

**EBA consultation on draft implementing technical standards on Disclosure for the Leverage Ratio - EBA/CP/2013/41**

**Submission from the Banking Stakeholder Group**

The European Banking Authority's (EBA) Banking Stakeholder Group (BSG) welcomes this draft ITS, in particular the close alignment of the proposed templates to the reporting templates required for the reporting of the Leverage Ratio within the COREP framework whilst also utilising the same referencing as the Basel Committee templates. The following general messages should be considered by the EBA in the context of this consultation:

- The relevance of reporting the leverage ratio in such details before it is stabilised in 2018 is questionable. During the parallel run period and prior to the finalisation of the definition and requirements in respect to the leverage ratio, a more limited framework for disclosure appears to be more appropriate (e.g. by requiring only Table LRSum for this period).
- During the Basel parallel run period from 1 January 2013 to 1 January 2017 it would be most helpful for entities if the EBA clearly and far in advance reported any changes to the reporting requirements. It would also assist reporting entities if changes to reporting requirements are batched and less frequent rather than requested on an ongoing basis throughout the review process.
- The Basel disclosures will not be finalised until 2018 and many entities will therefore need to manually prepare these submissions until the templates are finally settled. This is resource-heavy and should be taken into account when considering the reporting frequency. By limiting flexibility for national authorities to request more frequent disclosures than the proposed annual disclosures during this period it will be less burdensome on entities during this time of uncertainty.

**Q01: Are the provisions included in this draft ITS sufficiently clear? Are there aspects which need to be elaborated further?**

The provisions in these RTS are clear; it is important to report sufficient data to the regulator and supervisor, in order to properly calibrate the leverage ratio during the monitoring period. However, disclosing an excessive amount of data regarding the leverage ratio calculation during the review period will not provide useful information but will entail unnecessary expense resulting from system adjustments at times when the administrative burden from changes in the regulatory environment is already high. We therefore suggest that the extensive reporting should be limited for regulatory purposes only and that the public disclosure should be limited to the Table LRSum.

The very detailed reporting requirements, long in advance of the leverage ratio being a binding requirement (i.e. moved to Pillar 1), will be both cumbersome and inefficient. The "LRQua" template, for example, appears excessive in its request for all processes for managing the

excessive risk of leverage, together with disclosing data related to encumbered assets or maturity mismatches, to be disclosed. It is difficult to understand the necessity to provide the market with such granular information relating to the leverage ratio of institutions.

From a general point of view, the requirement to publicly disclose such detailed information during the monitoring period is of concern.

In accordance with Article 433 of the CRR, disclosures should be limited to an annual frequency in conjunction with the publication of annual statements and not, as it appears in the current consultation paper, left to the discretion of national authorities to request a higher frequency of disclosures.

**Q02: Are the instructions provided in Annex II on the balance sheet reconciliation of LRSum sufficiently clear? Should the instructions for some rows be clarified? Which ones in particular? Are some rows missing?**

The instructions given under point 2c regarding exposures in financial sector entities pursuant to Article 429(4) 2<sup>nd</sup> subparagraph require the inclusion of exposures from financial sector entities in which they hold a significant investment consolidated in accordance with the applicable accounting framework in column 20 of LRCom. Article 429(4) 2<sup>nd</sup> subparagraph requires consolidation according to the applicable accounting framework. Instruction 2c therefore does not appear applicable for disclosure on an individual basis. The instructions given under point 2c in Part II related to Table LRSum regarding exposures in financial sector entities pursuant to Article 429(4) 2<sup>nd</sup> subparagraph require the inclusion of those exposures in column 20 of LRCom; this should probably say “of LRSum”.

**Q03: Are the instructions provided in Annex II on the breakdown of leverage ratio exposure of LRCom and LRSpl sufficiently clear? Should the instructions for some rows be clarified? Which ones in particular? Are some rows missing?**

- The instructions given under point 2b regarding exposures in financial sector entities pursuant to Article 429(4) 2<sup>nd</sup> subparagraph require the inclusion of exposures from financial sector entities in which they hold a significant investment consolidated in accordance with the applicable accounting framework in LRCom. Article 429(4) 2<sup>nd</sup> subparagraph requires consolidation according to the applicable accounting framework. Instruction 2b therefore does not appear applicable for disclosure on an individual basis;
- The different weights used for the off-balance sheet exposure in template LRCom (rows 15-17) are different to the weights used in the supervisory reporting templates;
- The additional information requested in template LRCom (rows 15a; 15.1a; 15.2a, 16a) regarding “material product types” should be limited to items exceeding a certain threshold in respect to the total exposure (e.g. 2 %) since the added value of such additional information is negligible for small volumes;
- Regarding the requirement to report both point-in-time and quarterly average leverage ratio, it would make more sense if the EBA requires only a point-in-time figure until the leverage

ratio is finalised and becomes a legal requirement in 2018, as the calculation will be subject to change during the review period;

- Regarding Article 499.2, the CRR provides institutions with the option to disclose the information on the leverage ratio based on just one or both of the definitions of the capital measure. However, LRCom limits this choice by only enabling one of the measures to be disclosed;
- Regarding LRQua, it is not clear what needs to be disclosed in terms of internal strategic decisions impacting on leverage ratios. The risk here is that the financial industry will be required to disclose information which is market sensitive.

**Q04: Our analysis shows no significant impacts incremental to those caused by the provisions in the CRR and CRDIV are likely to materialise. Do you agree with our assessment? If not please explain why and provide estimates of such impacts whenever possible.**

If the disclosures will mainly be based on reporting data, it is true that there will be no massive additional costs for setting up this new requirement. There will, however, be an additional burden on human resources during the period prior to finalisation of the leverage ratio definition due to the manual input to the templates.