

EBA/CP/2016/06

---

11 May 2016

---

# Consultation Paper

---

Draft Guidelines

on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.

# Contents

---

<b>1. Responding to this consultation</b>	<b>3</b>
<b>2. Executive Summary</b>	<b>4</b>
<b>3. Background and rationale</b>	<b>5</b>
<b>4. Draft guidelines</b>	<b>9</b>
<b>5. Accompanying documents</b>	<b>30</b>
5.1 Draft cost-benefit analysis / impact assessment	30
5.2 Overview of questions for consultation	37

# 1. Responding to this consultation

---

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

## Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 11.08.2016. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

## Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

## Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

## 2. Executive Summary

---

Article 435 of Regulation (EU) No 575/2013 (CRR) sets out the general disclosure framework for institutions with regard to every category of risk, where liquidity risk should be considered. It lays down qualitative and quantitative information to be disclosed on their liquidity risk management objectives and policies.

Within this quantitative information, the disclosure of key ratios and figures is explicitly required under Article 435(1)(f) of the CRR. In January 2015 the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (LCR Delegated Act<sup>1</sup>) was published to specify the liquidity coverage ratio (LCR) in credit institutions which is applicable from 1 October 2015. This ratio targets to ensure that credit institutions maintain an adequate level of liquidity buffer to cover the net liquidity outflows under gravely stressed conditions over a period of thirty days. The LCR is the only regulatory ratio in the liquidity area and is key for disclosure as it provides with essential information for the assessment of liquidity risk management and for the making decision process of market participants.

The EBA is developing guidelines under its own initiative to harmonise and specify the disclosures which are required under general principles in the CRR on liquidity and particularly on the LCR. As credit institutions only are in the scope of the LCR Delegated Act, the scope of application of the guidelines is limited to them and at the same level. The draft guidelines provide with uniform tools for the disclosure framework on liquidity envisaged in Article 435 of the CRR complemented by the necessary information on the LCR. Furthermore, they refer to the CRR with regard to the general principles of disclosures, waivers and disclosure frequency, and ensure consistency with the EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation (EU) 575/2013<sup>2</sup>”.

The draft guidelines include (i) a qualitative and quantitative harmonised table for the disclosure of mainly information on liquidity risk management as laid down by the CRR and (ii) quantitative and qualitative harmonised templates, with their corresponding instructions, for the disclosure of information on the LCR composition. The Basel standards constitute a benchmark for the design of this template and tables.

In terms of proportionality Article 432 of the CRR allows banks to omit some of the items in these template and tables based on the criteria set out in the EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation (EU) 575/2013”. In accordance with Article 433 of the CRR, frequency of disclosure is dependent on the relative importance of credit institutions as specified in the cited EBA guidelines above.

---

<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2015:011:TOC>

<sup>2</sup> [https://www.eba.europa.eu/documents/10180/937948/EBA+GL+2014+14+\(Guidelines+on+disclosure\).pdf](https://www.eba.europa.eu/documents/10180/937948/EBA+GL+2014+14+(Guidelines+on+disclosure).pdf)

## 3. Background and rationale

---

### 3.1 Legal Basis: CRR

Part Eight of the CRR refers to “Disclosure by institutions”. In particular, Article 431 of the CRR states that “institutions shall publicly disclose the information laid down in Title II, subject to the provisions laid down in Article 432”, which allow for the omission of information assessed as immaterial or proprietary, following the specifications set out in the EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation (EU) 575/2013”.

Title II, on “Technical criteria on transparency and disclosure”, in its article 435 (1), envisages the general disclosure framework for institutions with regard to every category of risk. It lays down qualitative and quantitative information on their risk management objectives and policies which the disclosures shall include. Therefore liquidity risk should be considered subject to the general requirements of article 435 (1).

Particularly paragraph (f) of article 435 (1) states that the disclosure shall include “...key ratios and figures providing external stakeholders with a comprehensive view of the institution’s management of risk...” These guidelines specify the information on these key ratios and figures in the context of the liquidity risk, namely the liquidity coverage ratio (LCR) in accordance with the LCR Delegated Act and in order to harmonise the general disclosure requirement established in the CRR. This will provide essential information on the liquidity risk management of the relevant institution.

### 3.2 Guidelines

The CRR does not provide a specific mandate to the EBA to elaborate Guidelines on uniform disclosure tables or templates on the LCR or on liquidity risk in general terms. However, the specification in a harmonised manner in the EU of the key ratios and figures on liquidity risk referred to by article 435 (1) (f) seems desirable as the LCR, as key liquidity risk indicator, has entered into force, and as disclosure already covers other important regulatory areas as capital or the leverage ratio. The specification of these key ratios and figures does not add new elements in the disclosure package contemplated in the CRR but provide the basis for harmonisation. At the moment some institutions disclose this information on the basis of their regulatory risk report and in other cases using the information that is required in the financial statements making comparability challenging.

In this context, the EBA is carrying out the implementation of a harmonised disclosure framework of the LCR, within the general liquidity risk management disclosure framework in the CRR, via own initiative guidelines addressed to credit institutions and competent authorities. The Regulation



(EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, envisages that the EBA shall issue guidelines with a view to ensuring the common, uniform and consistent application of Union law.

Since the main target of these draft guidelines is to specify the disclosure of the LCR, these draft guidelines follow the same scope of application of the LCR Delegated Act, where the LCR is only applicable to credit institutions and to the extent that they have not been waived from its compliance. Nevertheless the general disclosure requirement on liquidity risk management envisaged in article 435 (1) of the CRR is applicable to LCR waived credit institutions and to investment firms. All this should be understood without prejudice to the general framework of disclosure waivers envisaged in the CRR.

The draft guidelines include a harmonised table for the qualitative and quantitative information required to be disclosed in the CRR and specify two templates for the quantitative and qualitative information of the LCR. The guidelines include all necessary aspects related to their frequency of disclosure and scope of application.

In the development of the LCR related information, while closely following the approach proposed by the BCBS concerning the structure of the quantitative LCR disclosure template and its instructions, the EBA has made appropriate references to the EU regulatory framework and definitions where necessary. A number of EU-specific rows have been added to the template (labelled with an 'EU-' prefix) reflecting specific aspects of the EU LCR which cannot be captured by the BCBS template and are necessary to better approach the calculation of the EU LCR. Where appropriate, the terminology contained in the BCBS template and instructions has been retained.

