



EBA consultation papers on LCR and LR reporting

EBA Public Hearing Event – 15 January 2015

Agenda of the Public Hearing

1. Consultation Paper on draft ITS amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR.
2. Consultation Paper on draft ITS amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC's Delegated Act on the LR.

Consultation Paper on draft ITS amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR.

Draft Amending ITS on LCR - Introduction

- The CRR envisages the liquidity coverage requirement in Article 412 by means of which institutions shall hold liquid assets to cover the liquidity net outflows under stressed conditions over a period of 30 days.
- On 10 October 2014 the European Commission adopted and published the Delegated Act (DA) which specifies for credit institutions the LCR. This Delegated Act shall apply from 1 October 2015.
- The LCR Delegated Act updates the single rulebook in liquidity. Therefore the EBA needs to update the Implementing Technical Standards (ITS) on LCR supervisory reporting according to the content of the DA.
- The updated draft ITS will take into account the published answers to the Single Rulebook Q&As as well.
- The EBA expects to publish and submit to the European Commission the draft amending ITS by April 2015.

Draft Amending ITS on LCR - Legal scope and structure

Legal scope

- At present the reporting requirements stipulated by the CRR and accordingly by the current ITS on LCR supervisory reporting were addressed to institutions which encompass both credit institutions and investment firms.
- As per Article 2 (1) the LCR Delegated Act shall apply to credit institutions.
- Therefore the scope of application of the amendments in the draft ITS on LCR supervisory reporting are exclusively referred to credit institutions.

Structure

- The draft amending ITS would replace, only for credit institutions, the templates and instructions on liquidity coverage requirement envisaged in the current ITS for new templates and instructions which would be added to the ITS.
- The current LCR templates and instructions in Annex XII and XIII of the ITS would remain applicable to investment firms.

Draft Amending ITS on LCR - Implementation period and reference and remittance dates

- The EBA suggests that the updated ITS shall apply from the later of six months from the date of publication of the final ITS in the Official Journal and December 2015.
- This first reference date is a good balance between the necessary time for technical implementation of the IT reporting package and the supervisory need of a meaningful harmonised tool to calculate the LCR. For transparency and practical purposes the date of December 2015 would be given as the earliest possible reference date in any case.
- The frequency of reporting remains monthly on the last day of each month.
- The reporting remittance date will be the 15th calendar day after the reporting reference date except for the first 6 months of reporting where it shall be the 30th calendar day after the reporting reference date.

Draft Amending ITS on LCR - Content

- The amended draft ITS for credit institutions will capture the necessary items which will allow for the calculation of the ratio for supervisory purposes and other memorandum items which even though are not directly necessary for the LCR calculation are very appropriate for supervisory purposes.
- The amendments materialize themselves in new templates, namely 5 templates on liquid assets, outflows, inflows, collateral swaps and calculation of the ratio. These templates are accompanied by their relevant instructions.
- The EBA has published for consultation a “LCR calculation tool”. This is an excel file elaborated under the format of the new LCR templates for credit institutions for informative purposes only.
- This excel file is exclusively intended to be a clarifying example of the practical application of the LCR instructions and the templates included in the draft ITS but has no legal value, does not form part of the ITS, does not discharge credit institutions from their obligation of reporting every item as required in the ITS and does not exempt them from their responsibility when reporting. The reporting may not be substantiated by it.

Draft Amending ITS on LCR - Liquid assets (1)

- This table breaks down the different categories of liquid assets classified as level 1 and level 2 assets according to the LCR Delegated Act which comply with the general and operational requirements in Articles 7 and 8 of the LCR Delegated Act.

- For every of these categories the table provides with the following items:
 - Amount/market value, as defined in the instructions
 - Standard weights to reflect the reduction of value of the liquid assets after applying the haircuts specified in the Delegated Act.
 - Applicable weights to reflect the weight which are effectively applied (firm-specific, national discretions...).
 - Value according to Article 9 of the Delegated Act

Draft Amending ITS on LCR - Liquid assets (2)

TOTAL UNADJUSTED LIQUID ASSETS

TOTAL UNADJUSTED LEVEL 1 ASSETS

Total unadjusted LEVEL 1 assets excluding extremely high quality covered bonds

Coins and banknotes

...

Total unadjusted LEVEL 1 extremely high quality covered bonds

Extremely high quality covered bonds

...

TOTAL UNADJUSTED LEVEL 2 ASSETS

Total unadjusted LEVEL 2A assets

Regional government / local authorities or Public Sector Entity assets (Member State, RW20%)

...

