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FRENCH BANKING FEDERATION RESPONSE TO EBA CONSULTATION PAPER ON ADDITIONAL MONITORING METRIC FOR LIQUIDITY REPORTING (EBA/CP/2016/22)

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

The FBF welcomes the opportunity to share its comment on the EBA's consultation on an amendment to the ITS relative to additional monitoring metric for liquidity reporting. Please find below our responses to the different questions raised in the consultative document.

Q01: Do respondents agree to the structure and content of the maturity ladder template as proposed in Annexes XXIV and XXV, with in particular the items in the contingency section and memorandum item section? If not, would respondents have substantiated reasons for amending or not including a particular data item?

We welcome the alignment of the data items with the definition of liquid assets given in the LCR Delegated Act. However, we do not understand the rationale behind the higher granularity of the template (which is not fully aligned with LCR as recommended by the European Commission).
Could the EBA clarify what is the purpose of the required granularity?
More generally, EBA should clarify how those reports are intended to be used.so that it is ensured that they meet their purpose.
As an illustration, if liquidity stress tests are derived from this report, the maturity ladder would make it extremely difficult to run a stress test analysis for transactions involving securities. Indeed, as the flows of securities are reported separately from the flows of transactions they derive from (eg repo, reverse repo or collateral swap), the reports will make it extremely difficult, if even possible, to simulate rollover of those transactions and derive consistent implications for cash and security flows. Similarly, as the report does not segregate security flow from cash flows from the securities, it is impossible to apply a decrease in values of securities as this decrease would be applied to cash flows from the securities (eg a 20% decrease in values in securities would apply to the final notional payment from a bond). Hence, **using the maturity ladder to derive stress test would lead to so severe flaws that it would make sense to clarify that the maturity ladder should not be used for deriving stress tests.**

Regarding the maturity buckets, we do not fully understand why the open maturity column has been removed and if the open reverse repos should be reported in the overnight maturity bucket as for repos

Annex XXV – 1.1.12 states that '(*d) open repos and similar transactions which can be terminated by either party on any day shall be considered to mature overnight unless the notice period is longer than one day*'.

Could the EBA confirm the symmetrical treatment of open repos and open reverse repos, and clarify the treatment of the operations with a notice period longer than one day?

Moreover, we would note that the maturity ladder template objective is to show the maturity mismatch of an institution's balance-sheet on a going basis, and we do not see the rationale behind some of the newly requested information:

Contingencies:

- We do not see the purpose of reporting outflows from off-balance sheet commitments, which are not taken into account to calculate the cumulated gap (row 720).
  Moreover, as these commitments do not always have a contractual flow schedule (e.g. an overdraft facility has no contractual maturity and can happen at any time), it would be more coherent to report them in an open maturity column, which has been removed from the previous version of the report and does not exist anymore.
- Outflows from rating triggers are not 'going basis' outflows, as they only occur in case of a severe downgrade (at least 3 notches), which is one of the LCR assumptions in a stressed context. These outflows should therefore not be taken into account in a report that is supposed to reflect the current situation of the bank's balance sheet without any behavioural assumption.

Memorandum items:

- **LCR components:** we understand that these summary memo items aim at projecting the evolution of the LCR over different horizons, as well as the estimation of an LCR low point throughout the 30 day period. Yet the LCR is a short term ratio that highly depends on the rollover of treasury operations, whereas this rollover is not taken into account in the C66. Therefore, we do not think that the LCR forecast resulting from this template would be meaningful. Moreover, some information used to calculate the LCR are missing from the template (notably the distinction between term deposits treated the same way as sight deposits or according to their residual maturity (art. 25.4 of the Delegated Act), and deposits having a higher run off rates (art. 25.3) are not identified clearly in the report, as well as the impact of an adverse market scenario on derivatives, financing transactions and other contracts, for example).
  Additionally, as the LCR refers to a 30 day horizon, a forward looking view of the LCR would require adding additional time bucket break down for both each future starting and ending date (eg 1 – 31 day, 2-32 day…). This shows that the expectation to calculate a forward looking LCR would be far too burdensome for the maturity ladder.
- **Behavioural outflow/inflows/draw-downs:** behavioural elements are highly dependent on internal models, and are not comparable from one institution to another. Moreover, it could depend from local product type (e.g. regulated saving deposits in France). Therefore, data reported here by institutions would not be homogenous, which is contrary to the EBA's principle of comparability of the information reported by institutions.
- **Items 14 and 15 Collateral received re-used :** these two items are identical to the items reported quarterly in the Asset Encumbrance Reporting (F 33.00 Maturity Data) ; the time horizon is the same, only the time buckets are different (13 time buckets in AER against 21 in the Maturity Ladder). Including these items in the monthly Maturity Ladder increases the

operational burden and could become a source of inconsistencies, while providing no additional information to the supervisors.