The LCR disclosure template, on quantitative information on LCR, is referred to specific items whatever the currency they are denominated. These guidelines do not envisage separate LCR disclosure templates depending on the currency. The items to be disclosed in the LCR disclosure template are defined in terms of cross-references with the items to be reported in the LCR reporting templates provided in Annex XXIV of Commission Implementing Regulation (EU) No 680/2014<sup>3</sup>. All this is expected to significantly reduce the burden and cost of LCR disclosure in credit institutions.

The information required in template on qualitative information on LCR is aimed at providing further explanation of the necessary items included in the LCR disclosure template and it is very much inspired by the items suggested in the BCBS LCR disclosure text for this purpose.

The use of these uniform tools will improve transparency and comparability of the liquidity coverage ratio and other liquidity risk management related information at a cross-jurisdictional

---

<sup>3</sup> Commission Implementing Regulation (EU) No 680/2014<sup>3</sup> laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council



level. This will allow market participants to make economic decisions on the basis of well-informed judgments of banks' liquidity profiles and therefore will foster market discipline.

The granularity of the information to be disclosed provides with the necessary input to allow market participants to make well informed economic decisions and is not expected to trigger any negative procyclical effects.

The inclusion of this information is consistent with the standards developed by the Basel Committee on Banking Supervision (BCBS)<sup>4</sup>.

### 3.3 Consistency with international developments: The BCBS disclosure standards

The BCBS published its LCR standard in January 2013 with an implementation date as of 1 January 2015 and its LCR disclosure standard in January 2014 with an identical implementation date. The objectives of this last standard are to improve the transparency of regulatory liquidity requirements, enhance market discipline, and reduce uncertainty in the markets as the LCR is implemented. It is also deemed important that institutions adopt a common disclosure framework to help market participants in consistently assessing institutions' liquidity position.

The Basel requirements on LCR disclosure are quantitative and qualitative as both aspects are deemed essential for market participants to gain a broader picture of an institution's liquidity risk position and management. The standard provides detailed proposals in terms of common disclosure template and instructions on quantitative aspects of the LCR and list areas of potential qualitative disclosure aiming at facilitating the understanding of the results and data provided. The Basel LCR disclosure standard also envisages further quantitative and qualitative liquidity items for disclosure related to the general liquidity risk management on a voluntary basis.

### 3.4 Consistency with the EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation (EU) 575/2013”

The draft guidelines constitute themselves specific guidelines that are referred to liquidity disclosures exclusively.

Nevertheless the general aspects of disclosure laid out in Part Eight Title I CRR, specified as regards materiality, proprietary nature of information and frequency of disclosures by the EBA guidelines “on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation (EU) 575/2013”, remain applicable to liquidity disclosures that will be provided in application of the present draft guidelines.

---

<sup>4</sup> <http://www.bis.org/publ/bcbs272.pdf>



Those general guidelines in particular provide in their Titles III and IV the necessary considerations and criteria to assess materiality and the proprietary or confidential nature of information in accordance with Article 432 CRR. Title VI provides the disclosures that are required when a disclosure waiver for materiality, confidentiality or proprietary nature is used. When applied to information included in these draft guidelines, these criteria will allow institutions to omit some of the items envisaged for the disclosures on liquidity when the disclosures are not material or are confidential or proprietary.

The general guidelines also include in their Title V the necessary considerations and criteria for institutions to assess, following Article 433 CRR, their need for disclosure of some or all the information more frequently than annually. Title VII then lists specific items of information based on disclosure requirements in Part Eight CRR for which institutions meeting the criteria in Title V should pay particular attention to disclose more frequently than annually. The general guidelines also make clear that more frequent disclosure of information on items prone to rapid changes, even though they are not individually listed in Title VII, should be considered. Accordingly the draft guidelines consider liquidity risk as an item prone to rapid change and list some information for which more frequent disclosures should particularly be paid attention to.

The combination of the disclosure waivers in Article 432 and of the flexible disclosure frequency introduced by Article 433, together with the specifications from the 2014 guidelines in these areas, allow a proportionate implementation of the disclosure requirements on liquidity risk, whereby the content and frequency of disclosure may be adapted depending on the particular considerations of the institutions or of the items to be disclosed.



## 4. Draft guidelines

---

In between the text of the draft Guidelines that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

EBA/GL/20XX/XX

---

DD Month YYYY

---

## Draft Guidelines

---

on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.



# 1. Compliance and reporting obligations

---

## Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010<sup>5</sup>. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

## Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by ([dd.mm.yyyy]). In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu) with the reference 'EBA/GL/2016/06'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

---

<sup>5</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p.12).

## 2. Subject matter, scope and definitions

---

### Subject matter

5. These guidelines specify the general disclosure framework of risk management under Article 435 of Regulation (EU) No 575/2013<sup>6</sup> in relation to liquidity risk by providing a harmonised structure for the disclosure of information required under Article 435(1) of that Regulation.
6. In particular, and consistent with the Commission Delegated Regulation (EU) 2015/61<sup>7</sup>, these guidelines specify and explain which information on the liquidity coverage ratio (LCR) is required to be disclosed within the key ratios and figures for the purpose of Article 435(1)(f) of Regulation (EU) No 575/2013.

### Scope and level of application

7. These guidelines apply to credit institutions that have to comply with the disclosure requirements set out in Part Eight of Regulation (EU) No 575/2013 and are covered by the Commission Delegated Regulation (EU) 2015/61.

#### **Explanatory text for consultation purposes:**

Since the main target of the guidelines is to specify a disclosure framework on LCR, the draft guidelines define their scope and level of application as a general reference to the scope and level of application envisaged in the LCR delegated act as long as it includes credit institutions subject to disclosure requirements in the CRR.

Therefore the scope of application of the guidelines is limited to credit institutions subject to disclosure requirements in the CRR and at the same level as envisaged in the LCR delegated act. Amongst others this means that credit institutions which have been waived from the LCR requirement on a solo basis would not fall in the scope of the individual disclosure of the LCR.

**Question 1: Do respondents have any comment to the scope of application of the draft guidelines?**

---

<sup>6</sup> Regulation (EU) No 575/2013 of the European and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

<sup>7</sup> Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.



## Addressees

8. These guidelines are addressed to competent authorities as defined in point i) of Article 4(2) of Regulation (EU) No 1093/2010 and to credit institutions as defined in Article 4(1)(1) of Regulation No 575/2013.

## Definitions

9. Unless otherwise specified, terms used and defined in Regulation (EU) No 575/2013 and Commission Delegated Regulation (EU) 2015/61 have the same meaning in these guidelines.

