



---

19 June 2014

---

EBA/GL/2014/04

---

## Guidelines

---

on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2

# Contents

---

|  |           |
|--|-----------|
| <b>1. Executive summary</b>  | <b>4</b>  |
| <b>2. Background and rationale</b>   | <b>5</b>  |
| Recommendation A – Monitoring and assessment of funding risks and funding risk management by supervisors   | 7         |
| Data   | 8         |
| Data definitions   | 8         |
| Unit   | 8         |
| Out-turn data  | 8         |
| Time horizon   | 8         |
| Frequency  | 8         |
| Threshold criteria and consolidation   | 9         |
| Reporting format   | 10        |
| <b>3. EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2</b> | <b>11</b> |
| Status of these Guidelines   | 11        |
| Reporting requirements   | 11        |
| Title I – Subject matter, scope and definitions  | 12        |
| Title II – Requirements for reporting of funding plans   | 12        |
| Title III- Final Provisions and Implementation   | 13        |
| Annex 1 – Templates and definitions  | 14        |
| Key features   | 14        |
| <b>4. Accompanying documents</b>   | <b>16</b> |
| Cost-benefit analysis / impact assessment  | 16        |
| 4.4 Objectives   | 18        |
| 4.4.1 General objectives   | 18        |
| 4.4.2 Problem drivers  | 18        |
| 4.4.3 Operational objectives/specific objectives   | 18        |
| 4.4.4 Technical options proposed   | 19        |
| 4.5.1 Benefits   | 21        |
| 4.5.2 Costs  | 22        |
| Draft data point model   | 26        |
| <b>5. Views of the Banking Stakeholder Group (BSG)</b>   | <b>27</b> |
| <b>6. Feedback on the public consultation</b>  | <b>34</b> |
| Summary of key issues and the EBA’s response   | 34        |
| Summary of responses to the consultation and the EBA’s analysis  | 35        |
| <b>7. Confirmation of compliance with guidelines and recommendations</b>   | <b>44</b> |



# 1. Executive summary

---

These guidelines provide harmonised definitions and templates for the funding plans of credit institutions mainly as a response to the European Systemic Risk Board (ESRB) Recommendation 2012/02<sup>(1)</sup> on the funding of credit institutions and, in particular, Recommendation A.4, addressed to the EBA, to facilitate the reporting of funding plans.

In summary, the EBA is introducing a set of templates in spreadsheet format that contain harmonised definitions of the data items to be reported by institutions to their competent authorities, and from the latter to the EBA. The set of templates and definitions will assist the competent authorities in assessing the feasibility of the funding plans of credit institutions, and their impact on the supply of credit to the real economy, as well as enabling the EBA to discharge its duty to coordinate the assessment of funding plans at Union level, and assess the viability of these plans for the Union banking system.

To facilitate data collection and data transmission, and to set out clearly what data is required, the guidelines are accompanied by a draft data point model (DPM) that will be used to generate an associated XBRL typology.

---

<sup>(1)</sup> The English text of the Recommendation can be accessed at [http://www.esrb.europa.eu/pub/pdf/recommendations/2012/ESRB\\_2012\\_2.en.pdf?04a855f6d5c296dd9ae9f6576d45bb33](http://www.esrb.europa.eu/pub/pdf/recommendations/2012/ESRB_2012_2.en.pdf?04a855f6d5c296dd9ae9f6576d45bb33) or OJ 2013/C 119/01. Versions in the other official languages may be found at <http://www.esrb.europa.eu/pub/html/index.en.html> in the entry of 18.02.2013.

## 2. Background and rationale

---

Funding conditions for credit institutions have been significantly affected by the global financial crisis. Credit and interbank markets have remained impaired as a result of the strong links between credit institutions and sovereigns, as well as the uncertainties over asset quality and the sustainability of some credit institutions' business models. Credit institutions have responded to this situation by making changes to their balance-sheet structure and the way they fund themselves.

On 29 June 2012, the Euro Area Summit took an important step towards breaking the negative link between sovereigns and credit institutions. It envisaged a single supervisory mechanism and the direct use of European funds from the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) for bank recapitalisation/bailout and resolution. However, certain credit institutions still weigh negatively on sovereigns, and vice versa. This vicious circle needs to be broken to improve the functioning of the funding markets.

Credit institutions provide valuable intermediation services to the real economy. To ensure there is stable growth in the real economy, the resilience of the banking sector must be improved. The recommendation of the EBA for a minimum 9% Core Tier 1 capital ratio for credit institutions has partly contributed to this aim. The on-going reform of the European Union regulatory regimes governing credit institutions has achieved much needed clarity (Capital Requirements Directive IV/Capital Requirements Regulation package (CRD IV/CRR) – in particular its provisions regarding the liquidity regime) and will further strengthen credit institutions as it is phased in, though other important elements such as the Bank Recovery and Resolution Directive (BRRD) remain at the negotiation stage.

While public authorities, in particular central banks, have used extraordinary measures to alleviate funding strains and create the conditions for credit institutions to strengthen funding structures, credit institutions also need to actively strive to achieve sustainable funding structures.

The monitoring and assessment of credit institutions' funding risks and funding risk management by competent authorities is fundamental to the evaluation of the institutions' capacity to execute their own funding plans and reduce reliance on public sector funding sources. Analysing credit institutions' funding plans, in aggregate, is an important element in assessing their coherence and feasibility, and in turn this helps to ensure that funding plans will not adversely affect the supply of credit to the real economy. The analysis of funding plans should be carried out at the level of each institution being monitored and of each Member State, as well as at the level of the Union as a whole.

The development of new financial products and structures is a feature of the financial system. In some cases, it can be difficult for market participants and competent authorities to understand the risks in new or innovative products (for example, collateral swaps and synthetic exchange-traded funds). In particular, in times of stress this can lead to widespread uncertainty among investors, not only with regard to the instrument but also with regard to the institution. There is anecdotal evidence that credit institutions are resorting to products that are similar to deposits, without actually being deposits, meaning that they are not covered by deposit guarantee schemes. As a result, these instruments can respond with greater volatility to signs of the institution being subject to stress, exacerbating the funding pressure on the bank if they are withdrawn. If this practice becomes widespread, significant costs in terms of legal fees and fines may be involved as a result of miss-selling complex products to unsophisticated investors, particularly in the retail segment. Even more important is the potential decrease in depositors' confidence, which ultimately also has a negative impact on the stability of deposits. Consequently, the monitoring by competent authorities of the recourse to innovative instruments, and to the provision of uninsured deposit-like financial instruments, is necessary for the timely detection of risks, allowing competent authorities to take further supervisory actions whenever necessary.

Furthermore, an objective should be to ensure that national authorities are collecting the data they need to assess effectively the impact of credit institutions' funding plans on the flow of credit to the real economy, both at a national and EU-wide level (as per ESRB Recommendation A3).

For the monitoring and assessment of funding plans to be comparable and to work effectively for cross-border institutions, it is necessary to use consistent definitions and information structured in a way that allows different levels of aggregation. This will enable authorities to identify inconsistencies that will only become evident in a systemic context (e.g. a situation where all banks expect to grow deposits at a pace that the total deposit base could not deliver).

The monitoring and assessment of funding plans by competent authorities is a complex process, which starts with a conversation between competent authorities and credit institutions on the funding plans of the latter, namely the way they expect to match liabilities and assets at the present time and in the foreseeable future.

The funding plan is not intended to represent a credit institution's perception of their ability to fund under stressed conditions. The plan should represent the institution's interpretation of the projected balance sheet movement without an unforeseen stress materialising (or under 'business as usual' conditions). The EBA has also avoided the use of prescriptive macro-economic scenarios to avoid the possibility of misrepresenting a firm's funding plan, as these scenarios may be different to a firm's own assumptions. We also appreciate that firms may be subject to different corporate plans, which will be part of the dialogue held with competent authorities.

These guidelines seek to establish consistent, efficient and effective supervisory practices by **harmonising** templates and definitions to facilitate the reporting of funding plans by credit institutions. The EBA does not wish to limit the data that competent authorities request from credit institutions in the implementation of the funding plan templates. As such, the EBA acknowledges that competent national authorities may request additional data from institutions to partake in applicable supervisory oversight. The information will be provided to the competent authorities with responsibility for banking supervision and further to the EBA on the basis of Article 35 of the EBA Regulation. This is in fulfilment of paragraph 4 of Recommendation A of the ESRB Recommendations of 20 December 2012 on funding plans of credit institutions ('ESRB Recommendations' and 'ESRB Recommendation A'), and it is done to comply with paragraphs 1 to 3 and paragraph 5 of ESRB Recommendation A.

