20.03.2014

ESRB
European Systemic Risk Board
European System of Financial Supervision

Response from the ESRB to the EBA Consultation Paper on Draft Guidelines on Harmonised Definitions and Templates for Funding Plans of Credit Institutions under ESRB Recommendation 2012/2 A.4

Introduction

The European Systemic Risk Board, hereinafter “the ESRB”, welcomes the publication by the European Banking Authority (EBA) of the draft guidelines on harmonised definitions and templates for Funding Plans of Credit Institutions.

In December 2011 the Advisory Technical Committee (ATC) of the ESRB set up an Expert Group on Bank Funding, which concluded that there were relevant risks arising from (i) excessive asset encumbrance, (ii) opaque innovative funding and (iii) over-reliance on individual funding sources, risks that needed to be closely monitored. Against this background, the ESRB issued a Recommendation (ESRB/2012/2)[1], accompanied by an explanatory Annex.

As this Consultation Paper is related to Recommendation A of ESRB/2012/2, this response follows the thrust of the ESRB Recommendation. However, the response will be without prejudice of the ESRB’s formal compliance assessment, which will be performed according to timeline and criteria set out in the Recommendation.

General comments

The ESRB considers that supervisory monitoring is the necessary pre-condition for risk assessment and for further action where necessary and thereby agrees on the analysis about the importance of monitoring and assessing the funding plans of credit institutions, using harmonised definitions and templates, as requested by Recommendation A of ESRB/2012/2.

In particular, the ESRB believes that the data collection outlined in these Guidelines will be very useful from both a micro and macro-prudential perspective, as they will enable to assess both each institution’s funding and lending plans and their compatibility on a macro, both national and European, level.

The ESRB agrees that definitions should, to the greatest extent possible, be taken from FINREP or other EBA implementing technical standards (ITS) on reporting, in order to both minimise reporting burden and make the data more consistent with other reporting information. However, assessing the impact of credit institutions’ funding plans on the flow of credit to the real economy may also require data to be comparable with those following

[1] http://www.esrb.europa.eu/pub/pdf/recommendations/2012/ESRB_2012_2.en.pdf?9aa57b9f48595c124eb071b23b643c6a

statistical standards, e.g. credit aggregates. In any case, reporting should also be applicable to relevant non-IFRS banks.

The ESRB has been asked to clarify some aspects of the Recommendation's compliance criteria, in particular the definition of consolidation[2] and how the minimum coverage of "75% of the banking system's total consolidated assets"[3] should be computed.

1. Consolidation

The ESRB believes that, as a rule, the consolidation perimeter as defined by CRD/CRR should be used (therefore including entities which, technically speaking, are not in their own right credit institutions). However, some exceptions may occur: in particular national authorities should collect information at a sub-group level for the foreign controlled credit institutions whose supervisory reporting needs to be submitted to the EBA[4] and may decide to collect data on other relevant foreign-controlled sub-groups. On the other hand, national authorities may decide to exclude autonomously funded non-EU subsidiaries.

The objective should be to ensure that national authorities are collecting the data they need to assess effectively the impact of credit institutions' funding plans, also on the flow of credit to the real economy, both at a national and EU-wide level.

2. Minimum coverage

The ESRB believes that the minimum coverage of 75% of total assets should be computed on (i) all domestic groups + (ii) foreign controlled sub-groups whose supervisory reporting needs to be submitted to the EBA. National authorities may decide to add to the denominator other relevant foreign-controlled sub-groups or to exclude autonomously funded non-EU subsidiaries, with the objective of ensuring adequate coverage of data, also to assess the impact of credit institutions' funding plans on the flow of credit to the real economy.

.

Replies to EBA specific questions

The ESRB replies to some of the 7 questions raised in the EBA consultation paper are provided in the table below. As the ESRB is responding to the consultation from the viewpoint of a user, the replies concern more the merits of the EBA proposals rather than their costs.

---

[2] Compliance criterion (f) of Recommendation A says "The application of the recommendation should be on a consolidated basis, and results discussed in colleges of supervisors"

[3] Compliance criteria (g), (i) and (n) of Recommendation A

[4] The list of such institutions will be defined in a forthcoming EBA decision

The ESRB does not object to the EBA publishing the ESRB response to the EBA Consultation Paper on draft Guidelines on Harmonised Definitions and Templates for Funding Plans of Credit Institutions under ESRB Recommendation 2012/2 A.4.

Questions	**Replies**
Q02. Are the reporting templates and instructions sufficiently clear? Should some parts be clarified? Should some rows/columns be added or deleted?	The ESRB believes that the difference between rows 040a and 040b of Section 1A should be better clarified, as the section of FINREP instructions quoted in the latter refers to country-by-country reporting. In any case, it is important that national authorities get data on lending in their own countries, in order to assess the impact of funding plan on the flow of credit to their own real economies.
Q03. Do you agree that the information to be gathered on the pricing of assets and liabilities (Section 2B) would provide effective insight into the expected development of funding costs within the broader scope of medium-term strategic planning? If not, do you have concrete suggestions as to what other information would be more suitable?	Yes, the ESRB believes that, at least at this stage, the information would be sufficient, even if the proposed additional liquidity monitoring metrics requires a higher detail.
Q04. Do you agree that information on currency breakdown (Section 2C) will provide effective insight into possible currency mismatches?	The ESRB agrees on the utility of information gathered across the top 3 material currencies and believes that the 5% materiality threshold is adequate.
Q05. Are all the main drivers of costs and benefits identified in this CP? Are there any other costs or benefits missing? If yes, please specify which ones.	The ESRB believes that the main drivers of costs and benefits are correctly identified. However, the ESRB would rate the benefits as high also for on-going supervision.
Q06. Do you agree with our analysis of the impact of the proposals in this CP? If not, please provide any evidence or data that would explain why you disagree or which might further inform our analysis of the likely impacts of the proposals.	The ESRB agrees with the analysis.