## 3. Implementation

---

### Date of application

10. These guidelines apply from *[2 months from the date of publication of the guidelines in all EU official languages. The final factual date ('dd month year') will be inserted on the day of the publication on the EBA website]*

**Question 2:** As currently foreseen, the application date will be in June 2017. **Do respondents find the date of application of the guidelines appropriate?**

### Transitional provisions

11. Credit institutions under the scope of application of these guidelines do not need to publish the disclosures referred to in Annex II where some of the observations for the calculation of their averages are prior to the first LCR reporting reference date and thus are not captured in the LCR reporting templates provided in Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.

**Explanatory text for consultation purposes:**

For example a credit institutions may need to disclose on Q1 (average from 1 January until 31 March), Q2 (average from 1 April until 30 June), Q3 (average from 1 July until 30 September) and Q4 (average from 1 October until 31 December) of a specific year. Should the first reference date of the LCR reporting templates provided in Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 be for example 31 May of that year then the credit institution does not need to disclose on Q1 nor on Q2 of that year. However the credit institution should disclose on Q3 and Q4.

**Question 3:** Do respondents consider that the transitional period is sufficiently clear?

## 4. Guidelines on liquidity risk management and LCR disclosure

---

12. Credit institutions as referred to in paragraph 7 should disclose the table provided in Annex I pursuant to paragraph 14 of these guidelines.
13. Credit institutions as referred to in paragraph 7 should disclose the LCR disclosure template and the template on qualitative information on the LCR provided in Annex II in accordance with the instructions provided in Annex III and pursuant to paragraph 14 of these guidelines.
14. Disclosure in accordance with these guidelines should be made in accordance with Title I of Part Eight of Regulation (EU) No 575/2013 and the EBA Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432 (1), 432 (2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14) with further specifications provided in paragraph 15 below.
15. For the purpose of point (e) of paragraph 23 of EBA/GL/2014/14, the following items should be regarded as items which are prone to rapid change:
- a. Total adjusted value of the Liquidity Buffer, as set out in row 21 of the LCR template in Annex II;
  - b. Total adjusted value of Total Net Cash Outflows, as set out in row 22 of the LCR template in Annex II ;
  - c. Total adjusted value of the Liquidity Coverage Ratio (%), as set out in row 23 of the LCR template in Annex II.

**Explanatory text for consultation purposes:**

Article 433 CRR states that institutions shall pay particular attention to the need to disclose more frequently than annually those items which are prone to rapid change.

Also, under paragraph 23 (e) of the EBA general disclosure guidelines, institutions are required to pay particular attention to the possible need to provide information more frequently than annually on items which are prone to rapid change.

The LCR in itself is a very short term metric defined for stress scenarios, which makes it exposed to considerable volatility in the short run and thus prone to rapid change. For that reason, it is suggested that credit institutions should pay particular attention to disclose the ratio itself and its major components i.e. the numerator (liquidity buffer) and denominator



(net cash outflows).

**Question 4: Do respondents have any comment relative to the proposed LCR related items prone to rapid change?**



## Annex I – Table on Liquidity risk management

**16. Table on qualitative/quantitative information of liquidity risk in accordance with Article 435 (1) of Regulation (EU) 575/2013**

	Comment
Strategies and processes in the management of the liquidity risk	
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	
Scope and nature of liquidity risk reporting and measurement systems	
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	
A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.	
A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in Annex II of these guidelines) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body	

**Explanatory text for consultation purposes:**

This table simply captures the items related specifically to the liquidity risk management which are required to be disclosed in accordance with Article 435 (1) of CRR. For clarity reasons, only one of the items envisaged in Article 435 (1) is not included in this table *i.e.* those key ratios and figures on the LCR which are already disclosed in Annex II of the draft guidelines. By including this table nothing new is added to the CRR. We simply provide a placeholder for the disclosure of these items which would anyway need to be disclosed with the necessary extension.

**Question 5: Do respondents have any comment relative to the content of the table in Annex I of the draft guidelines and the way to display it?**

# Annex II – LCR disclosure template and template on qualitative information on LCR

## 17. LCR disclosure template, on quantitative information of LCR which complements Article 435 (1) (f) of Regulation (EU) No 575/2013.

Scope of consolidation (solo/consolidated)		Total unweighted value (average)				Total weighted value (average)			
Currency and units (XXX million)									
Quarter ending on (DD Month YYY)									
Number of data points used in the calculation of averages									
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)	X							
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:								
3	<i>Stable deposits</i>								
4	<i>Less stable deposits</i>								
5	Unsecured wholesale funding								
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>								
7	<i>Non-operational deposits (all counterparties)</i>								
8	<i>Unsecured debt</i>								
9	Secured wholesale funding	X							
10	Additional requirements								
11	<i>Outflows related to derivative exposures and other collateral requirements</i>								
12	<i>Outflows related to loss of funding on debt products</i>								
13	<i>Credit and liquidity facilities</i>								
14	Other contractual funding obligations								
15	Other contingent funding								



	obligations								
16	<b>TOTAL CASH OUTFLOWS</b>	X							
<b>CASH-INFLOWS</b>									
17	Secured lending (eg reverse repos)								
18	Inflows from fully performing exposures								
19	Other cash inflows								
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	X							
EU-19b	(Excess inflows from a related specialised credit institution)	X							
20	<b>TOTAL CASH INFLOWS</b>								
EU-20a	<i>Fully exempt inflows</i>								
EU-20b	<i>Inflows Subject to 90% Cap</i>								
EU-20c	<i>Inflows Subject to 75% Cap</i>								
TOTAL ADJUSTED VALUE									
21	<b>LIQUIDITY BUFFER</b>	X							
22	<b>TOTAL NET CASH OUTFLOWS</b>	X							
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>	X							

**Explanatory text for consultation purposes:**

The disclosed LCR in row 23 may not be equal to an LCR computed on the basis on the average values of the set of line items disclosed in the template. For example for only 6 observations:

	<b>HQLA</b>	<b>Total net cash-outflows</b>	<b>LCR</b>
Observation 1	112	99	113%
Observation 2	113	87	130%
Observation 3	105	109	96%
Observation 4	107	108	99%
Observation 5	110	112	98%
Observation 6	114	100	114%
Average to be disclosed	110.2	102.5	108.44%

A recalculated LCR based on the average HQLA (110.2) and the average Total net cash-outflows (102.5) would be 107.48%

**18. Template on qualitative information on LCR, which complements the LCR disclosure template.**

Comment

Concentration of funding and liquidity sources	
Derivative exposures and potential collateral calls	
Currency mismatch in the LCR	
A description of the degree of centralisation of liquidity management and interaction between the group's units	
Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.	