### **Recommendation A – Monitoring and assessment of funding risks and funding risk management by supervisors**

*1. National supervisory authorities with responsibility for banking supervision are recommended to intensify their assessments of the funding and liquidity risks incurred by credit institutions, as well as their funding risk management, within the broader balance-sheet structure, and should in particular:*

*(a) assess the funding plans provided by credit institutions and their feasibility for each national banking system, on an aggregated basis, taking into account the business model and risk appetite of each institution;*

*(b) monitor the development of funding structures in order to identify innovative instruments, request information on such instruments and analyse the information obtained to understand how risks may shift within the financial system;*

*(c) monitor the level, evolution and behaviour of uninsured deposit-like financial instruments, which are sold to retail customers, and their potentially negative effects on traditional deposits.*

*2. National supervisory authorities with responsibility for banking supervision are recommended to monitor credit institutions' plans to reduce reliance on public sector funding sources and to assess the viability of such plans for each national banking system, on an aggregated basis.*

*3. National supervisory authorities and other authorities with a macro-prudential mandate are recommended to assess the impact of credit institutions' funding plans on the flow of credit to the real economy.*

*4. The EBA is recommended to develop guidelines on harmonised templates and definitions, in accordance with its established consultation practices, in order to facilitate the reporting of funding plans for the purposes of the recommendations contained in paragraphs 1 to 3 above.*

*5. The EBA is recommended to coordinate the assessment of funding plans at Union level, including credit institutions' plans to reduce reliance on public sector funding sources and to assess the viability of such plans for the Union banking system, on an aggregated basis.*

To achieve the above, the EBA is proposing a set of templates and definitions, shown in the annex in detail, with the following attributes envisaged for use.

## Data

1. All information requested is quantitative (with the exception of certain comment fields that are mandatory), with data item definitions taken from existing EBA reporting wherever possible.

## Data definitions

2. Data definitions are taken from FINREP, COREP or the EBA implementing technical standards (ITS) on reporting wherever possible. 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 the corresponding statistical standards, e.g. credit aggregates. In some cases, data arising from the national GAAP may also be needed.

## Unit

3. The data should be reported in millions of euros. For credit institutions whose primary currency is not the euro, they should convert to euros as of the starting date of the projection, which is the date when the current balance sheet was drawn up.

## Out-turn data

4. Alongside the projections, the competent authorities are required to monitor institutions' progress against their funding plans. They may require institutions to provide out-turn figures. This out-turn data may be used by a competent authority as the basis for structured discussions about an institution's funding strategy and any risk emerging which affects the original plan. However, the content and timing of these discussions will ultimately be at the discretion of the competent authorities.

## Time horizon

5. Data items should be projected for 3 years: on a six-monthly frequency in year 1 and annually thereafter. The exceptions are row 450 / 460 of Table 1C (LCR), Table 2B1 and 2B2 (Pricing). These data cells only require a 1-year projection.

## Frequency

6. The funding plan templates (i.e. all data points in all templates) have been designed to analyse credit institutions' strategies to meet their expected funding needs based on their 3-year forward-looking business strategies.
7. In particular, the templates can be used to assess how credit institutions plan to address those needs both individually and in aggregate (at national and European level). Since the templates



have been designed to capture forward-looking projections over the next 3 years, they are most naturally collected annually.

8. This would be in alignment with the majority of credit institutions' planning cycles, and is considered to be a proportionate use of the competent authorities' and the firms' resources. The annual out-turn against the first-year projections would then be collected as part of the following year's templates and would be a useful back-test of the institution's ability to execute its funding strategy.
9. The EBA considers it very unlikely that a situation might arise where the full plans ought to be collected more frequently than annually (e.g. biannually, quarterly or monthly). In particular, these templates have not been designed to monitor the short-term liquidity position of the credit institutions (for contingency funding purposes, or for recovery or resolution planning, or crisis response). Therefore, the EBA considers that collecting the templates more frequently would not be an appropriate response to institutions facing short-term funding or liquidity stress, and indeed the appropriate response to this stress is the object of other EBA ITS. This would not preclude a one-off exercise to update the templates, e.g. for systemic reasons when national or EU-wide funding conditions suddenly change.

## Threshold criteria and consolidation

10. The ESRB has set threshold criteria that require a competent authority to collect data from institutions that represent 75% of a banking system's total consolidated assets<sup>(2)</sup>. The precise interpretation of these compliance criteria is a matter for national authorities. However, the credit institutions which will be covered inevitably take different forms: small institutions operating in a single EU country; cross-border EU institutions; and global institutions, either headquartered in the EU or headquartered outside the EU with entities located in the EU. While the EBA favours the consolidated view as most relevant to the EBA's obligations under recommendation A.5, the competent authorities may want to explore intra-group and any subsidiary-parent funding reliance as part of the supervisory dialogue they hold with the firm. Where the perimeter of the institution differs from the national boundary, competent authorities will have to judge how best to achieve the objectives of the data collection. Competent authorities should take into account the existence of liquidity sub-groups which institutions have in place under Article 8 of Regulation (EU) 575/2013, though competent authorities should bear in mind that this may not necessarily be the appropriate scope of consolidation for the purpose of reporting on funding plans. In light of the need to aggregate at EU level, the EBA judges that a degree of coordination between competent authorities would be valuable in making their choices on appropriate levels of consolidation on a firm-by-firm basis (see paragraph below).

---

<sup>(2)</sup> V.1.3.2 Compliance criteria (g), p. 46 of the ESRB Recommendations on funding of credit institutions (ESRB 2012/2).

11. Competent authorities should exercise their discretion as to the level and perimeter of consolidation for these guidelines on a firm-by-firm basis, having regard to the following principles:

- collect sufficient information to form a clear view on the funding of their national banking system;
- collect sufficient information to form a clear view of the impact of funding on the supply of credit to their national real economy;
- assess whether to collect information that predominantly relates to the funding of other (particularly non-EU) national banking systems;
- consider the existence of liquidity sub-groups which institutions have in place under Article 8 of Regulation (EU) No 575/2013, bearing in mind that this may not necessarily be the appropriate scope of consolidation for the purpose of reporting funding plans;
- be proportionate in placing demands on institutions' resources;
- provide the EBA with full transparency and justification to facilitate the EBA's aggregation of the data for EU-wide purposes (by helping to identify any overlaps across Member States and third countries, and the prevention of any material gaps in coverage).

12. A list has been included in the template to detail the unique legal entity identifier (LEI) of all firms included within a group submission. This will be particularly relevant when clarifying the existence of any double-counting in the cross-border consolidation of firms; particularly where a subsidiary of a foreign parent may be within the threshold for material lending to the real economy of its host country.

## Reporting format

13. Competent authorities should require credit institutions to submit the data in an appropriate format that facilitates transfer and aggregation at national and EU levels, and employ practices that safeguard the confidentiality of information.

14. The EBA expects that the competent authorities will be required to submit data through a DPM/XBRL taxonomy framework. A draft DPM is provided in the accompanying documents for information.

# 3. EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2

---

## Status of these Guidelines

This document contains guidelines issued pursuant to Article 16 of 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 the Commission Decision 2009/78/EC (the EBA Regulation). In accordance with Article 16(3) of the EBA Regulation, competent authorities and financial institutions must make every effort to comply with the guidelines.

Guidelines set out the EBA's view of appropriate supervisory practices within the European System of Financial Supervision, or specify how Union law should be applied in a particular area. The EBA therefore expects all competent authorities and financial institutions to whom the guidelines are addressed to comply with the guidelines. Competent authorities to whom the guidelines apply should comply by incorporating them into their supervisory practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

## Reporting requirements

In accordance with Article 16(3) of the EBA Regulation, the 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 31 October 2014. In the absence of any notification by this deadline, the competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form provided in Section 5 to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu) with the reference 'EBA/GL/2014/04'. Notifications should be submitted by persons with the appropriate authority to report compliance on behalf of their competent authorities.

Notifications will be published on the EBA website, in line with Article 16(3) of the EBA Regulation.

## Title I – Subject matter, scope and definitions

1. These guidelines seek to establish consistent, efficient and effective supervisory practices by harmonising templates and definitions, to facilitate the reporting of funding plans from credit institutions to competent authorities to ensure there is compliance with paragraphs 1–4 of Recommendation A of the ESRB Recommendations of 20 December 2012 on funding plans of credit institutions ('ESRB Recommendations' and 'ESRB Recommendation A').
2. These guidelines are addressed to competent authorities as defined in Article 4(2) of the EBA Regulation and to institutions that report funding plans to their competent authorities, in accordance with the national implementation framework of ESRB Recommendation 2012/2 on the funding of credit institutions.

## Title II – Requirements for reporting of funding plans

3. Competent authorities should ensure that institutions report their funding plans in accordance with the harmonised templates and definitions referred to in the funding plan template attached (Annex I) to these guidelines.
4. Competent authorities should ensure that institutions shall submit the Funding Plan Template at least annually, reflecting relevant figures as at reference dates and by the submission dates described in paragraph 8.
5. Competent authorities should determine the appropriate level of consolidation for the reporting of the funding plans having regard to the following considerations:
  - Adequacy of information: competent authorities should ensure that the information collected enables them to form a clear view on the funding of their national banking system and on the potential impact of the funding plans, when executed, on the supply of credit to their national real economy and should decide on whether to collect additional information that is mostly related to the funding of other (particularly non-EU) national banking systems.
  - Proportionality: competent authorities should ensure that the institution's resources are taken into account for the determination of the level of consolidation for the application of the Funding Plan Template. Competent authorities should pay particular attention to the existence of liquidity sub-groups in order to determine the appropriate level of consolidation for liquidity purposes.