Total unadjusted LEVEL 2B assets

Asset-backed securities (residential, CQS1)

...

MEMORANDUM ITEMS

Alternative Liquidity Approaches: Additional Level 1/2A/2B assets included due to currency consistency not applying for ALA reasons

...

	Amount/ Market value	Standard weight	Applicable weight	Value according to Article 9
		1.00		
		0.93		
		0.85		
		0.75		

Draft Amending ITS on LCR - Outflows (1)

- This table breaks down the different categories of outflows over the next 30 days, differentiating the outflows stemming from unsecured transactions and secured transaction and capturing the outflows from collateral swaps broken down in its corresponding template.
- For every of these categories the table provides with the following items:
 - Amount as defined in the instructions
 - Standard weights to reflect the outflow rates as specified in the Delegated Act.
 - Applicable weights to reflect the outflow rates which are effectively applied (firm-specific, national discretions...).
 - For secured transactions the market value as defined in the instructions and the value according to Article 9 of the Delegated Act of the collateral extended are also provided.
 - The outflow itself.

Draft Amending ITS on LCR - Outflows (2)

Amount	Market value of collateral extended	Value of collateral extended according to Article 9	Standard Weight	Applicable Weight	Outflow
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OUTFLOWS

OUTFLOWS FROM UNSECURED TRANSACTIONS/DEPOSITS

Retail deposits

deposits where the payout has been agreed within the following 30 days

...

OUTFLOWS FROM SECURED LENDING AND CAPITAL MARKET-DRIVEN TRANSACTIONS

Counterparty is central bank

level 1 excl. EHQ Covered Bonds collateral

...

Counterparty is non-central bank

level 1 excl. EHQ Covered Bonds collateral

...

TOTAL OUTFLOWS FROM COLLATERAL SWAPS

MEMORANDUM ITEMS

RETAIL BONDS WITH A RESIDUAL MATURITY OF LESS THAN 30 DAYS

...

			1.00		
			0.00		
			0.00		

Draft Amending ITS on LCR - Inflows(1)

- This table breaks down the different categories of inflows over the next 30 days, differentiating the inflows stemming from unsecured transactions and secured transaction and capturing the inflows from collateral swaps broken down in its corresponding template.

- For every of these categories the table provides with the following items:
 - Amount as defined in the instructions
 - Standard weights to reflect the inflow rates as specified in the Delegated Act.
 - Applicable weights to reflect the inflow rates which are effectively applied (firm-specific, national discretions...).
 - For secured transactions the market value as defined in the instructions and the value according to Article 9 DA of the collateral received are also provided.
 - Every item is differentiated based on the cap that the relevant inflow is subject to for LCR calculation purposes.
 - The inflow itself.

Draft Amending ITS on LCR - Inflows(2)

TOTAL INFLOWS

Inflows from unsecured transactions/deposits

monies due from non-financial customers

...

Inflows from secured lending and capital market-driven transactions

collateral that qualifies as a liquid asset

...

Total inflows from collateral swaps

MEMORANDUM ITEMS

Interdependent inflows

...

Amount	Market value collateral received			Standard Weight	Applicable Weight			Value of collateral received according to Article 9			Inflow				
	75% cap	90% cap	No cap		75% cap	90% cap	No cap	75% cap	90% cap	No cap	75% cap	90% cap	No cap		

Draft Amending ITS on LCR - Collateral swaps(1)

- This table breaks down the transactions maturing within 30 days where no-cash assets are swapped for other non-cash assets.
- For every of these categories the table provides with the following items:
 - The market value as defined in the instructions and the value according to Article 9 DA of the collateral lent and the collateral borrowed.
 - The outflow or inflow derived from every transaction distinguishing in the latter the cap that the relevant inflow is subject to for LCR calculation purposes.
- The total inflows and outflows revert into the corresponding inflow or outflow template.
- The table also incorporates the market value and value according to Article 9 of DA for collateral lent and borrowed in collateralized derivatives for the purposes of the unwinding mechanism.

Draft Amending ITS on LCR - Collateral swaps(2)

TOTAL COLLATERAL SWAPS & COLLATERALISED DERIVATIVES

Totals for transactions in which Level 1 assets (excl. EHQ covered bonds) are lent and the following collateral is borrowed:

Level 1 assets (excl. EHQ covered bonds)

...