**Question 6: Do respondents have any comment on the content of the LCR disclosure template in Annex II?**

**Question 7: Do respondents have any comment relative to the content of the template on qualitative information on LCR?**

**Question 8: What information from Annex II, if any, would respondents consider irrelevant for LCR disclosure purposes?**

**Question 9: What information would respondents like to see added to the LCR disclosure requirements?**

# Annex III – Instructions on LCR disclosure template and on the template on qualitative information on LCR

---

## Part 1: GENERAL INSTRUCTIONS

19. The information that should be disclosed under the LCR disclosure template in Annex II should state the values and figures referred to the previous four quarters prior to the disclosure date and should be calculated as simple averages of daily observations over the corresponding previous quarter.

20. The information that should be disclosed under the template on qualitative information on LCR in Annex II should provide qualitative discussion on the items included in the LCR disclosure template.

21. The information required under the LCR disclosure template in Annex II should include all items irrespective of the currency in which they are denominated and should be disclosed in the reporting currency as defined in Article 3 of Commission Delegated Regulation (EU) 2015/61.

22. In order to calculate the unweighted and weighted inflows and outflows and the weighted HQLA for the purpose of the LCR disclosure template under Annex II, credit institutions under the scope of application of these guidelines should apply the following instructions:

- a. Inflows/Outflows: The unweighted value of inflows and outflows should be calculated as the outstanding balances of various categories or types of liabilities, off-balance sheet items or contractual receivables. The “weighed” value for inflows and outflows should be calculated as the value after the inflow and outflow rates are applied.
- b. HQLA: The “weighted” value of High Quality Liquid Assets (HQLA) should be calculated as the value after haircuts are applied.

23. In order to calculate the adjusted value of the liquidity buffer in item 21 and the adjusted value of total net cash outflows in item 22 of the LCR disclosure template under Annex II, credit institutions under the scope of application of these guidelines should apply the following instructions:

- a. The adjusted value of the liquidity buffer is the value of total HQLA after the application of both haircuts and any applicable cap; and



- b. The adjusted value of net cash outflows should be calculated after the cap on inflows is applied, if applicable.

**Question 10: Do respondents find the general instructions in Annex III sufficiently clear for the development of the disclosure templates?**

**Question 11:** In accordance with Article 4 of Commission Delegated Regulation (EU) 2015/61, the LCR needs to be met at any time whereas Article 15(1) of Commission Implementing Regulation (EU) No 680/2014 requires a monthly frequency of LCR reporting. The suggested approach for the LCR disclosure template is based on averaged values over daily observations based on the reporting templates. **Particularly considering that the most recent data needed would be from the quarter prior to the disclosure date, do respondents consider that this approach is, from a practical point of view, operationally feasible meaning that the accuracy of the daily reporting observations for the calculation of the averages can be ensured? Do respondents consider that this operational feasibility could depend on the size of the credit institution or could be different in the case of solo or consolidated data?**

## Part 2: SPECIFIC INSTRUCTIONS

24. Credit Institutions under the scope of application of these guidelines should apply the instructions provided in this paragraph in order to complete the LCR disclosure template under Annex II:

Row	Legal references and instructions
{1}	<p><b>Total high-quality liquid assets (HQLA)</b></p> <p>Credit institutions should disclose as weighted value the Value according to Article 9 of Commission Delegated Regulation (EU) 2015/61 of the item “Total Unadjusted Liquid Assets” as reported in row 10 (ID 1), column 040 of template C 72.00 Liquidity coverage – Liquid assets of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.<sup>8</sup></p>
{2}	<p><b>Retail deposits and deposits from small business customers, of which:</b></p> <p>Credit institutions should disclose as unweighted value the amount of the item “Retail deposits” as reported in row 030 (ID 1.1.1), column 010 of template C 73.00 Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>

<sup>8</sup> Commission Implementing Regulation (EU) No 680/2014<sup>8</sup> laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council

	<p>Credit institutions should disclose as weighted value the outflow of the item “retail deposits” reported in row 030 (ID 1.1.1), column 060 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{3}	<p><b>Stable deposits</b></p> <p>Credit institutions should disclose as unweighted value the sum of the amount of the item “stable deposits” as reported in row 080 (ID 1.1.1.3), column 010 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the amount of the item “derogated stable deposits” as reported in row 090 (ID 1.1.1.4), column 010 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p> <p>Credit institutions should disclose as weighted value the sum of the outflow of the item “stable deposits” as reported in row 080 (ID 1.1.1.3), column 060 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the outflow of the item “derogated stable deposits” as reported in row 090 (ID 1.1.1.4), column 060 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{4}	<p><b>Less stable deposits</b></p> <p>Credit institutions should disclose as unweighted value the sum of the amount of the item “deposits subject to higher outflows” as reported in row 050 (ID 1.1.1.2), column 010 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the amount of the item “other retail deposits” as reported in row 110 (ID 1.1.1.6), column 010 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p> <p>Credit institutions should disclose as weighted value the sum of the outflow of the item “deposits subject to higher outflows” as reported in row 050 (ID 1.1.1.2), column 060 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the outflow of the item “other retail deposits” as reported in row 110 (ID 1.1.1.6), column 060, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{5}	<p><b>Unsecured wholesale funding:</b></p> <p>Credit institutions should disclose the sums of the unweighted and weighted amounts which are necessary to be disclosed in row {6} “Operational deposits (all counterparties) and deposits in networks of cooperative banks”, row {7} “Non-operational deposits (all counterparties)” and row {8} “Unsecured debt” of these instructions.</p>
{6}	<p><b>Operational deposits (all counterparties) and deposits in networks of cooperative banks</b></p> <p>Credit institutions should disclose as unweighted value the amount of the item “Operational deposits” as reported in row 120 (ID 1.1.2), column 010, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing</p>