6. Competent authorities should also provide the EBA with full transparency on the level of consolidation and explanation of choices to facilitate the EBA's aggregation of the data for EU-wide purposes.

## Title III- Final Provisions and Implementation

7. Competent authorities should ensure that institutions comply effectively with the guidelines to facilitate the reporting of funding plans for the year 2014 and thereafter in accordance with these guidelines.
8. For the year 2014 and 2015, competent authorities should ensure that institutions report their funding plans with a reference date no later than 30 June 2015, by 30 September 2015, and the plans are submitted<sup>3</sup> to the EBA by 15 November 2015. For subsequent years, the competent authorities should ensure that institutions report their funding plans in accordance with these guidelines by 31 March with a reference date of 31 December of the previous year, and the plans are submitted to the EBA by 30 April of each year.

---

<sup>3</sup> Competent authorities will be required to submit data to the EBA following a DPM and an XBRL taxonomy that will be published by the EBA.

## Annex 1 – Templates and definitions

The information collection is structured across multiple templates which require projections of selected balance-sheet items, focusing on loans, deposits and wholesale funding.

### Key features

| Tables   | Explanation  |
|--|--|
| <p>SECTION 1 – BALANCE SHEET</p> <p>Table 1A – Assets</p> <p>Table B – Liabilities</p> <p>Table C – Forecast of liquidity ratios</p>   | <p>GOAL: To obtain a general overview of planned balance-sheet developments</p> <ul style="list-style-type: none"> <li>• Projection of the stock position of high-level balance-sheet asset and liability items forward for 3 years</li> <li>• Projection of the liquidity coverage ratio (LCR) over a 1-year horizon and net stable funding ratio (NSFR) <sup>(4)</sup> over a 3-year time horizon</li> <li>• The balance sheet should include data included in Tables 2D1 and 2D2</li> </ul>   |
| <p>SECTION 2 – FUNDING RELIANCES</p> <p>Table 2A –: Specific funding reliances</p> <p>Table 2A1 – Insured and uninsured deposits and uninsured deposit-like financial instruments</p> <p>Table 2A2 – Public sector sources of funding</p> <p>Table 2A3 – Innovative funding structures</p> <p>Table 2B – Pricing</p> <p>Table 2B1 – Pricing: loan assets</p> <p>Table 2B2 – Pricing: deposit liabilities</p> | <p>GOAL: To identify and assess (changes in) specific funding reliances</p> <ul style="list-style-type: none"> <li>• Projection of deposits covered by a deposit guarantee scheme as under Directive No 94/19/EC or an equivalent deposit guarantee scheme in a third country and those which are uninsured</li> <li>• Projection of other deposit-like financial instruments that are sold to retail customers</li> <li>• Projection of sources of funding that are either directly or indirectly provided by the public sector. This includes medium- and long-term repo financing programmes, credit guarantee funding programmes and credit guarantee real economy support programmes</li> <li>• Projection of debt or debt-like innovative funding structures, including innovative deposit-like instruments</li> </ul> <p>GOAL: To assess the feasibility of the planned funding from a price perspective</p> <ul style="list-style-type: none"> <li>• Projection of high-level yields on assets, with a 1-year horizon. Firms should report the all-in yield received/paid and should not report a spread.</li> <li>• Projection of high-level costs of funding, with a 1-year horizon</li> </ul> |

<sup>(4)</sup> This also applies to the period where LCR and NSFR have not yet been fully introduced as binding minimum requirements, but where the data required is available via (monitoring) reporting.

|  |   |
|--|---|
| <p>Table 2C – Structural currency mismatches</p> <p>Table 2C1 – First-largest material currency</p> <p>Table 2C2 – Second-largest material currency</p> <p>Table 2C3 – Third-largest material currency</p>   | <p>GOAL: To identify and assess (changes in) funding mismatches in specific currencies</p> <ul style="list-style-type: none"> <li>• Projection of specific elements of Table 1 split into the largest material currency</li> <li>• Projection of specific elements of Table 1 split into the second-largest material currency</li> <li>• Projection of specific elements of Table 1 split into the third-largest material currency</li> </ul>                     |
| <p>Table 2D – Asset and liabilities restructuring plans</p> <p>Table 2D1 – Loan assets acquisitions, Run-Offs, and Disposals Plans</p> <p>Table 2D2 – Deposit liabilities acquisition and disposal plans</p> | <p>GOAL: To assess the feasibility of the funding plans when a firm is faced with significant restructuring (including acquisitions) of its balance sheet</p> <ul style="list-style-type: none"> <li>• Projection of assets a firm intends to either acquire/dispose of and/or that have been identified for run-off</li> <li>• Projection of liabilities a firm intends to either acquire or dispose of, and/or that have been identified for run-off</li> </ul> |
| <p>SECTION 3 – PERIMETER</p> <p>List 3</p>   | <p>GOAL: To obtain a precise description of the entities that are in the consolidation perimeter for this funding plan to avoid gaps or double-counting</p> <ul style="list-style-type: none"> <li>• List of unique Legal Entity Identifiers of credit institutions and other relevant entities included in this funding plan</li> </ul>  |

**PLEASE REFER TO Annex I (Templates - GL on FPT) FOR THE EXCEL TEMPLATE WITH COMMON DATA DEFINITIONS.**

## 4. Accompanying documents<sup>5</sup>

---

### Cost-benefit analysis / impact assessment

#### 4.1 Introduction

Article 16(2) of the EBA Regulation provides that, where appropriate, the EBA should analyse ‘the related potential costs and benefits’ of guidelines drawn up by the EBA. This analysis follows in the form of an impact assessment (IA) with an overview of the findings regarding the problem to be dealt with, the solutions proposed and the potential impact of these options.

This IA reviews the proposed harmonised templates and definitions drawn up pursuant to Recommendation A4 of ESRB/2012/2, which states that ‘the EBA is recommended to develop guidelines on harmonised templates and definitions, in accordance to its established consultation practices, to facilitate the reporting of funding plans for the recommendations contained in paragraphs 1 to 3 [of Recommendation A] above’.

The EBA will also consult on the guidelines as per the ESRB Recommendation.

#### 4.2 Problem definition

The EBA aims for the maximum possible harmonisation as a means to (a) reach a level playing field; (b) prevent regulatory arbitrage opportunities; (c) enhance supervisory convergence; and (d) achieve legal clarity. In addition, the development of common procedures and practices is expected to reduce the compliance burden on the credit institutions and contribute to efficient and effective cooperation among competent authorities.

In general, funding stress events are severe, low frequency and highly unpredictable, and can have material adverse consequences on financial and economic stability. The currently planned regulatory reporting is, in its vast majority, backward or point-in-time orientated (e.g. LCR, contractual maturity ladder) and does not contain forward-looking information beyond one year ahead that a funding plan would need to include, namely projection of planned assets of a bank, with the matching funding to cover these assets. Therefore, the currently planned reports do not provide the competent authorities with sufficient, timely and comparable information to judge accurately the soundness of the funding profiles of the institutions they supervise, nor to evaluate the overall funding state of the system from a macro-prudential perspective.

---

<sup>5</sup> This section contains the impact assessment and the DPM.



The proposed funding plan template differs from the LCR and NSFR because it addresses different questions and applies to a different horizon. The LCR and NSFR have a horizon of 30 days and 1 year, and are based on the current balance sheet. By contrast, a funding plan requires projections of assets, liabilities and/or flows for a horizon longer than a year. The proposal is that the projections predominantly look 3 years ahead.

Additionally, ad hoc plans from Troika projects in programme countries, or recovery and resolution plans may be ill-suited for generalisation as templates. By nature, they address a specific situation, are of a greater depth and consequently impose a greater burden on the institutions reporting under these templates compared with the proposed template in these guidelines.

Across the EU, competent authorities use different templates to monitor the funding profiles of credit institutions, if they do so at all. In its IA of the CRD IV framework, the European Commission highlighted that the fragmentation of supervisory reporting practices hinders effective communication and cooperation between competent authorities, putting financial stability and depositor protection at risk, particularly in stressed circumstances, when coordination between competent authorities is necessary. Moreover, it imposes additional reporting costs on cross-border institutions, because of the different sets of requirements that apply at consolidated and solo levels.

Finally, the fact that competent authorities do not use a standard template within their jurisdiction makes it difficult to aggregate, including for the purpose of national-level and EU-wide assessment.

To address these issues, the Commission mandated the EBA to harmonise reporting practices for liquidity coverage and stable funding, and the ESRB specifically recommended that the EBA develop harmonised templates for the reporting of funding plans. Through the proposed funding plan template, the EBA aims to provide a tool to facilitate the supervisory dialogue, based on common definitions. This tool will also allow system-wide analysis of the feasibility of the funding plans.

