Deutsche Börse Group

Response

to EBA/CP/2016/22

'Draft Implementing technical standards amending Implementing Regulation (EU) No 680/2014 with regard to additional monitoring metrics for liquidity reporting'

issued on 16 November 2016

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A. Introduction

Deutsche Börse Group (DBG) welcomes the opportunity to comment on EBA consultative document 'Draft Implementing technical standards amending Implementing Regulation (EU) No 680/2014 with regard to additional monitoring metrics for liquidity reporting' issued in November 2016.

DBG operates in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and as such is mainly active with regulated Financial Market Infrastructure providers.

Among others, Clearstream Banking S.A., Luxembourg and Clearstream Banking AG, Frankfurt/Main, who act as (I)CSD[1] as well as Eurex Clearing AG as the leading European Central Counterparty (CCP), are classified as credit institutions and are therefore within the scope of the EU Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR). Clearstream subgroup is supervised on a consolidated level as a financial holding group.

However, the business model of both CSDs and CCPs as financial market infrastructures (FMIs) is completely different from the business of ordinary banks. There is no proprietary trading, only minor maturity transformation, tight limitations of investment possibilities due to additional rules based on the CPSS-IOSCO principles on financial market infrastructures[2] as implemented in EU regulations (EMIR and CSD-regulation) and also in general funding is only resulting from overnight cash deposits or cash collaterals received in the course of the FMI's businesses. The received short-term deposits and collaterals are invested without the intention to generate interest yield. Hence, the purpose of a CCP is to create financial stability and a CSD pursues the objective to foster effective settlement. Moreover, the regulatory framework is intended to limit maturity mismatches, to secure a high degree of liquidity even under adverse conditions and – in the case of a CSD – to discourage loan usage.[3] As such, even if a CCP operates under an additional banking license or a CSD offers ancillary banking services in line with CSD-R, no long term deposits are taken and no long term loan

[1] (International) Central Securities Depository;

[2] http://www.bis.org/cpmi/publ/d101a.pdf.

[3] See CSD-R Article 59 (3) lit. i

business is operated. As such, interest rates are overnight rates only and are depending on daily market conditions instead of being fixed in advanced by dedicated agreements.

While we do not have dedicated responses to the questions raised we do want to give a general response to the consultation. Moreover, we do want to raise awareness that beyond the current topics in questions, the general approach of the additional monitoring metrics for liquidity reporting (ALMM) creates further concerns which should be taken care of.

B. Comments

While we welcome in general the intention of EBA to reduce and streamline the additional monitoring metrics for liquidity reporting, we do not see a substantial reduction of the requirements. Contrary we see some additional burden. This is for example produced with the split up of the time buckets from in the newly designed maturity ladder in Annex XXIV of the draft implementing technical standard.

However, related to the dedicated proposal on the revised maturity ladder our concerns are minor and follow our general concerns on ALMM (see below). Especially the application of the maturity ladder to FMIs or other business models with limited or no maturity transformation seems not appropriate and the option to NCAs to grant waivers in dedicated cases should be considered. Nevertheless, we do not support the inclusion of the revised and adjusted maturity ladder in the ALMM reporting in the way it is proposed.

Our general concerns on ALMM are related to the massive burden it puts on all institutions following a “one size fits all” approach with no real option to grant waivers for special cases (like FMIs).

Several elements and requirements of the additional monitoring metrics for liquidity reporting are not meaningful or reasonable for some banks. Liquidity requirements and the reporting of related information to some degree depends on the business model of a bank. This is in particular true for CSDs and CCPs operating which a banking licence but being limited in their banking operations.

The requirement of daily averaging volumes and spreads of transactions as requested in template C69.00 seems to be way too detailed especially on a consolidated level.

While the monitoring of other ratios on a consolidated level for non-trading book groups can be done without a daily full consolidation, this is hard to archive for ALMM purposes.

In particular, a daily average for each and every entity including ancillary services undertakings, financial institutions or asset managers seems not to be reasonable and meaningful. For such entities a solution could be to give discretion to the competent authority to waive the daily average requirement and to allow the usage of month end figures for such type of group subsidiaries instead. Furthermore, based on size and business model the competent authority should also have the option to permit a reporting on a consolidated level based on month-end figures only. This reflects the principle of proportionality and reflects business models like the one of FMIs more accurate.

Furthermore, also the requirement to report interest rates and spreads for businesses where there are no fixed interest rates (like in the case of FMIs) for us does not make sense.

Based on our general concerns we would welcome if EBA would not just limit its review of ALMM by proposing a revised maturity ladder but also to refine the ALMM rules to reflect the option for waivers and include potentially even exemptions. This would reflect the general approach of proportionality and would take care for dedicated businesses without harming in general the approach of having a single rule book and a harmonised approach throughout the EU.

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Yours faithfully,

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