	<p>Regulation (EU) No 680/2014.</p> <p>Credit institutions should disclose as weighted value the outflow of the item “Operational deposits” as reported in row 120 (ID 1.1.2), column 060, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{7}	<p><b>Non-operational deposits (all counterparties)</b></p> <p>Credit institutions should disclose as unweighted value the amount of the item “Non-operational deposits” as reported in row 210 (ID 1.1.3), column 010, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p> <p>Credit institutions should disclose as weighted value the outflow of the item “Non-operational deposits” as reported in row 210 (ID 1.1.3), column 060, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{8}	<p><b>Unsecured debt</b></p> <p>Credit institutions should disclose as unweighted value the amount of the item “in the form of debt securities if not treated as retail deposits” as reported in row 900 (ID 1.1.7.2), column 010, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p> <p>Credit institutions should disclose as weighted value the outflow of the item “in the form of debt securities if not treated as retail deposits” as reported in row 900 (ID 1.1.7.2), column 060, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{9}	<p><b>Secured wholesale funding</b></p> <p>Credit institutions should disclose as weighted value the sum of the outflow of the item “Outflows from secured lending and capital market-driven transactions” as reported in row 920 (ID 1.2), column 060, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the outflow of the item “Total outflows from collateral swaps” as reported in row 1130 (ID 1.3), column 060, of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{10}	<p><b>Additional requirements of which:</b></p> <p>Credit institutions should disclose the sums of the unweighted and weighted amounts which are necessary to be disclosed in row {11} “Outflows related to derivative exposures and other collateral requirements”, row {12} “Outflows related to loss of funding on debt products” and row {13} “Credit and liquidity facilities” of these instructions.</p>
{11}	<p><b>Outflows related to derivative exposures and other collateral requirements</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the sum of</p>



	<p>the amounts (column 010 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) and outflows (column 060 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) respectively of the following items:</p> <ul style="list-style-type: none"> <li>• “collateral other than Level 1 assets collateral posted for derivatives” as reported in row 280, ID 1.1.4.1.</li> <li>• “Level 1 EHQ Covered Bonds assets collateral posted for derivatives” as reported in row 290, ID 1.1.4.2.</li> <li>• “material outflows due to deterioration of own credit quality” as reported in row 300, ID 1.1.4.3.</li> <li>• “impact of an adverse market scenario on derivatives, financing transactions and other contracts” as reported in row 310, ID 1.1.4.4.</li> <li>• “outflows from derivatives” as reported in row 340, ID 1.1.4.5.</li> <li>• “callable excess collateral” as reported in row 380, ID 1.1.4.7.</li> <li>• “due collateral” as reported in row 390, ID 1.1.4.8.</li> <li>• “liquid asset collateral exchangeable for non-liquid asset collateral” as reported in row 400, ID 1.1.4.9.</li> </ul>
{12}	<p><b>Outflows related to loss of funding on debt products</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the amount (column 010 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) and outflows (column 060 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014), respectively, of the item “loss of funding on structured financing activities” as reported in row 410, ID 1.1.4.10 under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{13}	<p><b>Credit and liquidity facilities</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the amount and outflow, respectively, of the item “Committed facilities” as reported in row 460, ID 1.1.5 of template C 73.00 on Liquidity coverage – Outflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{14}	<p><b>Other contractual funding obligations</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the sum of the amounts (column 010 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) and outflows (column 060 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) respectively of the following items:</p> <ul style="list-style-type: none"> <li>• “assets borrowed on an unsecured basis” as reported in row 440, ID 1.1.4.11</li> <li>• “short positions” as reported in row 350, ID 1.1.4.6.</li> <li>• “others” as reported in row 910, ID 1.1.7.3.</li> </ul>
{15}	<p><b>Other contingent funding obligations</b></p>

	<p>Credit institutions should disclose as unweighted value and as weighted value the sum of the amounts (column 010 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) and outflows (column 060 of template C 73.00 on Liquidity coverage – Outflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) respectively of the following items:</p> <ul style="list-style-type: none"> <li>• “Other products and services” as reported in row 720, ID 1.1.6.</li> <li>• “internal netting of client’s positions” as reported in row 450, ID 1.1.4.12.</li> </ul>
{16}	<p><b>TOTAL CASH OUTFLOWS</b></p> <p>Credit institutions should disclose the sum of the weighted value of the following items under these instructions:</p> <ul style="list-style-type: none"> <li>• Row {2} Retail deposits and deposits from small business customers,</li> <li>• Row {5} Unsecured wholesale funding,</li> <li>• Row {9} Secured wholesale funding,</li> <li>• Row {10} Additional requirements,</li> <li>• Row {14} Other contractual funding obligations and</li> <li>• Row {15} Other contingent funding obligations</li> </ul>
{17}	<p><b>Secured lending (eg reverse repos)</b></p> <p>Credit institutions should disclose as unweighted value the sum of the amounts of the item “Inflows from secured lending and capital market-driven transactions” as reported in row 270 (ID 1.2), column 010, 020 and 030 of template C 74.00 on Liquidity coverage – Inflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the market value of collateral lent of the item “Total collateral swaps &amp; collateralised derivatives” as reported in row 010 (ID 1), column 010 of template C 75.00 on Liquidity coverage – Collateral swaps under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p> <p>Credit institutions should disclose as weighted value the sum of the inflows of the item “Inflows from secured lending and capital market-driven transactions” as reported in row 270 (ID 1.2), column 140, 150 and 160 of template C 74.00 on Liquidity coverage – Inflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014 and the inflows subject to the 75% cap on inflows, 90% cap on inflows and inflows exempted from the cap on inflows reported in row 010 (ID 1), column 060, 070 and 080 of template C 75.00 on Liquidity coverage – Collateral swaps under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{18}	<p><b>Inflows from fully performing exposures</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the sum of the amounts (column 010, 020 and 030 of template C 74.00 on Liquidity coverage – Inflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) and inflows (column 140, 150 and 160 of template C 74.00 on Liquidity coverage – Inflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) respectively of</p>

	<p>the items:</p> <ul style="list-style-type: none"> <li>• “monies due from non-financial customers (except for central banks)” as reported in row 030, ID 1.1.1.</li> <li>• “monies due from central banks and financial customers” as reported in row 100, ID 1.1.2.</li> <li>• “monies due from trade financing transactions” as reported in row 180, ID 1.1.4.</li> <li>• “inflows corresponding to outflows in accordance with promotional loan commitments as referred to in Article 31(9) of Commission delegated regulation (EU) 2015/61” as reported in row 170, ID 1.1.3.</li> </ul>
{19}	<p><b>Other cash inflows</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the sum of the amounts (column 010, 020 and 030 of template C 74.00 on Liquidity coverage – Inflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) and inflows (column 140, 150 and 160 of template C 74.00 on Liquidity coverage – Inflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014), respectively, of the items:</p> <ul style="list-style-type: none"> <li>• “monies due from securities maturing within 30 days” as reported in row 190, ID 1.1.5.</li> <li>• “assets with an undefined contractual end date” as reported in row 200, ID 1.1.6.</li> <li>• “monies due from positions in major index equity instruments provided that there is no double counting with liquid assets” as reported in row 210, ID 1.1.7.</li> <li>• “inflows from undrawn credit or liquidity facilities and any other commitments provided by central banks provided that there is no double counting with liquid assets” as reported in row 220, ID 1.1.8.</li> <li>• “inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets” as reported in row 230, ID 1.1.9.</li> <li>• “inflows from derivatives” as reported in row 240, ID 1.1.10.</li> <li>• “inflows from undrawn credit or liquidity facilities provided by members of a group or an institutional protection scheme where the competent authorities have granted permission to apply a higher inflow rate” as reported in row 250, ID 1.1.11.</li> <li>• “other inflows” as reported in row 260, ID 1.1.12.</li> </ul>
{ EU-19a }	<p><b>(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)</b></p> <p>Credit institutions should disclose as weighted value the inflows (column 140, 150 or 160 of template C 74.00 on Liquidity coverage – Inflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) (the columns subject to the 75% and/or 90% cap and/or exempted from the cap on inflows) of the item “(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries</p>