### 4.3 Level of implementation

The guidelines are issued and implemented on a 'comply or explain' basis. Without these guidelines, there is no unified system of regulatory reporting for credit institutions' funding plans, despite the fact that most supervisors are engaging in the review and monitoring of funding plans, particularly as this is an important part of the SREP with respect to the assessment of liquidity and funding risks.

The templates are aimed at assessing the funding plans of those institutions that provide credit to the real economy.

The principle of proportionality is implicitly included in these guidelines, as it was addressed by the ESRB Recommendation under Part V.1.3.2 (g), (i) and (n), and the principles mentioned above in Annex 1, paragraph 14. As a result, funding plans will be submitted by the larger credit institutions in each Member State; through the use of the 75% threshold condition detailed above.

## 4.4 Objectives

### 4.4.1 General objectives

The general objectives are ensuring there is international competitiveness in the EU banking sector (G-3)<sup>(6)</sup>, respecting the principle of proportionality, and seeking convergence of the banking system within the EU.

### 4.4.2 Problem drivers

There is no standardised reporting for the required information in the EU, and therefore any attempt to satisfy Recommendation A at a national level is prone to (consistency) problems.

### 4.4.3 Operational objectives/specific objectives

The operational objective is to develop harmonised templates and definitions to facilitate the reporting of funding plans to:

- to promote good supervisory practice and improved communication in Colleges;
- to intensify the assessment of the funding risk incurred by the credit institutions, as well as their funding risk management, within the broader balance-sheet structure and in particular:
  - ▶ to assess the funding plans provided by credit institutions and their feasibility for each national banking system, on an aggregated basis, taking into account the business model and risk appetite of each institution;
  - ▶ to monitor the development of funding structures to identify innovative instruments, request information on these instruments and analyse the information obtained to understand how risks may shift within the financial system;
  - ▶ to monitor the level, change in and behaviour of uninsured deposit-like financial instruments, which are sold to retail customers, and their potentially negative effects on traditional deposits (Recommendation A.1);

---

<sup>(6)</sup> For more information refer to p.17 of the 'Commission staff working paper – impact assessment accompanying the document Regulation of the European Parliament and the Council Regulation on prudential requirements for the credit institutions and investment firms'.

([http://ec.europa.eu/internal\\_market/bank/docs/regcapital/CRD4\\_reform/IA\\_regulation\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/IA_regulation_en.pdf)).

- to monitor credit institutions' plans to reduce reliance on public sector funding sources and assess the viability of these plans for each national banking system, on an aggregated basis (Recommendation A.2);
- to assess the impact of credit institutions' funding plans on the flow of credit to the real economy (Recommendation A.3);
- to enhance supervisory cooperation and convergence.

#### 4.4.4 Technical options proposed

The funding plan reporting is split into two templates and organised so as to provide a balance-sheet overview and macro-prudential information (Section 1), complemented by additional information (Section 2: Funding reliance, pricing and currency mismatches).

The definitional basis was thoroughly considered. The starting point was that existing definitions should be used wherever possible to limit the additional reporting burden. The two main alternatives considered for the definitional basis were FINREP and, in particular, the contractual maturity ladder (part of COREP) (Consultation Paper on draft Implementing Technical Standards on additional liquidity monitoring metrics under Article 403(2) of the draft CRR).

The main advantage of FINREP is that it is potentially easier for credit institutions to project, because when constructing funding plans a balance-sheet approach is used, and therefore stocks are considered under a financial accounting concept. At the same time, a purely FINREP-based approach would create problems because the perimeter of consolidation for FINREP is defined by the CRR, which may not be the most appropriate for funding plans, as subgroups may be self-funded and not relevant for European firms.

The approach followed here is based on a balance-sheet projection. There was discussion by the EBA Working Group on the suitability of other approaches (e.g. templates that would be essentially projections of additional monitoring metrics (AMM) reports). During this time, a 'behavioural maturity ladder'<sup>7</sup> was also being considered as a basis. This approach was not followed for the following reasons.

- The AMM were designed as a predominantly backward-looking set of information, while articulation of funding plans necessitates a forward-looking view.
- The granularity of pricing is different, as in the AMM pricing can be assessed historically, and forward projection of the data items would be both onerous and practically impossible to quantify.
- The contractual maturity ladder is produced at the liquidity sub-group level, which for some firms may indeed be a natural unit for liquidity assessment, and indeed is the most granular unit in the presence of a waiver. This can be used as a unit for balance sheet projection.
- There has been a strong push from EBA substructures to strive for parsimony and minimise the reporting burden, while maintaining fitness-for-purpose. AMM projections would be too data

---

<sup>7</sup> The behavioural maturity ladder made certain behavioural assumptions (e.g. rate of renewal of term deposits) to project the current funding structure.

intensive, and additionally they could confuse those required to fill in the templates, as the practice has predominantly been balance-sheet-based.

Finally, an approach based on FINREP definitions for instruments and balance-sheet projections was chosen as it aligns more closely with existing data definitions and banks' internal practices.

Different time horizons for the forward-looking perspective have been discussed. The following options were considered:

- 1-year horizon;
- 3-year horizon;
- 5-year horizon;
- 10-year horizon.

The consensus was that it would be too difficult to estimate 5- to 10-year projections, as they extend beyond the economic cycle, and it would be extremely difficult for credit institutions to project accurately. Moreover, experience has shown that far-reaching projections for a funding plan are affected not only by the uncertain economic environment, but also by a potential change in the credit institution's management strategy. Since it is rather unrealistic to assume that the management of the credit institution (or its strategy) will remain the same for the following 5 to 10 years, the option of a 5 to 10-year horizon was rejected. On the other hand, the 1-year horizon would be too short to serve the micro and macro-prudential perspective. Based on experience, 3 years appears to be the best option. It both keeps the template manageable and to an appropriate size, minimising costs of completion, while providing enough information to indicate the direction a credit institution intends to follow (e.g. which asset classes it is targeting, etc.). Moreover, it is in line with the responses to the Consultation Paper on draft Implementing Technical Standards on additional liquidity monitoring metrics under Article 403(2) of the draft CRR, where the respondents recommended that the forward-looking horizon should not exceed 3 years.

To understand whether the funding plan is feasible, a section on pricing (in Table 2B) was introduced. Prices are an important part of SREP and represent a way for supervisors to obtain the credit institution's view on the costs of funding, which underlie the funding plan, and use this information to assess the plan's feasibility in relation to the institution's business model. The current and projected costs of funding provide insights on the health of the plan and its feasibility, particularly if market conditions develop unfavourably. The EBA appreciates that aggregation of this pricing information is likely to be difficult; to provide a basis for supervisor-firm conversation, a qualitative description has been included to qualify and provide narration for the quantitative data. Firms should have an internal document on price forecasts to explain the macro-economic factors affecting rates covered by the tables. Firms should also define any specific internal measures which will materially affect the pricing strategy within the business, (e.g. margin compression / widening exercises or a material increase of funding through competitive pricing).

Since funding markets in different currencies have the potential to behave differently, information on the main currencies an institution plans to target is necessary. In light of the need to keep the templates as simple as possible, a currency breakdown is not required in every section. Consequently, Table 2C identifies the currency mismatch between lending to households, corporate and financial institutions, and funding from households, corporates, financial institutions and debt securities. This table will be completed before the effect of FX forwards and cross-currency swaps (e.g. gross position). This will assist competent authorities and macro-prudential regulators in generating a view on the currency that credit institutions use to fund lending to the real economy (and identify potential concentration risks). A reporting credit institution only has to complete this if it has significant business (greater or equal to 5% of either assets or liabilities) in the foreign currency.

Moreover, to identify and monitor trends in uninsured deposit-like financial instruments, reliance on public sector funding and development of innovative instruments, specific items are asked for, targeting these specific issues (Table 2A). Firms should develop an internal document which clarifies the factors used (and disregarded) to aid the identification of innovative instruments. This document will be discussed with competent authorities as part of the SREP to ensure that a consistent approach is taken across each country.

For the macro-prudential mapping, the consensus view of ESRB ATC members was that the collection of information on real economy (monetary) figures should not be prioritised at the moment, and instead, the approach taken was that the accounting-based information should be collected, with the additional breakdown of the domesticity of the counterparties and impairments. In this way, a proxy for the data necessary for the assessment of the impact on the flow of credit to the economy can be created by national authorities, while keeping the additional reporting burden to a minimum.

## 4.5 Cost–benefit analysis

Under the proposed templates, supervisors will obtain the minimum dataset that allows them to meet the objectives stated previously.

By reusing definitions used in other regulatory returns, the proposed templates promote consistency and provide banks with leverage and/or allow them to harness existing infrastructure and management information systems, without conceptual re-alignments.

### 4.5.1 Benefits

The benefits arising from implementing the proposed funding plan templates are difficult to quantify in monetary terms. However, the EBA has identified a series of important qualitatively assessed benefits.

