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Your ref., Your message of Our ref., person in charge Extension Date

BSBV 115/Dr.Egger 3137 20 December2013

**EBA Consultation Draft ITS on currencies with an extremely narrow definition of central bank eligibility under Art. 416 (5) of the CRR (EBA CP 2013 37)**

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the above cited consultation paper and would like to submit the following position:

**Background**

1. The CRR specifies that in order for an asset to be considered as „highly liquid” for the purposes of the LCR calculation, the asset should be, among other conditions, also classified as „***eligible collateral*** *for standard liquidity operations of a central bank in a Member State...”.*
2. As there may be central banks, which are extremely restrictive in terms of their collateral eligibility criteria, it may be the case that even very liquid, high credit quality assets (e.g. sovereign bonds) are **not** classified as „liquid assets” for the LCR calculation.
3. For such currencies, the CRR foresees that the central bank eligibility requirement described under 1) above **shall be waived** meaning that the banks will not have to comply with the central bank eligibility criteria, and will still be able to report otherwise highly liquid, high credit quality assets as part of their „liquid assets” for the LCR calculation.
4. EBA defines currencies with „extremly narrow definition of central bank eligibility” as such, where the central bank accepts **only central government debt or debt issued by the central bank as eligible as collateral.**

**Results**

1. The survey has identified only one currency, where the definition of an „extremely narrow definition of central bank eligibility” applies, namely the Bulgarian Leva (**BGN**), as the Bulgarian National Bank does not accept any assets as collateral.

   

**Commentary**

1. Two other currencies, where the eligibility criteria are also very strict are the **CZK** and the **RON**, where the respective central banks allow also supranational debt instruments as collateral in addition to central government debt or debt issued by the central bank. However, both currencies are not classified as with „narrow central bank eligibility” by EBA and are thus not eligible for a waiver.
2. In our view, the inclusion of the eligibility of supranational debt by the Czech National Bank (CNB) and the Romanian National Bank (RNB) does not substantially change the original definition of „narrow central bank eligibility”, as the proportion of most banks’ Counter Balancing Capacity (CBC) that consists of supranational debt, will not be material.
3. In case of CZK and RON, supranational financial institutions do not issue a material volume of bonds, which can be included in banks’ CBC, therefore the inclusion or exclusion of supranational debt in the definition of „narrow central bank eligibility” for those 2 currencies does not really make a difference. For example, in the case of RON, there are only 3 eligible bonds issued by supranationals denominated in RON, 2 of them issued by the European Investment Bank (EIB) with a total volume of 450m RON (100m EUR) and 1 issued by European Bank for Reconstruction & Development (EBRD) with a notional of 15m RON (3.4m EUR). Those figures cannot really justify the decision, not to consider the RON as a currency for which a „narrow central bank eligibility” exists.
4. Therefore, our proposal is that the definition of „extremly narrow definition of central bank eligibility” shall be extended so as to include supranational debt, which would mean that the CZK and RON will also be classified as currencies and hence will be eligible for a waiver according to Art. 416 (3d).

Please take our remarks into due consideration.

Yours faithfully,

Dr. Franz Rudorfer

Managing Director

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