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**Private & confidential**

European Banking Authority  
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Our ref gw/lc

20 March 2014

Dear Sirs

**EBA Consultation Paper 2013/48**


We welcome the opportunity to comment on the Consultation Paper Draft guidelines on disclosure of encumbered and unencumbered assets.

Generally we are supportive of initiatives such as the EBA's draft guidelines which are intended to improve the transparency of reporting about liquidity risk by banks. Members of the KPMG network of firms participated in the Enhanced Disclosure Task Force sponsored by the Financial Stability Board and we encourage adoption of the Task Force's recommendations.

The specific comments on the Consultation Paper that we wish to make are limited to the proposed prohibitions on disclosure in the draft guidelines which we consider are not consistent with improving transparency. In particular, we disagree with the proposed requirement that banks should report assets that are encumbered to central banks via emergency liquidity assistance as unencumbered. This proposal would not merely result in non-disclosure of such amounts, but would require banks wilfully to disclose total amounts for unencumbered assets that would be inaccurate and misleading. We acknowledge the concerns expressed regarding the sensitivity attached to disclosure of liquidity assistance from central banks, but an automatic bar on disclosure in all circumstances does not fairly balance the public interest in transparency and accountability. Also, given the level of aggregation of disclosures on encumbrance and encumbered assets, we do not see why including all encumbrances to central banks in the appropriate totals would necessarily require revelation or allow detection of individual amounts. The principal objectives of the draft guidelines would be better served by focusing on more granular disclosure requirements on accurate amounts for unencumbered assets, since these are the additional resources that are available to a bank to secure new or replacement funding. We have similar concerns regarding the blanket prohibition on including collateral swaps with central banks.

We are content for the letter to be disclosed.

Yours sincerely



Giles Williams  
Partner