In the recent past, the EU witnessed a funding crisis with consequences that are still felt today, which underlined the importance of effective supervision. The templates proposed in these guidelines provide competent authorities with a standard set of information regarding the funding plans of a credit institution. This additional information should enable better and earlier assessments of the potential funding risks to be made, thereby improving the effectiveness of supervision.

The proposed templates allow the EBA, as well as competent authorities, to fulfil the ESRB Recommendation A. More specifically, the supervisors would have a tool to assess the funding plans of credit institutions and their feasibility on an aggregated basis; identify the development of innovative products; monitor the change in uninsured deposit-like financial instruments; monitor credit institutions' plans to reduce reliance on public sector funding sources; and assess the impact of credit institutions' funding plans on the flow of credit to the real economy.

The proposed templates and definitions provide both a framework for a structured dialogue between competent authorities and credit institutions and a tool that would enhance supervisors' ability to prevent another crisis stemming from the funding profiles of credit institutions. For example, with the data required in Section 2C, the competent authorities could have observed the impact that asset-backed securities were having in the global banking system before 2007.

Many competent authorities have reporting requirements in place that are related to the funding plans of the supervised institutions. Implementing the proposed templates would improve the level of harmonisation at EU level, which would lead to the better functioning of colleges when addressing the important issue of a bank's funding plan. This would also allow for a better comparability between institutions and an easier aggregation of data. Moreover, harmonisation at European level would reduce the compliance costs for cross-border institutions.

Finally, an important focal point of the proposed templates is represented by the aggregation of the funding plans at national and EU-wide level, with a positive impact on the financial stability of the national systems and of the Union.

Given the points above, the EBA considers the benefits of implementing the proposed funding plan templates as being **medium** for on-going supervision and **high** during bank crises. The ITS on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013 estimate that the impact on **credit institutions** from the implementation of the ITS implies is 'low', as the information should already be at their disposal. However, the impact on **competent authorities**, as estimated in the ITS, coincides with the impact estimated in the IA (low) and the impact of these guidelines is expected to be the same. However, the ITS do not estimate the benefits in monetary terms or in terms of level of magnitude.

#### 4.5.2 Costs

The information required in the proposed templates does not exist fully in current reporting; therefore, the additional reporting requirements will pose a burden on banks. However, providing the required information should not be too onerous, as the templates (a) use existing definitions

and therefore conceptual frameworks, (b) respect the proportionality principle and (c) request the absolute minimum of information to construct an adequate picture of a bank's funding plan. In addition, well-run credit institutions should already be participating in the funding planning process and are therefore likely to already have the required data in a broadly similar form.

The EBA acknowledges that **macro-prudential** information may potentially have a higher cost as it asks for breakdowns based on geography (domestic/non-domestic), which may not be immediately available to a credit institution.

The level of the impact on competent authorities estimated in the ITS on additional liquidity monitoring metrics coincides with the impact estimated in the IA (low).

The EBA estimates that overall costs are **low**.

## 4.6 Summary of the costs and benefits of the proposals

| Requirement   | Party affected        | Compliance costs  | Benefits  | Net impact                    |
|---|-----------------------|---|---|-------------------------------|
| <p><b>Section 1</b> (Balance-sheet overview)</p> <p><b>Section 2</b> (Financial reliances)</p> <p><b>Section 2 (continued)</b> (Structural currency mismatches)</p> | Credit institutions   | Low (some of the data required should already be in the accounting systems. Most of the definitions used are aligned with existing definitions). The proportionality principle also ensures there are lower costs for smaller institutions. | Low (funding plan reporting is currently done (if at all) in a heterogeneous way throughout the Union, based on domestic requirements. The harmonised reporting templates are expected to reduce the compliance costs for cross-border credit institutions; moreover, the credit institutions would be evaluated on the basis of uniform information, which would enhance supervisors' capacity to fairly assess their position within the peer group). | Positive (negligible) to zero |
|   | Competent authorities | Low (the order of magnitude of the cost impact also depends on the extent to which data submission and storage facilities already established can be used)  | Medium to high (improved effectiveness of supervision, financial stability, harmonisation and smoother functioning of the colleges)   | Positive (low)                |
| <b>Macro-prudential information</b>   | Credit institutions   | Low to medium   | Low (lower costs for cross-border institutions)   | Negative (negligible) to zero |
|   | Competent authorities | Low   | Medium to high (improved effectiveness of supervision, financial stability and harmonisation)   | Positive (low)                |



## 4.7 Conclusion

From the cost–benefit analysis it is apparent that the introduction of harmonised templates and definitions for funding plans will have a net positive impact, as the benefits are expected to be higher than the costs.

## Draft data point model

**PLEASE REFER TO *Draft Data Point Model accompanying doc to GL on FPT* FOR THE DPM FILE IN EXCEL FORMAT.**

## 5. Views of the Banking Stakeholder Group (BSG)

---

### **GENERAL COMMENTS**

The Consultation Paper on “*Draft guidelines on harmonised definitions and templates for funding plans of credit institutions under ESRB Recommendation 2012/02 A.4*” (consultation paper) is based on the recommendation of the European Systemic Risk Board (ESRB) published in April 2013. The ESRB recommends to collect data on the development of new financial products and structures (such as, for example, collateral swaps and synthetic ETFs), which in times of stress in the financial markets can lead to uncertainty among investors with regard to both the instruments and the institution. According to the ESRB, products which are “similar to deposits” but are not covered by deposit guarantee schemes can show particular volatility, as experienced during the financial crisis.

The introduction of a standardized reporting format might prove especially beneficial in the case of less stable economies where funding plans rely on assumptions of great variability. The approach to confine the new requirements to information which is not already reported to the supervisory authorities on the basis of existing requirements appears appropriate. National supervisory authorities already receive comprehensive information on the subject of “funding planning” and “active funding events”, which covers the information requirements with regard to the general (national) market: funding and liquidity situation and information requirements relating to the institution concerning funding, funding planning, market access and liquidity (in Germany for example, such information is provided to the Bundesbank in regular “liquidity-calls” with single banks). In addition, there is a regular exchange of up-to-date information on a monthly basis on funding events, prices, volumes, market access, market developments, terms and conditions strategy and further information. According to our observations, this information is intensively verified, evaluated and scrutinised by the supervisory authorities who, on the basis of these data, undertake an assessment of institutions’ funding, financing risks, the funding mix, the dependence on specific sources or markets, and the feasibility of funding strategies. The BSG therefore commends the use of existing definitions wherever possible so as to limit the additional reporting burden.

As a general remark, the provision of the information requested in the consultation paper contributes only limited added value with regard to the intended objective of better ability to assess the financing risks and structures of credit institutions. The information content of the proposed template is only marginally better than the information that is already communicated. There persists an element of inconsistency between the requirements outlined in the Consultation Paper and the desired outcome according to the ESRB specifications. In addition, the requirements could cause an extra burden for institutions that are not IFRS-based and might prove difficult to implement due to planning processes and limited data availability. Furthermore, the needs of specialized credit institutions are not sufficiently addressed in the Consultation Paper.

We are not certain whether the requirements outlined in the Consultation Paper give an impression of the dynamics of lending to the real economy, as would be desirable according to the specifications of the ESRB. In our view, the following points argue against this:

- (i) coverage of only 75% of the consolidated funding plans is achieved,
- (ii) the off-balance-sheet financing instruments of the real economy (e.g. leasing, factoring, recourse to the capital market, shadow banking, direct financing through insurance or funding substitutes), and
- (iii) the disregarding of the foreign influence (financing by foreign banks and borrowing from abroad).

By way of macro-prudential assessments based on funding planning and balance-sheet structure data, national supervisory authorities have the power to introduce further specific requirements which run counter to the harmonisation approach of the Consultation Paper. In the absence of harmonisation, the comparability of the data proves difficult. We consider this to be an inconsistency in the requirements of the consultation paper.

Furthermore, the reporting requirements envisaged in the Consultation Paper represent a major challenge for institutions which are not IFRS based and therefore also do not have to report any FINREP data. IFRS-based reporting would represent a considerable extra burden without generating even rudimentary control impetus for the institution.

As for specialised credit institutions such as federal- or state-owned promotional banks, the Consultation Paper does not take into account their particular features. Focusing on customer deposits and their pricing is not expedient for certain credit institutions, since these activities might not play a significant role in their funding. Furthermore, the information supplied by such institutions does not allow the supervisory authorities to derive any additional insights concerning the risk weighting of the banking sector on the macroeconomic stability of the respective home country.

Promotional banks, guaranteed by federal or state governments, act on the basis of fulfilling a mandate of public interest. In order to fulfil this purpose, they must not only provide a high degree of creditworthiness, but also high flexibility to react at short notice to the offer- and supply- sides of capital markets. Refinancing of state guaranteed banks is part of public sector refinancing, based on their business model. The combination of long-term planning and adjusting of funding activities to market needs, will result in a lack of synchronization between planned values reported and the actual data. For promotional banks owned by the central government, the banking supervisors are unable to derive any control impetus at all from the planning of the funding activities. Considering these facts, and that no control-relevant insights are obtainable from this exercise, even though considerable costs and pooling of resources are to be expected, the added value of including central government guaranteed institutions is questionable. Thus, they should be exempt from the suggested obligations.

