Comments

Draft Guidelines specifying the conditions for the application of the alternative treatment of institutions' exposures related to "tri-party repurchase agreements" set out in Article 403(3) of Regulation (EU) 575/2013 for large exposures purposes

EBA/CP/2020/13

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

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Question 15: *Please specify what overall impact the proposed procedure would have on expected practices:*

The impact of the proposed procedure would be negative on the secured business, its liquidity and market depth. Counterparties agree individual baskets of securities to secure cash driven transaction in order to place or receive cash versus collateral. Furthermore, Treasuries (all over the industries) use this possibility to manage their liquidity needs safely on a secured, basket driven methodology. This does not only count for bilateral business only but also for CCP-transacted basket trades as i.e.: EUROGCPooling transactions which have been developed, improved and accepted by market participants as a liquidity management tool over the past decade.

As the definition in the baskets are not based on single issuer names, but more general on asset classes, there would be additional irritations by implementations on new rules as above foreseen. These baskets are specified and limited e.g. by ratings, issue size, wrong-way-risk rules, pricing sources, concentration risks on issuer classes, single issuers or haircuts depending on asset class, maturities and/ or ratings. The advantage is a wide, when it comes to bilateral agreements, customized flexibility on both, the cash taker's and the cash provider's side to identify securities which are appropriate to their risk appetite, liquidity needs and to fulfill the requirements of the triparty agreement.

Applying certain limits on exposures to certain collateral issuers would therefore lead to less liquidity, reduced market depth, lesser liquidity management tools and reduced flexibility in the triparty market; every single issuers' name has to be defined in the triparty agreement and has to be monitored by every credit department of the involved cash provider. Therefore, we do not see a benefit in determining specific limits to each collateral issuer and, if deemed necessary, to exclude certain collateral issuers. Finally, we would like to point out that there is no possibility for institutions to set certain collateral limits for GCPooling transactions with the Eurex at all.

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