Brussels, 28th July 2021

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EACB comments on EBA draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to ALMM (EBA/DP/2021/17)

General comments

The EACB welcomes the opportunity to comment on the draft EBA ITS amending the supervisory reporting requirements with regard to Additional Liquidity Monitoring Metrics (ALMM).

We appreciate the EBA's efforts to take a more proportionate approach from a practical perspective. We believe it would be essential to allow institutions to benefit from the adjusted requirements as soon as possible, ideally before the end of 2022.

We have to note, however, that contrary to the spirit of this consultation the reporting cycle on ALMM for banks with total assets between € 5bn and 30bn has recently become more burdensome. We believe that for those institutions, the quarterly reporting cycle as previously envisaged should be reintroduced.

With regard to the removal of the 1% threshold in C 67.00 and C 68.00 we do welcome the approach in principle. However, the removal in C 67.00 would lead to higher manual effort and hence to higher costs which would outweigh the benefits, in particular with regard to data collection. Maintaining the 1% threshold in C 67.00 is also in line with the EBA findings in the Cost of Compliance study where it is indicated that while two thirds of respondents considered the 1% threshold ineffective in context of template C 68.00, this was not the case for C 67.00.

We believe that also the frequency of reporting for C 71.00 should be revised. An annual reporting cycle would be sufficient at least for SNCIs, as the top ten issuers that granted assets or liquidity lines to the reporting institution, that are part of its counterbalancing capacity, rarely change. For other institutions a quarterly frequency also seems more adequate than the monthly one.

Moreover, we believe that some of the changes proposed do not reveal a clear technical/supervisory benefit. Considering that the stated aim is reducing the reporting burden, changes should have a clear added value. In the C 66.01, institutional protection scheme (IPS) flows were moved to the main inflows/outflows part of the template instead of memo items. We do not see any enhanced informative value in this, which rather only causes unnecessary implementation costs. The desired improvement in data quality could instead be achieved by more rigorously demanding the memo items.

Q1 *Are the instructions and templates clear to the respondents?*

We believe that the instructions and templates are broadly clear in their design, despite some questions on content that we will address under the following questions.

Q2 *Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

NA

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Q3 *Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

We agree in principle, however a number of elements that need to be addressed remain.

The new reporting line 1131 of the revocable facilities refers to Art. 23 (1) a, b, d and e LCR. At the same time the reference is unclear to us, for example under Section 5.1.2. For some members the working assumption would be that all transactions of reporting line 1131 can also be sorted into the first maturity band. A subdivision for each maturity band cannot be represented using available data. A clarification in this sense would be welcome.

The spread should continue to be reported in C 69.00, as this makes it easier to determine the refinancing risk. The conversion to the effective interest rate could also be carried out subsequently by the supervisor in order to avoid unnecessary implementation costs in the reporting system of the institutions. A member indicated that using the effective interest rate directly instead of the spread could be even simpler, as spreads need to be calculated for each currency and operation. At the same time, it is noted that any change in a report requires additional spending in IT, even if it is eventually resulting in a simplification.

Q4 Do respondents agree that the decisions to exempt entire reporting templates from being reported is the best approach in implementing proportionality? In case you do not agree, what other proposal would be more efficient to reduce costs?

We agree with the decision, the exemption from entire reporting templates would be the most efficient way to enhance proportionality. Regarding the exemptions for medium sized banks, we also see the possibility to exclude C 68.00 and C 69.00 from their reporting requirements, as the maturity and refinancing structure does not differ significantly from that of the SNCIs.

Moreover, we ask for medium sized banks to take back the monthly reporting requirements, introduced with Delegated Regulation EU/2021/451. The increased reporting frequency introduced with the revised reporting framework does not have any corresponding supervisory benefits in terms of effort and has been sufficient for monitoring the medium banks since the introduction of the ALMM.

Moving a report from quarterly to monthly (and increasing the level of detail) has very important implications for banks generally and even more so for less significant institutions (LSIs), particularly for those that are very close to the boundary to classify as SNCIs but just over it. In these cases, while the definition of small and non-complex bank as per CRR 2 cannot be applied, it is hard to consider such banks as medium sized.

The proposed amendments to ALMM reporting should take into consideration that proportionality must apply to LSIs to a greater extent than a simple exemption from the C70 report. It seems difficult to reconcile the strive for reducing the reporting burden and taking a rather limited approach in this respect. This appears even more clearly where banks boost LCR ratios far above 100% (members reported even 300% in some cases), meaning that liquidity would be a negligible risk.

We would therefore encourage EBA to scale back to the previous reporting frequency and consider if some ALMM reports, like C69 or C68, are really necessary for LSIs more generally (i.e. not just for SNCIs), as information on C66 and the LCR are already reported. In the case of C 68.00, the information of the segmentation between retail and non-retail deposits is included in LCR C 73.00 template. This template also contains the operational and non-operational deposits with and without a Deposit Guarantee Scheme and also the segmentation of retail deposits, including the information of stable deposits. In the case of C 69.00, the distribution by buckets in C 69.00 is included in the C 66.00.a and the secured funding and unsecured wholesale funding is provided in the outflows of the previously mentioned template and even though some information is conceptually different (new funds versus actual balance sheet information) the evolution of flows can be obtained from the C 66.00.a template.

In addition, the "Interest payments / receipts and non-financial cash flows" should continue to be shown in the time bucket > 5 years, as these items are hardly relevant for the purposes of liquidity risk. The technical adjustments of the already implemented solutions only leads to additional costs, impairing the goal of relieving institutions.

If instead it is already the EBA's intention that interest payments are to be entirely excluded from the bucket > 5 years and not reported in any other bucket – which could be argued from the new version of Annex 23 that leaves empty the 13 item of Part I of the Annex (where it was previously mentioned the obligation to report interest payments) – then a more punctual clarification would be welcome and much needed.

Q5 Is it clear for respondents how to report derivatives in C 66.01 with the new clarifications proposed in the instructions?

Generally, this seems to be the case.

The planned changes in the C 66.01 seem plausible. The examples for mapping derivatives are, however, cases that rarely apply to local banks.

Q6 Would large institutions agree that it is less costly to keep C70.00 unchanged (accounting also for implementation costs)? What would be a suitable alternative for a simplified version of this template which would achieve the same purposes?

NA

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