Collateral:

Loans on demand (row 140): The instructions refer to the legal references and instructions in position row 020 Loans on demand of template AE-Asset. There is a reference concerning IAS 1.54 (i), cash and cash equivalents. The instruction according Annex II defines „It includes the balances receivable on demand at central banks and other institutions.“ Which positions have to be considered beside the receivables and liabilities on central bank accounts and nostro accounts from other institutes (loans, money market etc.

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payable on demand)? This concerns also the account balances from encumbered loro accounts of other institutes from our understanding. We would appreciate this to be clarified in more detail.

Other collateral received (row 230): It is not clear whether row 230 'other collateral received' also covers mortgage collaterals. We believe that this is not the case. Otherwise, this reporting requirement would be extremely burdensome.

Nominal of collateral received or own debt securities issued not available for encumbrance (Column 070): This position is not clear to us. We assume that each institution can find its own definition for this position. However, if not this is not intended we would ask for clarification.

- Template AE-Not pledged

Nominal of own debt securities issued non available for encumbrance (Column 040): We assume that each institution can find its own definition for this position. However, if not this is not intended we would ask for clarification.

- Template AE-Sources:

We would welcome guidance on the meaning of '% in market' of the requested carrying amounts (rows 090 to 110).

Part 'B', Maturity Data:

- Template AE-Maturity:

Collateral received re-used (receiving leg) (Row 020) und Collateral received re-used (re-using leg) (Row 030): It is not clear to us, which positions should be reported, that means, if collateral positions which are re-encumbered or all encumbered collateral positions have to be reported.

Concerning row 030 our understanding would be that the re-encumbered collateral positions has to be reported. Obviously the position in row 020 should comprise the collateral positions in total. If the positions in row 020 would be the re-encumbered ones, rows 020 and 030 would contain the same ratios. We would welcome this to be clarified.

Part 'E', Template AE-Adv1:

We would welcome more detailed guidance on the figures required under the boxes: 'matching liabilities'. If the securities received are to be reported here, we would expect a 'matching assets' position.

Another difficulty arises due to the determination and reporting of the carrying amount of total unencumbered and/of which central bank eligible assets: we are unable to see how this assessment (valuation of potentially central bank eligible assets) can be carried out in practice. It is almost impossible to determine central bank eligibility merely on a theoretical basis, especially for non-marketable assets. The central bank eligibility of these assets can ultimately only be determined by submitting the assets to the central bank.

Part 'E', Template AE-Adv2:

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Rows 020, 040, 060, 080, 100, 120, 140, 160, 180 generally: „Sources of encumbrance“ are divided by „Encumbered collateral received“ und „Matching liabilities“. It should be clarified which liabilities are meant. Received collateral is usually encumbered concerning assets.

Q10: Do you identify any overlaps with the existing reporting framework, which could be mitigated?

There are parallels/overlaps with the reporting items within the calculation of the NSFR. Furthermore, encumbered assets are also already separately reported in the published balance sheets (notes) as well as in the COREPT templates. The question is hence whether or not the minor gain in additional information for the regulator justifies the additional effort which implementation and ongoing reporting on the basis of ITS would involve.

Generally speaking, double reporting must be avoided and, more importantly, possible definitions must be synchronized.



Yours sincerely,
on behalf of the German Banking Industry Committee
German Savings Banks Association