Totals for transactions in which Level 1: extremely high quality covered bonds are lent and the following collateral is borrowed:

Level 1 assets (excl. EHQ covered bonds)

...

Memo items

Total collateral swaps (all counterparties) where borrowed collateral has been used to cover short positions

...

	Market value of collateral lent	Liquidity value of collateral lent	Market value of collateral borrowed	Liquidity value of collateral borrowed	Outflows	Inflows		
						75% cap	90% cap	No cap

Draft Amending ITS on LCR - Collateral swaps(3)

Collateralised derivatives only

Market value of collateral lent Liquidity value of collateral lent Market value of collateral borrowed Liquidity value of collateral borrowed

TOTAL COLLATERAL SWAPS & COLLATERALISED DERIVATIVES

Totals for transactions in which Level 1 assets (excl. EHQ covered bonds) are lent and the following collateral is borrowed:

Level 1 assets (excl. EHQ covered bonds)

...

Totals for transactions in which Level 1: extremely high quality covered bonds are lent and the following collateral is borrowed:

Level 1 assets (excl. EHQ covered bonds)

...

Memo items

	Market value of collateral lent	Liquidity value of collateral lent	Market value of collateral borrowed	Liquidity value of collateral borrowed

Draft Amending ITS on LCR - Calculations(1)

- This table displays the necessary steps for the calculation of the LCR as per the Delegated Act.

- For the calculation of the liquidity buffer:
 - The unadjusted amounts of liquid assets are considered initially.
 - These unadjusted amounts of liquid assets are subject to the unwinding mechanism of secured funding, collateral swaps and collateralized derivatives which means to add collateral inflows and secured cash and deduct collateral outflows and secured cash.
 - The adjusted amounts are then subject to the applicable caps and the excesses of liquid assets are calculated for L1, L2A and L2B assets.
 - The liquidity buffer is finally calculated by deducting these excesses from the unadjusted amounts of liquid assets.

Draft Amending ITS on LCR - Calculations(2)

- For the calculation of the net outflows:
 - The total outflows are displayed. The total inflows are displayed together with the reductions derived from the application of the caps.
 - The net outflows are calculated by deduction the reduced inflows from the outflows.

Draft Amending ITS on LCR - Calculations (3)

LIQUIDITY BUFFER (Numerator)

NET LIQUIDTY OUTFLOW (denominator)

LIQUIDITY COVERAGE RATIO (%)

Numerator calculations

L1 excl. EHQCB liquidity buffer: unadjusted
 L1 excl. EHQCB collateral 30 day outflows
 L1 excl. EHQCB collateral 30 day inflows
 Secured cash 30 day outflows
 Secured cash 30 day inflows
 L1 excl. EHQCB "adjusted amount before cap application"

L1 EHQCB value according to Article 9: unadjusted
 L1 EHQCB collateral 30 day outflows
 L1 EHQCB collateral 30 day inflows
 L1 EHQCB "adjusted amount before cap application"
 L1 EHQCB "adjusted amount after cap application"
 L1 EHQCB "excess liquid assets amount"

...

Denominator calculations

Total Outflows
 Fully Exempt Inflows
 Inflows Subject to 90% Cap
 Inflows Subject to 75% Cap
 Reduction for Fully Exempt Inflows
 Reduction for Inflows Subject to 90% Cap
 Reduction for Inflows Subject to 75% Cap
 NET LIQUIDITY OUTFLOW

Consultation Paper on draft ITS amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC's Delegated Act on the LR.

Draft amending ITS on LR – Introduction

- On 10 October 2014 the European Commission adopted and published the Delegated Act (DA) which updates the calculation of the Leverage Ratio LR. This DA implements the Basel revised rules. Article 429 of the CRR which defines the calculation of the LR, will be directly amended by the DA.
- Changes required to the LR Reporting templates and instructions. The main changes are:
 - For SFT transactions the DA resolves the ambiguity in the CRR (as mentioned in the March 2014 EBA publication two interpretations are possible).
 - For derivatives cash variation margin the DA allows it to reduce the derivatives replacement cost.
 - For written credit derivatives, the DA introduces a capped notional treatment with limited potential for offset.
 - For off-balance sheet items, the DA aligns the CCFs with the CCFs in the RWA framework (with a 10% floor).

Draft amending ITS on LR – Introduction

- Many cells can be deleted due to simplifications in the DA:
 - No more reporting of investments outside of prudential consolidation
 - No more 3-monthly average LR
- Apart from some of the revisions to cells, 19 cells are new. However, as a result of the deletions, the new set of templates will have 224 cells, which is 88 fewer than the 312 cells of the current ITS.
- Also there are not directly DA related changes is the addition of a “(-)” symbol in all rows that are to be subtracted. Some changes reflect published answers to the Single Rulebook Q&As.

