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| Our response to the EBA's draft guidelines on liquidity coverage ratio reportingEBA 2016-06Restricted10 August 2016 |
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# Note

Our position is somewhat different to the rest of Europe since the UK has voted to leave the European Union. The actual departure date is unknown, and until that point all aspects of the EU Banking Single Rule Book - CRR, delegated acts, RTS, guidelines etc - will continue in force. Thereafter, there remains uncertainty as to how far EU rules and guidance may be perpetuated as part of the UK’s own successor regime. We therefore have a continuing interest in the subject matter of this consultation and are responding accordingly.

## Executive summary

*We fully support the response made by the* [*European Association of Co-operative Banks*](http://www.eacb.coop/en/home.html) *of which we are a member. This brief response highlights areas in the EACB response that are of greatest concern to building societies.*

We are pleased to be able to comment on the EBA draft guidelines on the disclosure of LCR reporting. Transparency is always welcome but only when there is no danger of unintended consequences, particularly for smaller and mutual institutions. Public disclosure of detail – such as that proposed for the LCR – could lead to misunderstanding. It is the role of the regulator, not the market, to say if an LCR has been correctly calculated.

Our greatest concern with the draft guidelines is the requirement to disclose the liquidity coverage ratio based on an average of daily LCR calculations. We strongly believe the resources it demands are disproportionate to any benefit that may flow, particularly for non-systemic institutions. Furthermore, we agree with the EACB that there is no legal basis to require institutions to report the LCR daily. Article 414 of the CRR says that only an institution which does not meet, or is not expected to meet, the requirement set out in Article 412 CRR shall report the LCR daily.

It is worth noting that in the UK only institutions with a balance sheet over £5 billion are required to be able to produce the COREP LCR, contractual maturity ladder (AMM C 66.00) and rollover (AMM C 70.00) returns on a daily basis at a time of stress.

Rather than a ratio based on averages, daily or otherwise, we consider one based on end of period values to be perfectly adequate for disclosure purposes. Monthly disclosure provides an adequate picture, particularly for non-systemic institutions. This has the added advantage of a reduced burden for institutions.

Our next concern is timing. We consider the start date should be put back to at least 2018 when institutions have to meet 100% of the LCR requirement. This will be easier for stakeholders to understand and give institutions sufficient time to review, amend and test systems.

## Policy options

**Proportionality** - we are, in principle, in favour of option 1A for simplified disclosure templates for smaller institutions.

**Frequency** - we are, in principle, in favour of option 2B. This allows institutions to decide which items to disclose more frequently than annually.

**Calculation methodology** - we are, in principle, in favour of option 3B. We believe that greater accuracy would be achieved by fewer data items. Less frequent data observations allow more reliable and accurate calculation of averages ie monthly values.

The cost of implementing option 3A (daily calculations) is completely disproportionate to any potential benefit. This is particularly pertinent if simplified templates are not introduced.

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