Regarding the model of centralized funding structures (where institutions serve as refinancing banks for savings banks or cooperative banks) they act as “liquidity-providers” for the primary level and as a result receive indirect retail funding, even though the counterparty is technically a financial institution. This indirect retail funding should be assigned to the category “households/residents”. In order not to obtain any erroneous reporting results, a corresponding adaptation would be necessary - possibly through the introduction of comments.

As in the case of other EBA Consultation Papers, the technical and organizational efforts needed for banks to fulfil the requirements outlined in the Consultation Paper are not negligible, and in some cases may be substantial. As a result, we recommend that the template request should be proportional for covering the original ESRB intention.

## **SPECIFIC COMMENTS**

### **a) Funding planning (EXCEL-SHEET)**

On the basis of the planned balance sheets, the supervisory authorities are to respond to the questions of feasibility, the funding match between assets and liabilities and, where appropriate, specific or systemic inconsistencies. The assumption that the information on the planned balance sheets is readily available is incorrect. On the contrary, considerable implementation effort would be required to transfer the present planning logic and the databases into the proposed format. Moreover, we have considerable doubts as to whether it will be possible to carry out a meaningful assessment of the questions on the aggregated presentation of the planned balance sheet.

### **b) Level of consolidation**

The definition of the level of consolidation is unclear in the present Consultation Paper. On the one hand, reference is made to the use of the definition according to the ITS (page 7), but on the other hand the supervisory authorities are being given scope for interpretation. In our opinion, the inclusion of cross-border consolidated data reduces the information value of the current data requirements (intra-group funding and cross-border intra-group funding are not considered; foreign funding is included without further specification).

### **c) Implementation burden**

We do not agree with the assessment stated in the Consultation Paper that the implementation of the data requirements entails only a low level of effort and expenditure. On the contrary, considerable investments would have to be made in the conversion of the planning logic (see point a) and the development of suitable databases.

### **d) Pricing**

In our opinion, the information on the pricing of assets and liabilities involves a great deal of effort. In particular, the average inventory prices for assets and liabilities allow no reliable pronouncements to be made on the sensitivities in the event of an increase in refinancing costs, since this information is highly compressed and only part inquiries are involved (e.g. derivatives are missing, WP portfolio, equity assessment). Furthermore, no consideration is given to the drivers of change in the average inventory prices: e.g. possibilities to pass on increased refinancing costs, the dynamics of building up and reducing inventories, specific or systemic spread widening, etc. We see a risk here that incorrect conclusions will be drawn from this (rudimentary) information (including, for example, by extrapolation). In our opinion, this subject is already covered better by queries on the income statement stress tests and should therefore be deleted from the requirements of the Consultation Paper.

Due to these difficulties, there are some comparability issues as to whether all the information provided by banks will be comparable.

#### e) Timetable

In the consultation paper, it is not clearly stipulated when the first reporting date applies. The first binding application of the reporting requirements should be no earlier than in 2016.

The delivery deadlines to report the data at the balance sheet date of 28 February each year are too tight, especially since the balance sheet is usually drawn up only at a later point in time, e.g. 15 March each year. Probably 30 April is a more realistic deadline for deliverables.

#### f) Reporting timeframe

A two-month reporting timeframe is too short when banks might only finalize their year-end results at the end of February. In addition, some banks undertake their forecasting in the mid-year and not with January as starting point. As a result, the forecast might have a six months lag or longer. For other banks, the funding plan process is normally performed during the 4<sup>th</sup> quarter of the year using data as of end September.

Final accounting figures are in general not available at the end of February. As a result, EBA should give more flexibility and try to bear in mind banks' internal processes.

#### g) Forecasting

It is quite awkward to have to look forward for three years. Even for one year is almost impossible to forecast prices as it depends on developments in the market environment, business development, competition, customer behaviour, and measures taken by regulators and supervisors which are even more difficult to predict. As such, it might be more realistic to provide qualitative assessment of expected market direction rather than quantitative information.

Finally, there is a risk that funding plan and forecast pricing data might become treated as fact by markets. Therefore, it would be desirable to limit the reporting of funding plans to supervisors and to avoid any form of public disclosure of these plans. In any case, we would stress the need to limit the quantitative information to be provided.

#### h) Scope of application

Though reporting is by most European banks thought to be on a consolidated level, national regulators on their own discretion may ask for a plan at the legal entity level. We strongly recommend that funding plan reporting should only be required on a consolidated level with flexibility left for banks to opt for funding plan reporting at Euro individual level.

#### f) Questions:

##### **Q01. Are the proposed templates feasible in terms of completion?**

No comments.

##### **Q02. Are the reporting templates and instructions sufficiently clear? Should some parts be clarified? Should some rows/columns be added or deleted?**

#### Concerning Tables 1A and 1B:

For certain securities issues, especially on the sale of bearer bonds and commercial papers, the marketing is usually undertaken with the involvement of a syndicate or a dealer group. As a result, it is not possible to identify the actual end customer, i.e. he cannot be assigned exclusively to a customer segment. The possibility to make comments should be introduced for clarification.

Separate planning of derivatives is not usual. Rather, the assets-side business and its refinancing are planned and it is determined on this basis which derivatives are to hedge it. Furthermore, derivatives are recorded in the accounts on the basis of market value. Inferences from planned derivative volumes are not possible on the basis of balance-sheet dates, since most derivatives show a carrying amount on the balance sheet at the conclusion of the transaction of zero or nearly zero. Rows 070 and 380 (derivatives) should therefore be included in rows 080 and 400 (other assets, other liabilities). Furthermore, derivatives are also needed for the retail transactions which are hedged with regard to market risk and to this extent are transitory items. These customer-induced transactions are not subject to balance-sheet planning.

In addition to this, there are other potential changes to the templates such as:

- In section 1 1A Assets, the item “other assets” should be split into high-quality liquid assets, other investment bond positions and other assets. The current setup in the template would not allow supervisors to adequately assess the position of banks.
- In table 1B central bank funding should be reported as a separated item

#### Concerning Table 1C:

The background to the request for the actual and planned values of the NSFR and LCR ratios is not transparent, since:

- The LCR becomes partially mandatory only from 2015 and the NFSR from 2018.
- The LCR relates to a regulatory period of 30 days. Planning of this ratio for a period of up to 3 years does not seem appropriate.
- The ratios requested here are linked to reference dates, but have to be complied with on an ongoing basis, which calls into question the relevance of the time horizon provided for here.
- These ratios are each determined and reported separately.

Concerning Table 2A1: We understood the table to mean that only deposits of retail customers are to be recorded. Row 030 should be clarified accordingly, since here the specification of the group of customers is lacking.

#### Concerning Tables 2B1 and 2B2:

We interpret the requested basis points for capital market products and loan assets as net margin contribution by customers (margin above/below the swap rate) and for deposit liabilities as the spread above/below the swap rate. In the environment close to the money market, we refer to absolute spreads/coupons respectively above/below Eonia.

“Innovative unsecured funding instruments / uninsured deposit-like instruments sold to retail customers” should be defined more clearly. What do these categories cover?

#### Concerning Table 2C

- Guidance on how to treat FX forward and XCS swaps. How is the supervisor to assess the mismatches without having any maturity information in the template?
- Does row 220 include derivatives, cash and FX?
- No separate disclosure of public sector funding?
- Rows 206 and 270 should be reported as per original or remaining maturity

#### Concerning Table 2D

- Are assets and liabilities in this section supposed to be included in template 1A and 1B? Are they reported separately in section 2D additionally?
- What is meant by asset/liability acquisitions?

#### Other comments

- Funding plans may be done mostly based on managerial data rather than accounting information
- Multi-year plans may not be undertaken annually in most banks: an annual funding plan with a one-year horizon will be the standard.

**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?**

See comments under question 2 on 2B1 and 2B2.

**Q04. Do you agree that information on currency breakdown (Section 2C) will provide effective insight into possible currency mismatches? If so, will such information be easily available, and can it be reliably projected by credit institutions to the required horizon?**

No: amongst other things, the effect of gap-reducing derivatives is not considered. It would be better if, in addition to the underlying transactions, corresponding derivatives for foreign currency control were also considered. It should be sufficient for the data to be indicated in the corresponding foreign currency otherwise the data collection will be duplicated.

Furthermore, it should be borne in mind that the gathering of information is burdensome and a projection is difficult. Not all institutions have firm funding planning in individual foreign currencies. The structure of such planning would represent a disproportionate effort and would not comply with the principle of proportionality.

**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.**

Materiality thresholds: The supervisory authorities should request the data from the credit institutions with combined assets accounting for at least 75% of the banking system. The data are collected in EUR million. Not all institutions which have to prepare relevant data on account of their balance-sheet total operate in all areas considered in the individual sections of the templates to an extent which would have a significant impact on the overall economy. Materiality thresholds should therefore be introduced for individual sections for which this is appropriate.