Draft amending ITS on LR – Introduction

- The first date of application will depend on the date at which the EU Commission would adopt the amending ITS. The later of December 2015 and 6 months after the adoption date.
- No change in terms of the usual reference and remittance dates of the existing ITS: quarterly reporting with a reference date on the last day of each quarter and with remittance dates on 12 May, 11 August, 11 November and 11 February respectively.
- The amending ITS on LR applies to both credit institutions and investment firms.
- The LR annexes to the ITS (X on template and XI on instructions) will be wholly replacing annexes 1 and 2 of the amending ITS. For consultation purposes only, tracked changes versions are included.
- The EBA expects to publish and submit to the European Commission the draft amending ITS by April 2015.

LRCalc Calculation template: key changes (1)

On SFTs:

- Row 010: For SFT exposures it is the accounting value with the exception that cash receivables can under certain conditions be netted with cash payables.
- Row 020: Counterparty credit risk add-on needs to be added to the exposure.
- Row 030: To reflect an alternative add-on calculation (financial collateral simple method with 20% floor)
- Rows 040 and 050 address agent transactions and exempted client cleared CCP exposure.

		LR Exposure: Reporting reference date
Row	Exposure Values	010
010	SFT exposure according to CRR 220	
020	SFT exposure according to CRR 222	
010	SFTs: Exposure according to CRR 429 (5) and 429 (8)	
020	SFTs: Add-on for counterparty credit risk	
030	Derogation for SFTs: Add-on according to CRR 429b (4) and 222	
040	Counterparty credit risk of SFT agent transactions according to CRR 429b (6)	
050	(-) Exempted CCP leg of client-cleared SFT exposures	

LRCalc Calculation template: key changes (2)

On derivatives:

- Row 060: Replacement costs gross of effects of CVM
- Row 070: Effect of CVM received.
- Rows 080, 100, and 120: Address exempted client cleared CCP exposure.
- Row 090: Derivatives add-on.
- Row 110: Alternative calculation according to OEM.
- Rows 130 and 140: Address new sold credit derivative treatment.

030 060	Derivatives: Current replacement cost	
070	(-) Eligible cash variation margin received offset against derivatives market value	
080	(-) Exempted CCP leg of client-cleared trade exposures (replacement costs)	
040 090	Derivatives: Add-on Mark-to-Market Method	
100	(-) Exempted CCP leg of client-cleared trade exposures (potential future exposure)	
050 110	Derogation for derivatives: Original Exposure Method	
120	(-) Exempted CCP leg of client-cleared trade exposures (Original Exposure Method)	
130	Capped notional amount of written credit derivatives	
140	(-) Eligible purchased credit derivatives offset against written credit derivatives	

LRCalc Calculation template: key changes (3)

On off-balance sheet items:

- Row 150 to 180: CCFs aligned with Basel III SA (with floor of 10%)

060 150	Off-balance sheet items with a 10% CCF according to CRR 429 (10)	
070 160	Off-balance sheet items with a 20% CCF according to CRR 429 (10)	
080 170	Off-balance sheet items with a 50% CCF according to CRR 429 (10)	
090 180	Off-balance sheet items with a 100% CCF according to CRR 429 (10)	

LRCalc Calculation template: key changes (4)

On further balance sheet items:

- Row 210: CVM provided can be subtracted from exposure.
- Rows 220: Address exempted client cleared CCP exposure.
- Rows 200, 230 and 240: adjustments for accounting framework specificities.
- Rows 250 and 260: adjustments for EU specificities.

400 190	Other assets	
200	Grossed-up assets for derivatives collateral provided	
210	(-) Receivables for cash variation margin provided in derivatives transactions	
220	(-) Exempted CCP leg of client-cleared trade exposures (initial margin)	
230	Adjustments for SFT sales accounting transactions	
240	(-) Fiduciary assets	
250	(-) Exemption of intragroup exposures (solo basis)	
260	(-) Exposures exempted according to CRR 429 (14)	



EUROPEAN BANKING AUTHORITY

Floor 46, One Canada Square, London E14 5AA

Tel: +44 207 382 1776

Fax: +44 207 382 1771

E-mail: info@eba.europa.eu

<http://www.eba.europa.eu>