	where there are transfer restrictions or which are denominated in non-convertible currencies)” as reported in row 420, ID 1.4.
{ EU-19b }	<p><b>(Excess inflows from a related specialised credit institution)</b></p> <p>Credit institutions should disclose as weighted value the inflows (column 140, 150 or 160 of template C 74.00 on Liquidity coverage – Inflows of Annex XXIV of Commission Implementing Regulation (EU) No 680/2014) (the columns subject to the 75% and/or 90% cap and/or exempted from the cap on inflows) of the item (Excess inflows from a related specialised credit institution)” as reported in row 430, ID 1.5.</p>
{20}	<p><b>TOTAL CASH INFLOWS</b></p> <p>Credit institutions should disclose the sum of the unweighted and weighted value of the following items under these instructions:</p> <ul style="list-style-type: none"> <li>• Row {17} Secured lending (eg reverse repos),</li> <li>• Row {18} Inflows from fully performing exposures,</li> <li>• Row {19} Other cash inflows,</li> </ul> <p>Minus:</p> <ul style="list-style-type: none"> <li>• Row {EU-19a} (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies),</li> <li>• Row {Eu-19b} (Excess inflows from a related specialised credit institution)</li> </ul>
{ EU-20a }	<p><b>Fully exempt inflows</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the amount (column 030) and inflows (column 160), respectively, which are exempted from the cap on inflows of the item “Total Inflows” reported in row 010, ID 1 of template C 74.00 on Liquidity coverage – Inflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{ EU-20b }	<p><b>Inflows Subject to 90% Cap</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the amount (column 020) and inflows (column 150) respectively which are subject to the 90% cap on inflows of the item “Total Inflows” reported in row 010, ID 1 of template C 74.00 on Liquidity coverage – Inflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{ EU-20c }	<p><b>Inflows Subject to 75% Cap</b></p> <p>Credit institutions should disclose as unweighted value and as weighted value the amount (column 010) and inflows (column 140) respectively which are subject to the 75% cap on inflows of the item “Total Inflows” reported in row 010, ID 1 of template C 74.00 on</p>



	Liquidity coverage – Inflows under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.
{21}	<p><b>TOTAL HQLA</b></p> <p>Credit institutions should disclose as adjusted value the value of the item “Liquidity buffer” as reported in row 010, ID 1 of template C 76.00 on Liquidity coverage – Calculations under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{22}	<p><b>TOTAL NET CASH OUTFLOWS</b></p> <p>Credit institutions should disclose as adjusted value the value of the item “Net liquidity outflow” as reported in row 020, ID 2 of template C 76.00 on Liquidity coverage – Calculations under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>
{23}	<p><b>LIQUIDITY COVERAGE RATIO (%)</b></p> <p>Credit institutions should disclose as adjusted value the percentage of the item “Liquidity coverage ratio (%)” as reported in row 030, ID 3 of template C 76.00 on Liquidity coverage – Calculations under Annex XXIV of Commission Implementing Regulation (EU) No 680/2014.</p>

25. For the purposes of the elaboration of the template on qualitative information on LCR in Annex II, credit Institutions under the scope of application of these guidelines should consider the text boxes provided in the template as free format text boxes and interpret the items included there, where possible, in accordance with their consideration in the context of the definition of the LCR in the Commission Delegated Regulation (EU) 2015/61 and of the additional liquidity monitoring metrics as set out in Chapter 7b of implementing Regulation (EU) No 680/2014.

**Question 12: Do respondents find the specific instructions in Annex III sufficiently clear for the development of the LCR disclosure template and the template on qualitative information on LCR in Annex II?**

## 5. Accompanying documents

---

### 5.1 Draft cost-benefit analysis / impact assessment

#### Introduction

The EBA is carrying out the development of a harmonised disclosure framework of the LCR, within the general liquidity risk management disclosure framework as defined in 435 of the CRR.

The draft guidelines include (i) a qualitative and quantitative harmonised table for the disclosure of information on liquidity risk management as laid down by the CRR and (ii) a quantitative harmonised template complemented by a qualitative template, with their corresponding instructions, for the disclosure of information on the LCR composition.

As per Articles 16(2) of the EBA regulation, any draft RTS and guidelines developed by the EBA shall be accompanied by a cost–benefit analysis. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

This annex presents the assessment of the policy options considered in these guidelines.

#### Problem identification

The disclosure requirements under the CRR framework, in particular article 435, allow for some discretion in the way institutions disclose their liquidity positions. As a result, it may not be straightforward for market participants to obtain a clear idea of EU institutions' liquidity position and liquidity risk management and to compare institutions. This lack of clarity reduces the impact of market discipline.

In order to increase transparency regarding the management of liquidity risk, to facilitate cross-jurisdictional comparisons and to complement the strengthening of the EU liquidity regulatory framework, the EBA proposed that EU credit institutions use a common template to report their liquidity position to achieve consistency in the information disclosed and its format.

Such standards however need to be consistent with what has been developed by the BCBS under its LCR disclosures standards and with the general aspect of the EU disclosures standards as defined in the EBA guidelines on “materiality, proprietary and confidentiality and on disclosures frequency under articles 432 (1), (2) and 433 of CRR”.



## Objectives of the guidelines

The guidelines specify the format of the templates that credit institutions should use and the information they should report. They are aimed to achieve the following objectives:

- To provide a reporting format that is as uniform as possible, in order to allow meaningful comparisons between entities.
- To provide sufficient granularity and quality in disclosures so that market participants have enough elements to assess EU bank's liquidity positions and risk management.
- To strengthen the EU liquidity risk management and regulatory framework.

