LIQUIDITY COVERAGE RATIO

I. We understand that the definition of liquid assets for the calculation of the liquidity ratio should be more in line with the criteria established by the European Central Bank in the operation of monetary policy. Liquid assets should consider those securities which, although not included in the policy, are immediately eligible for open market operations or for marginal credit facilities in the Bank of Spain or other central banks to which the institution has access:

   a) Debt issued by credit institutions. Reconsider the treatment of securities issued by credit institutions. Include senior debt in the definition of liquid assets applying, where necessary, more restrictive haircuts that include the hypothetical liquidity premium to which the assets would be subject in a critical scenario. The maturity period should be another factor to consider when assessing the liquidity of this type of security. For example, considering those securities maturing in less than one year, a period which does not need to be covered with long-term funds according to the requirements for a stable financing ratio.

   b) Securitisation bonds. As in the previous case, certain criteria need to be established when estimating the liquidity of these types of assets, which should not be entirely excluded.

   The criteria established in the document for the characteristics required of an asset with a good level of liquidity are in many cases difficult to measure and, in operational terms, would complicate and slow down the decision-making process. Adapting reporting processes would be costly. Consequently, it would be important to set criteria that are easy to observe and measure in the market.

   We therefore suggest that the current definition of liquid assets be revised to consider the requirements imposed by respective central banks.

II. Taking into consideration the implications of the stability of deposits for the calculation of cash outflows and the traditional activity of transformation of banking maturities, establishing clear and objective variables for all institutions is essential. Particular attention is required for the criteria for differentiating between stable retail deposits (7.5%) and less stable deposits (15%), as the definition in the document is somewhat ambiguous.

   The same percentage (run-off) should not be applied to demand deposits and term deposits, particularly to the less stable balances and even more so in the case of wholesale customers.

III. Setting a loss of three notches in the institution’s credit rating as the stress scenario is excessive considering that the period observed is 30 days. Such a drop in credit rating is not a realistic estimate and completely arbitrary.

IV. Establish a differentiation for deposits from wholesale customers to which a factor of 100% is applied. This category would include deposits from investment funds and securitisation funds. In the last instance, the institution would be required to pass on the cost of the penalty calculated in the liquidity ratio to customers. The proposed factor should be revised distinguishing, at least, between the source of funds or activity, as in this case, the custodianship which forms part of a vital and not speculative activity. In the case of securitisation funds, the treatment of the reserve fund, for example, would have to be considered.

V. The difference between liquidity and credit facilities is not clear.

VI. Discrepancies in the treatment of interbank lines of credit. A factor of 100% is applied to the balance available for financial institutions but inflows for lines of credit which the institution could have with other banks are not considered.

NET STABLE FUNDING RATIO

I. Stable financing does not include the institution’s capacity for long-term issues. The liquidity ratio requires institutions to maintain long-term funds to cover assets maturing in over one year, even when they have high credit ratings that enable them to issue mortgage bonds, for example. In this case, two options could be considered: adding the capacity for issue of those eligible assets in the portfolio to long-term financing or applying larger cuts for those assets with a long maturity based on their eligibility when calculating financing requirements.

II. We do not understand the need for long-term financing requirements for loans and receivables maturing in less than one year and, in any case, why such a high percentage (85%), as it is scarcely any different to that for assets with longer maturities.