

Supervisory Statement | SS6/17

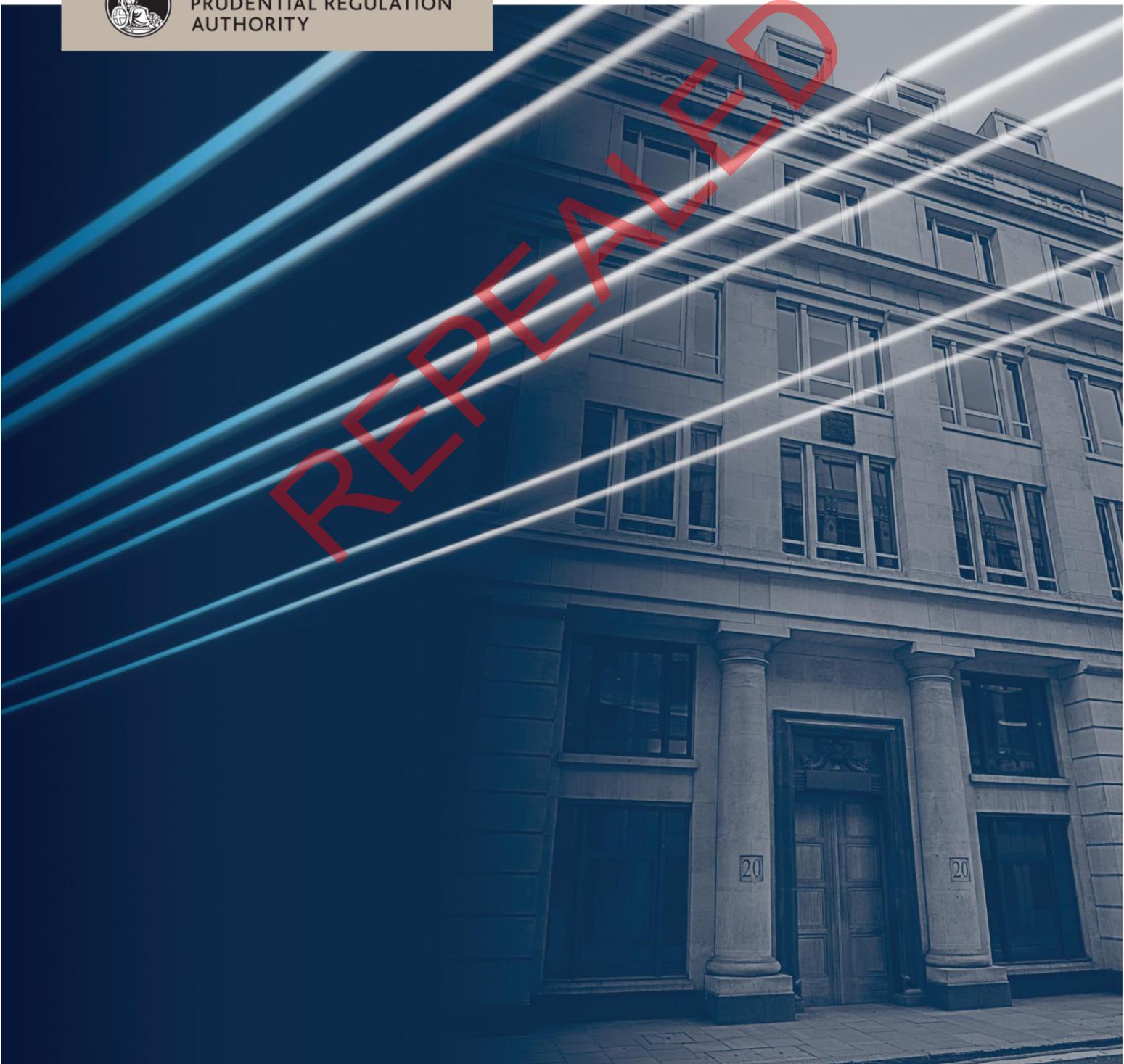
Compliance with the EBA's Guidelines on disclosure

September 2017



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

REPEALED



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This SS was repealed from 1 Jan 2022 and no longer applies.

See <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/compliance-with-the-ebas-guidelines-on-disclosure>

REPEALED

1 Introduction

1.1 In this supervisory statement (SS), the Prudential Regulation Authority (PRA) sets out a waiver for the requirement to disclose template 'EU CCR5-B – Composition of Collateral for exposures to CCR' (CCR5-B) in the European Banking Authority's (EBA's) Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (the EBA Guidelines).¹ It also sets out the PRA's expectations in respect of certain aspects of firms' compliance with the waiver.

1.2 The purpose of the SS is to help the PRA meet its primary objective of promoting the safety and soundness of firms. The ability of central banks to undertake liquidity assistance effectively, including the orderly disclosure of that assistance, is regarded as critical to financial stability. This SS seeks to reduce the risk that firms' compliance with the EBA Guidelines could enable the use, or non-use, of liquidity assistance to be deduced.