## Policy options considered

While drafting the present regulation, the EBA considered several policy options under three main areas:

### 1) **Scope of application (proportionality approach)**

In order to provide proportionality in the application of the LCR disclosure requirements for smaller banks (and to focus only on material information to be disclosed), the EBA considered two main options:

#### ***Option A: To propose a simplified disclosure template for smaller institutions.***

Under this option, all smaller banks would be subject, *ex ante*, to a simplified disclosure template. This simplified template would basically include only the value of the LCR itself and its numerator and denominator.

#### ***Option B: To propose a single disclosure template for all institutions***

Under this option, all institutions would be subject *ex ante* to the same disclosure requirements. The CRR grants institutions the possibility to omit the disclosure of some of the items if proved not to be material for them.

### 2) **Disclosure frequency**

Article 133 CRR requires disclosures to be performed "at least on an annual basis" but also opens the possibility for institutions to "assess the need to publish some or all disclosures more frequently than annually". Against this background, the EBA has considered two possibilities regarding the disclosure frequency for the LCR.

***Option A: To indicate credit institutions to pay special attention to some specific items for the cases of more frequent disclosures.*** These items would constitute the minimum necessary items to be assessed to be more frequently disclosed because of their proneness to rapid changes in the context of a volatile stressed LCR.



***Option B: Not to make any consideration for a special attention***

Under option B, EBA would leave at the discretion of institutions to decide which items should be assessed to be disclosed more frequently.

**3) Methodology for calculation of the LCR disclosed data**

The determination of the methodology for the calculation of the disclosed LCR has to find the right balance between ensuring maximum accuracy in calculation of the LCR position and avoiding unnecessary burden and complexity. In this regards, two options have been considered by the EBA.

***Option A: Averages based on daily reporting observations***

Option A would require institutions to disclose quarterly averages of the LCR components based on daily observed reporting data.

***Option B: Other metrics based on other reporting observations***

Option B would use less frequent observations. The drawbacks of this alternative would be that some accuracy could be missed and also that potentially fewer observations could make the metrics be influenced by outliers.

## Cost and benefit analysis

### a. General assessment

#### BENEFITS

The templates proposed in these Guidelines will provide investors, markets and stakeholders with a new set of information on the LCR positions, composition and the drivers for change. This additional key information should enable them to make a better judgment of the liquidity position of an institution, thereby increasing market discipline and enhancing liquidity risk management within the EU.

#### COSTS

The main costs for institutions will be related to setting up processes that allow them to produce the required disclosure templates and publish them. The costs will be driven by the complexity of the available resources required to produce and disclose the requested information.

**However, it should be noticed that the additional costs incurred in producing the disclosed data is expected to be limited as the disclosure data can be directly extracted from the ITS on liquidity supervisory reporting.**



Table 1 – Summary of the general costs and benefits of the draft Guidelines:

Options	Cost	Benefits
Institutions	Compliance cost to produce and publish the disclosure templates: <ul style="list-style-type: none"> <li>- Data collection;</li> <li>- Data processing;</li> <li>- Record keeping;</li> <li>- Monitoring.</li> </ul>	Enhanced market discipline: <ul style="list-style-type: none"> <li>- Reduced risk appetite</li> <li>- Improve market confidence in institutions (i.e. better access to funding)</li> </ul>
Market and Investors	None	Improve capacity to compare institutions and to assess their ability to meet their financial obligations: <ul style="list-style-type: none"> <li>- Reduce asymmetry of information between stakeholders and institution</li> <li>- Allow a better allocation of capital and liquidity in financial market</li> </ul>

**b. Assessment of the policy options**

The following table 2 shows the advantages and disadvantages of each of the options considered in these draft Guidelines.

Table 2 – Summary of the advantages and disadvantages of the policy options:

Area	Options	Advantages	Disadvantages
1) Proportionality approach	<b>Option A:</b> Simplified disclosure template for smaller institutions	<ul style="list-style-type: none"> <li>- Based on a simplified (straightforward) approach on proportionality that would be easy to implement and monitor.</li> <li>- A harmonised reduced template would concentrate on those</li> </ul>	<ul style="list-style-type: none"> <li>- Banks seem to be those which need to assess the possibility to omit those items which might not be material in accordance with the criteria set out in the EBA/GL/2014/14 which, amongst others, refer to an individual analysis by each institution on a case by case basis and which could not</li> </ul>

		items material for disclosure in smaller banks and would omit the rest.	exclusively rest on quantitative limits.
	Option B: Single disclosure template for all institutions	<ul style="list-style-type: none"> <li>- Ensure equality of treatment between institutions as all banks will be subject, <i>ex ante</i> to a comparable template before criteria for potential omission of some items is considered.</li> <li>- The potential unnecessary burden stemming from a comprehensive template for credit institutions is mitigated since all banks have the possibility to omit items that are not material.</li> </ul>	<ul style="list-style-type: none"> <li>- More difficult for market participant to anticipate the final content of the information to be disclosed by each institutions.</li> </ul>
2) Frequency of the disclosure	Option A: Special consideration to be given to some items for more frequent than annual disclosures	<ul style="list-style-type: none"> <li>- The volatility of the short term stressed LCR would be particularly captured in those main items prone to rapid changes to which special attention should be paid.</li> </ul>	None
	Option B: No special consideration to be given to specific items for more frequent than annual disclosures	<ul style="list-style-type: none"> <li>- Give institutions the possibility to equally assess all potential items to be disclosed on a more frequent basis than annually based on their business models and risk exposures and the</li> </ul>	<ul style="list-style-type: none"> <li>- May not ensure maximum harmonisation in the implementation of the LCR disclosure requirements as the items to be disclosed more frequently would not even have a common pattern to refer to.</li> </ul>

		frequency itself.	
3) Methodology for data calculation	<p><b>Option A:</b></p> <p>Averages based on daily observations</p>	<ul style="list-style-type: none"> <li>- In line with the purpose of the LCR which needs to be met at any time and therefore requires be calculated and monitored on a daily basis.</li> <li>- Would allow for more accurate disclosed data by avoiding potential outliers influencing the metrics to be disclosed.</li> </ul>	<ul style="list-style-type: none"> <li>- The methodology would be very data intensive.</li> <li>- Need to ensure that these reporting data would be operationally available on a daily basis.</li> </ul>
	<p><b>Option B:</b> Other method using less frequent data observations</p>	<ul style="list-style-type: none"> <li>- Would take account institutions' data management constrains.</li> <li>- Would be less data intensive.</li> <li>- May avoid unnecessary burden and complexity in the methodology to be used for the calculation of the disclosed LCR.</li> </ul>	<ul style="list-style-type: none"> <li>- Would be less reliable than relying on daily observation.</li> </ul>

## Preferred options

Based on the previous assessment, the following options have been preferred:

- **Options 1B:** Option 1B is at the moment the preferable option since the omission of non-material information seems to rest on banks' own assessment subject to the specific consideration of each institution. This option would still incorporate proportionality related items in the context of the cited bank's own assessment of materiality of the items to be disclosed.