Such materiality thresholds could for example be EUR 1 billion or a percentage of the balance-sheet total.

Scope of consolidation: In the opinion of the EBA, the relevant supervisor should assess which scope of consolidation it considers appropriate for the collection of the plan data. The size of the scope of consolidation for which the plan data are to be collected should correspond to the scope that is used as a basis in the planning process of the bank. A departure from this may represent a considerable burden for the reporting institutions and distort the information value of the plan data. The credit institution itself may propose which scope of consolidation provides the greatest informative value.

**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.**

No comments.

**Q07. Will firms subject to this template be able to report the data by 28 February for a reporting date of 31 December previous? Should the EBA explore other options, such as a split submission date (different deadlines for different parts of the template)?**

The guideline provides that banks draw up their three-yearly planning of their lending business and its financing on 31 December of the previous year and submit this to the ECB on 28 February of the current year. Banks usually draw up planning in the second half of the current year for the following three years from the start of the following year and thereby focus on an up-to-date reference date (e.g. 30 June). For example, the planning for the years 2015 to 2017 takes place in autumn 2014 and is adopted before the end of the year so that the plan values are established before the start of 2015. Under this process, first of all the planning of the lending business takes place, which in addition to the traditional credit business also includes all other activities of the bank. The refinancing planning is then reconciled with the planning of the lending business. The conversion of the planning process to the timetable required in the guideline is cumbersome. On the one hand, the banks would not have the relevant plan data available in time. On the other hand, the necessary figures from the annual accounts would in general be available only in March, so carrying out the complex planning process by the end of February would not be possible. Since the planning process covers not only the lending business and its refinancing, isolated reprogramming in accordance with the deadlines provided for in the guideline would be neither feasible nor of informative value. In our opinion, the customary planning process of banks, which is adopted towards the end of a year for the coming three years, should therefore serve as a basis. Since the planning periods are geared to annual and not six-monthly planning, it is to be assumed that the data supplied by 30 June each year will not be of informative value. We therefore recommend foregoing this interim deadline. We consider a split deadline not to be helpful.

**Submitted on behalf of the Banking Stakeholder Group**

**David T Llewellyn**  
**Chair,**  
**20<sup>th</sup> March, 2014**

## 6. Feedback on the public consultation

---

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for 3 months and ended on 20 March 2014. 14 responses were received, of which 11 were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments, and the actions taken to address them if deemed necessary.

In many cases several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In these cases, the comments and EBA analysis are included in the section of this paper where the EBA considers them most appropriate.

Changes to the guidelines have been incorporated as a result of the responses received during the public consultation.

### Summary of key issues and the EBA's response

Respondents to the consultation identified the following areas of concern.

- **Plans vs. Actuals:** there was worry that institutions would be measured by competent authorities against the most recent plan. There was also concern that a projection of funding is especially dependent on a number of volatile factors. The EBA recognises these concerns, and appreciates performance may deviate against the plans. At the same time it is important that plans exist and that they are used as a basis for structured discussions with authorities.
- There were concerns about time: frequency, end date horizon length, reference date and dates of submission. The responses are shown in detail below.
- Other responses asked specific questions for clarification concerning aspects of the methodology including the scope, coverage and consolidation. These were addressed by clarifying the definitions, and amending the wording or structure of the template and amending the accompanying text in the final guidelines or the impact assessment.

## Summary of responses to the consultation and the EBA’s analysis

| Comments                | Summary of responses received  | EBA analysis   | Amendments to the proposals                                   |
|-------------------------|--|--|---|
| <b>General comments</b> |  |  |   |
| Plan vs. actuals        | Respondents were concerned that they will be held to the plans and questioned when differences in actuals occur.                           | <p>The EBA does not consider the plans to be set in stone, especially in an area where the environment is as fast-moving as liquidity.</p> <p>The EBA considers that the plans will serve as a basis for supervisors and firms to hold structured discussions about firm strategy and identify and address any emergent systemic effects from concurrent actions, and does not envisage that there should be significant effort devoted to explain differences from actual, outside the normal supervisory dialogue.</p> | This was stated in the CP, and will be reiterated explicitly. |
| Plan vs. actuals        | Pricing is extremely volatile so quantitative information is almost certainly going to be inaccurate.                                      | <p>The EBA realises aggregating pricing information accurately is likely to be impossible.</p> <p>Nevertheless, as a starting point for a supervisor-firm conversation, this analysis would be helpful. A box has been provided to include qualitative information on pricing strategy.</p>  | Include a comment box for narrative.                          |
| Plan vs. actuals        | Breakdown by currency: volatility of FX may change the plans and a 3-year forecast is subject to so much uncertainty as to be meaningless. | <p>Whilst the EBA understand that forecasting may be difficult, we would only ever look for the best estimates a firm can provide. The EBA understands that market drivers may cause a firm to deviate from plan, but we ask that a firm considers the most likely scenario over the 3-year time horizon when creating this section. Additionally, assets in a foreign currency may not exhibit a similar volatility and will still need to be funded.</p>   |   |

| Comments        | Summary of responses received  | EBA analysis   | Amendments to the proposals  |
|-----------------|--|--|--|
| Planning        | There were queries regarding the scenario on which the planning would be conducted.  | The EBA are keen to avoid the use of prescriptive macro-economic scenarios to avoid the possibility of misrepresenting a firm’s funding plan, as these scenarios may be different to a firm’s own assumptions. We also appreciate that firms may be subject to different corporate plans which will be part of the dialogue with competent authorities.  | Clarify that the firm should present its best estimate for the future and engage in supervisory dialog |
| Planning        | The appropriateness of a 3-year horizon was disputed by some respondents due to growing uncertainty with time.   | Whilst the EBA appreciate there are numerous drivers that can alter a funding plan, the provision of a 3-year plan will allow competent authorities to comprehend the balance-sheet growth of firms in the short-medium term, whilst clarifying where this growth comes from. The EBA then expect to aggregate data to provide a clearer interpretation of European systemic risks.  | No amendment   |
| Planning        | Respondents suggested that pricing data could be delayed until the Additional Monitoring Metrics commence (July 2015) to take advantage of consistencies in the reporting templates. One response asked to delay the completion of the entire funding plan template until the contents of liquidity reporting was coherent enough. | Whilst pricing data is completed in the AMM, this focuses on historic transactions as opposed to the predominantly forward looking scope for the funding plan template. The granularity of pricing data is also different across both returns. As such, the deadline for completion of the pricing data in the template would be maintained in line with the remainder of the document. The EBA has already deleted a ‘behavioural maturity ladder’ to ensure that data requests are minimised where feasible so that implementation is possible. This has been considered in more detail in the IA. | No amendment   |
| Data disclosure | Respondents questioned what intentions the EBA had on disclosure of the information submitted.   | The EBA will apply the same disclosure guidelines as those employed in the submission of COREP and FINREP returns. The EBA will not publish at individual bank level, nor will it do so at national level where there are few eligible banks. The data is intended for competent   | The EBA will provide examples of reports it intends to produce, and ask the ESRB about                 |

| Comments        | Summary of responses received  | EBA analysis  | Amendments to the proposals   |
|-----------------|--|---|---|
|                 |  | authorities (in a college setting), the EBA and the ESRB.   | intended disclosure   |
| Timing          | Respondents have commented that 28 February is too soon after the year end and the period leading up to it coincides with their year-end accounts preparation.                               | A balance needs to be arrived at, between feasibility and timely submission.  | Dates have been amended   |
| Reference dates | Some respondents highlighted that their year-end or planning-period milestones may differ significantly, leading to potentially out-of-date data to be submitted and inaccurate aggregation. | The EBA realises that plan sign-off may be completed at different times but maintains that a firm should endeavour to provide the most accurate funding plans agreed by the point of data submission. These plans should also have been subject to applicable internal governance procedures. Whilst we appreciate that this has the potential to impact the validity of the response, the EBA and competent authorities would gain more benefit from receiving the information on a consistent basis over a short period of time.      | No amendment  |
| Frequency       | Respondents comment that the guidelines currently state that the funding plan template would be completed 'at least annually', which could imply a higher frequency of collection.           | The EBA intends to collect funding projections on an annual basis. The EBA considers that collecting the templates more frequently would not be an appropriate response to institutions facing short-term funding or liquidity stress. This would not preclude a one-off exercise to update the templates, e.g. for systemic reasons when national or EU-wide funding conditions suddenly change. Any one-off exercises would be completed pending an assessment by competent authorities on the need to re-submit at a national level. | Add statement in Section 2 - Frequency  |
| Consolidation   | The scope of consolidation is unclear with the guidelines referencing both accounting and regulatory consolidation.  | The EBA will not prescribe a particular level of consolidation for firms although competent authorities may consider the use of sub-groups within the scope of consolidation. The scope of consolidation should follow  | Keep the principles mentioned in the CP and request a list of legal entities that |