1.3 This SS is relevant to firms to which Part Eight of the Capital Requirements Regulation (CRR)² applies. Of these firms, it is directly relevant to firms within the scope of application of the full EBA Guidelines³ which is limited to global systemically important institutions (G-SIIs), other systemically important institutions (O-SIIs), and to any other institution opted into the EBA's Guidelines on the basis of a supervisory decision.

2 Waiver of disclosure of template CCR5-B of the EBA's Guidelines

2.1 Paragraph 122 of the EBA's Guidelines allows competent authorities to waive the requirement to disclose template CCR5-B if disclosure of this template 'would allow (now or in the future) for the recognition of liquidity assistance provided by central banks via collateral swaps'.

2.2 The PRA considers that such disclosure could have this result for some firms. The PRA therefore waives the requirement to disclose template CCR5-B for firms where the fair value of collateral received or the fair value of collateral posted in the form of debt securities (as reported by the firm in accordance with Article 100 of the CRR) has not exceeded £100 billion.

2.3 This waiver threshold is based on the twelve month rolling arithmetic mean of the fair value of collateral received or posted by the firm in the form of debt securities. The PRA expects firms to calculate this using quarterly data, covering the twelve months immediately preceding the disclosure reference date. The quarterly data used should be calculated in a manner that is consistent with the data reported in accordance with CRR Article 100.⁴

2.4 If a firm is satisfied it meets the threshold set out in paragraph 2.2, at the EBA's Guidelines disclosure reference date, it does not need to apply for the waiver.

1 The Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (published on 16 December 2016) are available at: www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-disclosure-requirements-under-part-eight-of-regulation-eu-

2 Regulation (EU) No 575/2013 (CRR).

3 The scope of application of the EBA Guidelines is defined in paragraphs 7 to 9 of the Guidelines. The 'Section D – Other information on CCR' disclosure requirements apply to EBA designated G-SIIs and O-SIIs. Other firms in scope of Part 8 of the CRR may voluntarily comply with all, or part of, the EBA Guidelines.

4 This is the information reported on debt securities under the Commission Implementing Regulation (EU) 2015/79 Annex XVI Templates F 32.01 and F 32.02.

3 Discretion in compliance with the EBA's Guidelines

3.1 When determining the extent of compliance with the EBA's Guidelines, firms have various discretions. These may include determining whether to apply all or part of the EBA's Guidelines as well as the granularity of disclosures made. The PRA expects firms to exercise these discretions in a manner that is consistent with the PRA's primary objective of promoting the safety and soundness of firms, by seeking to reduce the risk that the disclosure of CCR5-B reveals information about the use or non-use of liquidity assistance provided by the Bank of England.

Disclosure considerations

3.2 In determining whether to voluntarily disclose CCR5-B, as well as the level of granularity with which to present the template, the PRA expects firms to consider the policy intent set out in the following publications regarding the effectiveness of covert liquidity assistance, and the benefit associated with a disclosure lag:

- The European Systemic Risk Board (ESRB) Recommendation ESRB/2012/2 of 20 December 2012:¹ 'to ensure that the level and evolution of assets encumbered to central banks, as well as the amount of liquidity assistance given by central banks, cannot be detected'.
- Recommendation 23 of the Plenderleith report² that: 'to the extent possible the standard requirements for disclosure do not, in a crisis, counterproductively compromise the wider public interest in maintaining financial stability'.
- The Bank of England's Quarterly Bulletin, Vol. 54, No. 3³ that states: "In relation to liquidity support operations,... considerations of policy effectiveness and transparency have the potential to conflict with each other. But even here the conflict can be reconciled through time: for any given instance of liquidity support, the financial stability benefit of keeping that assistance covert is only temporary. With a sufficient lag, disclosure that a firm had received temporary liquidity support from the Bank should not undermine confidence in that firm or the financial system as a whole".
- The Bank of England's Sterling Monetary Framework Annual Report 2013–14⁴ which states that: "The Bank sought to reduce the financial stability risks posed by premature disclosure of Discount Window Facility drawings by extending its own disclosure lag and ensuring that firms have the capacity to turn over their liquid assets in repo markets regularly. The Bank continues to argue the case for ensuring that new national and international liquidity disclosure regimes do not increase that risk".

1 Recommendation of the European Systemic Risk Board of 20 December 2012 on funding of credit institutions (ESRB/2012/2) is available at: www.esrb.europa.eu/mppa/recommendations/html/index.en.html.

2 The Review of the Bank of England's Provision of Emergency Liquidity Assistance in 2008–09 report available at: www.bankofengland.co.uk/publications/Documents/news/2012/cr1plenderleith.pdf.

3 Bank of England Quarterly Bulletin, Vol. 54, No. 3, 'Changes to the Bank's weekly reporting regime', available at: www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q3.pdf.

4 The Sterling Monetary Framework Annual Report 2014–15 is available at: www.bankofengland.co.uk/markets/Documents/smf/annualreport15.pdf.