- **Option 2A:** Option 2A would allow for a more harmonized approach on more frequent disclosures on items that are prone to rapid changes.
- **Option 3A:** To maximize accuracy and to avoid unintended disclosures due to outliers, the EBA finds option 3A as preferable as long as the use of daily reporting observations is operationally feasible.

**Question 13:** In the elaboration of this CP, the EBA has considered several policy options under three main areas: a proportionality approach in the scope of application, items for a higher disclosure frequency and methodology for the calculation of the disclosures. **Do respondents have any particular view on the assessment conducted on these policy options?**

**Question 14:** The provisions of Regulation (EU) 575/2013, including the disclosure requirements in its Part Eight, respect the principle of proportionality having regard, in particular, to the diversity in size and scale of operations and to the range of activities of institutions. A less complex, low risk institution will have to disclose less than a more complex, higher risk institution. In addition, specific waivers for disclosure exist in case of non-materiality of information, and the EBA has issued Guidelines to specify the cases where such waivers are used. The EBA intends to conduct further work on the application of the principle of proportionality to regulatory requirements, including the disclosure requirements. As a result, should a specific approach be needed as regards the implementation of the Guidelines on liquidity disclosures in a proportionate manner, this approach will be consistent with the EBA general approach as regards proportionality. In the meantime, users are invited to express their views on the following questions, whose answers will inform the future work of the EBA. Any potential solution suggested by respondents will have its feasibility assessed considering the applicable disclosure framework.

**Do respondents think that the opportunity of having a simplified disclosure template for smaller credit institutions should be assessed? This simplified LCR disclosure template could comprise for example the ratio itself, the numerator and the denominator as key ratios and figures of the LCR, in the sense of Article 435 (1) (f) CRR. What arguments could respondents provide to justify that the LCR ratio itself, its numerator and its denominator are the only key ratios and figures of the LCR which are required to be disclosed by smaller credit institutions?**

**More generally please provide any argument in favor or against a simplified template, and if you believe a simplified template for LCR disclosures is relevant, please indicate which type of information you would like to have disclosed in that template.**

**What specific criteria would respondents suggest to identify those smaller institutions for which a simplified disclosure template could potentially be disclosed?**

## 5.2 Overview of questions for consultation

**Question 1: Do respondents have any comment to the scope of application of the draft guidelines?**

**Question 2: As currently foreseen, the application date will be in June 2017. Do respondents find the date of application of the guidelines appropriate?**

**Question 3: Do respondents consider that the transitional period is sufficiently clear?**

**Question 4: Do respondents have any comment relative to the proposed LCR related items prone to rapid change?**

**Question 5: Do respondents have any comment relative to the content of the table in Annex I of the draft guidelines and the way to display it?**

**Question 6: Do respondents have any comment on the content of the LCR disclosure template in Annex II?**

**Question 7: Do respondents have any comment relative to the content of the template on qualitative information on LCR?**

**Question 8: What information from Annex II, if any, would respondents consider irrelevant for LCR disclosure purposes?**

**Question 9: What information would respondents like to see added to the LCR disclosure requirements?**

**Question 10: Do respondents find the general instructions in Annex III sufficiently clear for the development of the disclosure template?**

**Question 11:** In accordance with Article 4 of Commission Delegated Regulation (EU) 2015/61, the LCR needs to be met at any time whereas Article 15(1) of Commission Implementing Regulation (EU) No 680/2014 requires a monthly frequency of LCR reporting. The suggested approach for the LCR disclosure template is based on averaged values over daily observations based on the reporting templates. **Particularly considering that the most recent data needed would be from the quarter prior to the disclosure date, do respondents consider that this approach is, from a practical point of view, operationally feasible meaning that the accuracy of the daily reporting observations for the calculation of the averages can be ensured? Do respondents consider that this operational feasibility could depend on the size of the credit institution or could be different in the case of solo or consolidated data?**

**Question 12: Do respondents find the specific instructions in Annex III sufficiently clear for the development of the LCR disclosure template and the template on qualitative information on LCR in Annex II?**



**Question 13:** In the elaboration of this CP, the EBA has considered several policy options under three main areas: a proportionality approach in the scope of application, items for a higher disclosure frequency and methodology for the calculation of the disclosures. **Do respondents have any particular view on the assessment conducted on these policy options?**

**Question 14:** The provisions of Regulation (EU) 575/2013, including the disclosure requirements in its Part Eight, respect the principle of proportionality having regard, in particular, to the diversity in size and scale of operations and to the range of activities of institutions. A less complex, low risk institution will have to disclose less than a more complex, higher risk institution. In addition, specific waivers for disclosure exist in case of non-materiality of information, and the EBA has issued Guidelines to specify the cases where such waivers are used. The EBA intends to conduct further work on the application of the principle of proportionality to regulatory requirements, including the disclosure requirements. As a result, should a specific approach be needed as regards the implementation of the Guidelines on liquidity disclosures in a proportionate manner, this approach will be consistent with the EBA general approach as regards proportionality. In the meantime, users are invited to express their views on the following questions, whose answers will inform the future work of the EBA. Any potential solution suggested by respondents will have its feasibility assessed considering the applicable disclosure framework.

**Do respondents think that the opportunity of having a simplified disclosure template for smaller credit institutions should be assessed? This simplified LCR disclosure template could comprise for example the ratio itself, the numerator and the denominator as key ratios and figures of the LCR, in the sense of Article 435 (1) (f) CRR. What arguments could respondents provide to justify that the LCR ratio itself, its numerator and its denominator are the only key ratios and figures of the LCR which are required to be disclosed by smaller credit institutions?**

**More generally please provide any argument in favor or against a simplified template, and if you believe a simplified template for LCR disclosures is relevant, please indicate which type of information you would like to have disclosed in that template.**

**What specific criteria would respondents suggest to identify those smaller institutions for which a simplified disclosure template could potentially be disclosed?**