| Comments           | Summary of responses received   | EBA analysis  | Amendments to the proposals  |
|--------------------|---|---|--|
|                    |   | the regulatory scope of consolidation with respect to the type of entities to be included or excluded (e.g. insurance entities within the group) for the purpose of the funding plan template.  | are included in the perimeter of consolidation, using unique LEIs. |
| Threshold coverage | Some respondents argued that 75% coverage is not large enough to capture the dynamics of lending to real economy.   | The 75% is a stipulation by the ESRB, carried over in the guidelines. The EBA believes that it is an appropriate balance between enough information and proportionality; going further would produce diminishing returns and involve a much larger sample of small banks. | No amendment   |
| Data definitions   | FINREP/COREP definitions are based on IFRS and adoption of these would cause an extra burden for institutions that have not adopted IFRS.   | We need to ensure there is consistency in data submissions, so we refer our reporting definitions to FINREP/COREP data definitions where possible.  | No amendment   |
| Scope of reporting | Some specialised credit institutions such as federal or state-owned promotional banks, or clearing houses may not be able to fill in part or all of the template  | It is for competent authorities to decide whether to exempt specific institutions which would otherwise be caught under the 75% threshold recommended by the ESRB.  | No amendment   |
| Scope of reporting | In Table 2A, clarification was sought on whether line item 070 includes pass-through promotional loans ('Förderkredite') and in particular whether there is a corresponding position on the asset side. | Line 070 does include pass-through promotional loans. On the asset side the corresponding position will be one of the positions under loans to households or corporates.  | No amendment   |
| Scope of reporting | The templates disregard the use of off-balance-sheet funding instruments such as factoring and leasing.   | The focus of this template is on the banking sector contribution to the real economy. These funding methods are unlikely to be used to assist in providing credit to the real economy, so more granular detail is not requested.  | No amendment   |

| Comments           | Summary of responses received  | EBA analysis  | Amendments to the proposals                             |
|--------------------|--|---|---|
| Scope of reporting | Firms asked whether Tables 2C1-2C3 include FX forwards and cross-currency swaps  | The tables should include assets and liabilities before the impact of FX forwards and cross-currency swaps. The EBA confirms that its intention is not to ascertain a complete structural currency gap. We mean only to understand the use of material currencies to fund the extension of credit.  | No amendment  |
| Segmentation       | The funding plans of banks may rely on different customer segmentations making the necessary split into household/non household, resident/non-resident very cumbersome and diverging from current practice in banks. Respondents suggest collapsing these dimensions and report aggregates.  | This defeats the point of the ESRB recommendation so these dimensions will be retained, as they are necessary to arrive at proxies of money flow into the real economy.   | No amendment  |
| Communication      | Some respondents believe more prominence should be given to the comment in the Consultation Paper stating ‘monitoring and assessment of funding plans ... is a complex process, which starts with a conversation with competent authorities’.  | This remains the position of the EBA.   | The EBA will re-emphasise this point in the guidelines. |
| Reporting need     | Some firms commented that there is no need for separate reporting or ad-hoc templates, as much of the requested data are included in a capital strategy plan/recovery plan/a possible extension of maturity ladder and/or LCR/NSFR templates.<br><br>One respondent commented that their competent authority is collecting funding plans, so no further need arises. | The data included in strategy or recovery plans are not subject to harmonised definitions, nor reported in harmonised templates, which makes aggregation impossible. The same argument also holds for existing processes of funding plan collection. Extending the AMM template would create a higher data need, and furthermore would not be consistent with the (balance-sheet) approach that most firms follow for their funding planning process. | No amendment  |

| Comments                            | Summary of responses received  | EBA analysis   | Amendments to the proposals   |
|-------------------------------------|--|--|---|
| Ratio projections                   | Respondents argued that it is impossible to project LCR/NSFR for 3-years, especially LCR which is a one-month-horizon measure. | The EBA recognises there are challenges concerning ratio projection, especially for LCR, and will shorten the data needs to 1 year.  | Shorten template data need to one year for LCR.   |
| Data definition                     | Question on data been requested using the original maturity period rather than residual  | Using residual maturity would not allow us to differentiate between long-term and short-term wholesale funding, as funding maturing in a week would appear in the same box regardless of its original designation as long-term or short-term debt. We need to differentiate between the two for clarification on the likely markets and counterparties being used.   | No amendment  |
| Operationalising the infrastructure | Question on whether an associated DPM will form part of the supervisory reporting DPM or a separate stand-alone model.         | The EBA will endeavour to provide a DPM / XBRL taxonomy. The supervisory reporting ITS are in effect European Law. The GL is a separate instrument from a legal point of view, and while its DPM and taxonomy will be published at the same time, they are distinct from the ITS ones. The associated DPM and taxonomy will be enacted by an EBA decision, but where possible will refer to the supervisory reporting DPM (e.g. by using FINREP/CORE definitions). | Include DPM as a supporting document. Enact via EBA decision after XBRL taxonomy publication. |



## Responses to questions in Consultation Paper EBA/CP/2013/47

|                           |   |  |   |
|---------------------------|---|--|---|
| Question 1 <sup>8</sup> . | Generally, responses indicated that the completion of the templates is feasible. Some respondents had requests for clarification or other points mentioned above, and pointed out that sufficient lead time is needed to prepare systems. | The EBA has taken on board clarification requests and will endeavour to provide an XBRL taxonomy that will aid the production of automated systems for reporting in July 2014. | First use date has been amended.  |
| Question 2. <sup>9</sup>  | Overall, responses indicated that reporting templates were clear, but clarification was sought on consolidation, innovative products and specific lines.  | The EBA has clarified the guidance on consolidation and has considered the template-specific requests.   | Amendments have been made to resolve ambiguity and accommodate comments where appropriate (e.g. shorten LCR forecast horizon to one year) |
| Question 3. <sup>10</sup> | Respondents were critical of the feasibility and accuracy of the pricing information sought.  | The EBA acknowledges the difficulties but maintains that the information is necessary to provide an overview of systemic expectations and directional moves.                   | A comment field has been included to provide narrative and detail.  |

<sup>8</sup> Q01. Are the proposed templates feasible in terms of completion?

<sup>9</sup> Q02. Are the reporting templates and instructions sufficiently clear? Should some parts be clarified? Should some rows/columns be added or deleted?

<sup>10</sup> 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?

## Responses to questions in Consultation Paper EBA/CP/2013/47

|                            |  |  |                                    |
|----------------------------|--|--|------------------------------------|
| Question 4 <sup>11</sup>   | Respondents were split; those that agreed were only keen to report for material currencies at a defined threshold; others disagreed and thought that derivatives used to hedge FX should be taken into account.                  | The EBA considers that material currency information (5% materiality threshold) is important in identifying possible funding gaps. The use of derivatives should be incorporated as part of the supervisory dialogue.                | 5% materiality threshold clarified |
| Question 5 <sup>12</sup> . | Two comments on minor re-rating. No further drivers of costs and benefits offered.   |  | No amendment                       |
| Question 6. <sup>13</sup>  | The only comments cautioned that the horizon will lead to data that cannot be relied upon, and that development of systems will be required, which will be challenging in view of the cumulative demands placed on institutions. | The EBA accepts that there is a burden and is willing to extend first use deadlines. As for data quality, the EBA considers that funding plans are liable to change and are the basis for discussions between banks and supervisors. | Dates have been amended.           |

<sup>11</sup> Q04. Do you agree that information on currency breakdown (Section 2C) will provide effective insight into possible currency mismatches? If so, will this information be easily available, and can it be reliably projected by credit institutions to the required horizon?

<sup>12</sup> 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.

<sup>13</sup> 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.

### Responses to questions in Consultation Paper EBA/CP/2013/47

---

Question 7<sup>14</sup>

Comments highlight that submission dates coincide with year-end results and ask for a later submission, e.g. by end-June.

The EBA recognises that there are implementation challenges but has to balance timeliness and relevance of data with the effort of collection. The EBA will also work towards automating the process, which should reduce the steady-state burden to a minimum.

Dates have been amended.

---

<sup>14</sup> Q07. Will firms subject to this template be able to report the data by 28 February for a reporting date of 31 December previous? Should the EBA explore other options, such as a split submission date (different deadlines for different parts of the template)?-

## 7. Confirmation of compliance with guidelines and recommendations

---

Date:

Member/EEA State:

Competent authority

Guidelines/recommendations:

Name:

Position:

Telephone number:

E-mail address:

I am authorised to confirm compliance with the guidelines/recommendations on behalf of my competent authority:  Yes

The competent authority complies or intends to comply with the guidelines and recommendations:  Yes  No  Partial compliance

My competent authority does not, and does not intend to, comply with the guidelines and recommendations for the following reasons<sup>15</sup>:

Details of the partial compliance and reasoning:

Please send this notification to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu)

16

---

<sup>15</sup> Where there is partial compliance, please include the extent of compliance and of non-compliance and provide the reasons for non-compliance for the corresponding subject-matter areas.

<sup>16</sup> Please note that other methods of communication of this confirmation of compliance, such as communication to a different e-mail address from the above, or by e-mail that does not contain the required form, shall not be accepted as valid.

