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

BSBV 115/Dr.Egger/We 3137 17 January 2014

**EBA – Consultation TS on disclosure for leverage ratio (EBA/CP/2013/41)**

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:

**General comments**

Due to the fact that institutions have to be prepared in the monitoring phase for changes in the calibration in the leverage ratio calculation and further changes on the disclosure of it, we believe that it would be most helpful for institutions if the EBA clearly and far in advance report any changes to reporting and disclosing requirements. Based on a lot of regulatory changes to banks it is necessary to have a longer lead time for them to cover all ongoing changes in their IT-infrastructure to ensure high data quality on reporting and disclosure. To support reporting entities on this we would appreciate that changes in reporting/disclosing requirements in general are bundled and less frequent.

We would like to make the case for limiting flexibility for national authorities to request more frequent disclosures than the proposed annual disclosures during the monitoring period from 2015 to 2017.

**Specific comments**

**Questions for consultation**

**Question I**

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

Generally speaking, provisions in the draft Implementing Technical Standards are clear for us.   
It would be helpful, if for **all** positions which can resp. have to be taken directly from the COREP-leverage templates this is mentioned in the instructions (like it is done for example for {LRSpl; EU-31;010}). We also understand the necessity of reporting sufficient data to the regulator and supervisor, in order to properly calibrate the leverage ratio during the monitoring period. But disclosing detailed information during the monitoring phase will not provide useful information for stakeholders except regulators and supervisors as long as changes in the calculation model and the disclosure of leverage ratio have to be expected. As a consequence and due to the fact that the leverage ratio is a non-binding measure during the observation period, we consider the required data for disclosure as overly demanding.

Within the “LRQua” template very granular and qualitative information on management of “excessive” leverage is required to be published to third parties. For example disclosures on procedures, resources and qualitative tools which are used to assess the risk of excessive leverage or ways of how maturity mismatches and asset encumbrance are taken into account in managing the risk of excessive leverage have to be disclosed. Within the second text box information on the nature of the changes, whether the changes result from internal strategic decision and if this decision was aimed directly at the leverage ratio or whether it impacted the leverage ratio only indirectly have to be disclosed.

From our perspective more detailed requirements on which information should be given in this area of the leverage disclosure have to be clarified in more detail. The planned form on information could leave space for own interpretation by third parties and we want to ask EBA on how the comparability of provided information will be ensured in this respect.

We would appreciate a minimum set of definitions and a clarification regarding the terms to be applied. For example the term “excessive leverage” as mentioned in the consultation paper is not clearly defined and this could lead to misleading information provided by institutions.

**Question II**

***Are the instructions provided in annex 2 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?***

 {LRSum; 1; 010}: The row is called 'On-balance sheet items (excluding derivatives and SFTs, including collateral') and the description defines 'The value as published in the accounting scope balance sheet of all assets other than contracts listed in Annex II Regulation (EU) No. 575/2013, credit derivatives ...' It has to be clarified in the title of the position and/or the instructions, if the position should contain on- **and off-**balance sheet items or if also all transactions listed in Annex I Regulation (EU) No. 575/2013 should be excluded.

{LRSum; 1; 020}: As this amount is compared with {LRSum; 1; 010}, which are the assets according to the published financial statements. It would make more sense to take {LRSum; 1; 020} from {LRCom; 1; 010} instead of {LRCom; 3; 010} (already excl. any regulatory adjustments to Tier 1 capital that are deducted from the leverage ratio exposure measure).

**Question III**

***Are the instructions provided in annex 2 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?***

For part LRCom and especially the disclosure requirement for “off-balance sheet exposures (excluding derivatives and SFTs)” we would like to note that there is information in another detailed granularity in comparison to the reporting template LRCalc. We argue at this point for a harmonization of the disclosure template to the reporting template because otherwise banks have to prepare another workaround in the monitoring phase and another IT-effort would be necessary after the monitoring phase when the final requirements will take place.

{LRCom; 1; 010}: The position should be called 'On-balance sheet items (excluding derivatives and SFTs, **including collateral'.**

{LRCom; 1; 010}: The row is called 'On-balance sheet items (excluding derivatives and SFTs)' and the description defines 'All assets other than contracts listed in Annex II Regulation (EU) No. 575/2013, credit derivatives ...' It has to be clarified in the title of the position and/or the instructions, if the position should contain on- **and off-**balance sheet items or if also all transactions listed in Annex I Regulation (EU) No. 575/2013 should be excluded.

{LRCom; 3; 010} The position should be called 'Total on-balance sheet exposure (excluding derivatives and SFTs, **including collateral'.**

{LRCom; 4; 010}: For standardization the position should be called **'Market value** (mark to market-method) instead of 'Replacement cost (mark to market-method).

{LRCom; 6-8 and 11-13; 010}: All positions called 'empty set in the EU' should be deleted without replacement due to simplification and better readability.

{LRCom; 15a, 15.1a, 15.2a, 16a; 010}: This additional product listing of all off-balance sheet products should be deleted. It is - different to the product listing of on-balance sheet exposures containd in template LRSpl - not part of the COREP-leverage templates and would have to be implemented additionally only for the purpose of disclosure. As the product listing is not standarized it has only limited benefits but would imply huge administrative burden (implementation-  and running-costs) for the institutions.

3. Table LRSpl: Split-up of on-balance sheet exposures (excluding derivatives and SFTs) - first bullet point should correctly read: Institutions shall apply the instructions provided in this section in order to complete table **LRSpl** of Annex I (instead of tabel LROth of Annex I).

**Question IV**

***Our analysis shows that no impacts incremental to those included in the text of the Level 1 text are likely to materialize. Do you agree with our assessment? If not please explain why and provide estimates of such impacts whenever possible.***

Generally speaking we highly appreciate the harmonization of the reporting template with the disclosure template in most of the parts except the comments made in questions above. We strongly argue for a goal-directed approach by focusing on a spectrum of information that is meaningful to assess the risk of deleveraging, without putting stress on information that is still in scope of changes by global and therefore also European requirements.

{LRCom; 15a, 15.1a, 15.2a, 16a; 010}: This additional product listing of all off-balance sheet products should be deleted. It is - different to the product listing of on-balance sheet exposures contained in template LRSpl - not part of the COREP-leverage templates and would have to be implemented additionally only for the purpose of disclosure. As the product listing is not standarized it has only limited benefits but would imply huge administrative burden (implementation-  and running-costs) for the institutions.

Please take our remarks into due consideration.

Yours faithfully,

Dr. Franz Rudorfer

Managing Director

Division Bank and Insurance