We do also have remarks on the **Counterbalancing Capacity part of the template:**

- The maturity of the flows in the template is not fully clear as the rollover is not taken into account;
- There is no reference to the CCP eligibility;
- The amount of mandatory reserves is not required. However it is linked to the deposits amount reported in the outflows part.
- The definition of row 3.6.6 "other tradable assets" is not clear. Could you clarify if it refers only to non-HQLA assets but eligible for central banks or others tradable assets which are neither HQLA nor eligible for central banks? More broadly it would be helpful to define more precisely the notion of "tradable" for the purpose of this report.

Finally it is also worth noting that the maturity buckets of the systems sourcing data for other regulatory reports (FINREP/COREP) are not the same as the ones used in this template. This will lead to wasteful IT developments, which is not in line with the initial objective of reducing the reporting burden for the institutions. Moreover, we believe that the important number of columns of the C66 lead to an illegible report.

Finally, we believe that there is a lack of instruction regarding the calendar to be taken into account (business day vs. calendar days).

Q02: Do respondents agree to the structure and content of the proposed revisions to the templates and instructions of the non-maturity ladder templates Annex XVIII to Annex XXI of Implementing Regulation 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular paragraph or cell description?

We welcome the clarification made to the AMM (other than C66) for taking into account the Q&A received on these templates.

However, we have inquiries regarding some of these clarifications, notably on the C69 report (Prices for various lengths of funding) for the subjects below:

- Off balance sheet commitment;
- Transactions that have rolled over during the period;
- and sight deposits.

Please refer to our answers to questions 3 and 4 below.

Moreover, we would like some clarifications about the treatment of subordinated debts. We understand from the answer of the Q&A 2015-2061 that these products should not be included in the report C69.00 but should be included in the report C68.00. These treatment leads to inconsistencies in the perimeters of the report. Please could you precise the expected treatment of these products for all the reports?

Q03: Do respondents agree to the proposed clarification to the treatment of transactions that have rolled-over during the reporting period in paragraph 8 of the instructions to template C69.00 (as in annex XIX), or would it be preferable to have daily averaging of volumes and spreads as one alternative or end of month spreads as another (and why)?

For operations that have rolled over, we propose to take into account all the operations that have occurred during the period and that are still alive at the reporting date, each with its proper volume and spread (neither with the highest spread that has applied to this funding during the reporting period, nor with a daily averaging of volumes and spreads). Indeed it would give a good snapshot of the liquidity prices for various lengths of funding as of the reporting date. It would also be operationally less burdensome and correspond to the volumes of the production.

We understand that for off balance sheet commitments, both volume and spread should be determined on the day on which the highest amount of the period is drawn, which requires to make a link between the different draws down.
If several draws down occur during the same period, we propose to treat each draw down individually with its own spread and volume.

Q04: Do respondents agree to the proposed clarification to the treatment of sight deposits in paragraph 9 of the instructions to template C69.00 (as in annex XIX), to focus only on those deposits that are new for the applicable reporting period, or would it be preferable to align the treatment with that of items that have rolled-over?

We understand that the objective is to collect information regarding new operations only. However, the variation of existing sight deposits can be a real source of funding. Therefore, we do not see why we should restrict the report to only new sight deposits. We propose to report the variation amounts of sight deposits during the period if positive.

Q05: Would respondents have substantiated arguments for an implementation period different from the above-mentioned March 2018 application date?

We believe that a one year implementation period is necessary. Therefore, the mentioned March 2018 application date appears feasible, but only if the final version of the ITS is published as of March 2017 at the latest.

Q06: Do respondents have substantiated views on the effectiveness and clarity of the proportionality threshold of subparagraph (a) of paragraph 16b (2) of the ITS on reporting? Would they see alternative workable solutions?

No comment.

Q07: Do respondents agree to the impact assessment? If not, would respondents have substantiated reasons why they would foresee a different conclusion

No comment.