A. Introduction

Deutsche Börse Group (DBG) is operating in the area of financial markets and operates along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments. Among others, two companies acting as (I)CSD[1] are classified as banks and are therefore within the scope of the Basel framework of the Basel Committee on Banking Supervision (BCBS) as implemented in national law based on the European Capital Requirements Directive (CRD). Furthermore, Eurex Clearing AG as the leading European Central Counterparty (CCP) is also affected by the CRD implicitly as within the current German law it is treated as a credit institution and therefore it is within the full scope of CRD. None of our group companies is a "Basel bank" and therefore the Basel framework is not directly governing our business. As the European and national regulations are based on the Basel framework, we nevertheless want to raise our support or concern to the proposals made not just to the European Commission but also directly to the Basel Committee.[2] Despite being in general within the scope of the "Basel II" rules, the business of the banks within DBG is quite different from that of most other banks. DBG companies are just acting in specific corners of the financial industry and the banking business and their customer basis is focused on other banks and financial institutions only.

In general, DBG and its legal entities are touched only by parts of the items sent out for consultation while other areas are not impacting the group. Overall, due to its specific functions as infrastructure providers and intermediaries within financial markets and the banking industry as a whole and taking into account the focused customer basis, some proposals are seen as a major threat to the business of our companies and in consequence to the financial industry as a whole. Based on the current proposals, we see the risk that the functioning of transparent financial markets might be impaired.

Our response to the two Basel Committee documents ("Strengthening the resilience of the banking sector" and "International framework for liquidity risk measurement, standards and monitoring") is therefore focussing on those items, which are relevant for our companies, while we have left out such items, which do not touch our businesses. Due to the complexity of the items in question, we might add further comments at a later stage or might adjust some of the proposals and comments made in this paper.

This paper consists of a management summary (part B), a section on key topics (part C) and detailed comments (part D).

[1] (International) Central Securities Depository

[2] For the sake of simplicity, we will nevertheless refer to Basel II also with respect to the European or national regulations which are relevant for us

B. Management summary of comments

DBG has carefully analysed the consultative documents made and is sharing the aim of the BCBS to a large extent.

We agree in principle on the fact, that the recent financial crises has shown, that due to the high interlinkage of banks the inter-bank relations need to be carefully monitored and cannot be taken as always available liquidity resource. Furthermore, we see the risk that certain businesses can lead to risky leverage effects which might be critical to the banks operating these businesses. Nevertheless, the special role of banks in the economy needs to be taken into account. A backstop system on the proposed leverage ratio that does not take into account the nature of the various types of business to a reasonable degree is increasing the liquidity risk, impairing certain areas of financial markets and is making the risk management including liquidity management extremely difficult to handle. Especially for those areas of the financial markets, which mainly comprises of inter-bank business such as clearing and settlement of financial instruments and payment services are impacted negatively. The European Commission has implemented during its review of the large exposure regime in the so called CRD II package (directive 2009/111/EC) a specific treatment for this kind of business (article 106 of the CRD). A similar and proper reflection of the business also in the context of the leverage ratio and the liquidity measures is needed.

Banks play an important role (a) in cash transactions of any kind (mainly payments and financial instruments clearing and settlement), (b) as liquidity providers and takers mainly on the short end of the markets (on the long end other instruments like bonds or shares are available to provide liquidity or cash without explicit involvement of banks as cash providers or takers).

For (b), this service is mostly explicitly restricted according to the respective banking regulations to banks only. As a consequence, this role needs to be reflected in sound backstop regulations and supervision. For (a) the service is also often restricted e.g. in the European Payment Services Directive (PSD) to banks or similar regulated entities.

Banks main (short term) liquidity source under normal market conditions are other banks. In times of stress like the recent financial crisis, central banks take over (for an intermediate time) a large part of the liquidity provision. But, our understanding of the role of the central banks is, that the function as lender of last resort is not intended to be extended to a role of being the general liquidity providers to the banking sector. As a consequence, the liquidity source of other banks needs to be reflected in an appropriate manner.

In general, we see a lot of terms which call for clear definitions. Furthermore, we see room to refer to well known items in rearranging the proposal in certain areas (mainly at the liquidity side) and reach so by far more clarity while – at least in our view – still reaching the desired target in principle. In addition,

quite a few of the proposed items ask for characteristics, where we see massive problems in getting appropriate data to respect the definitions.

The ideas related to systemic important institutions are stated in a very generic manner (paragraph 8 and 47). DBG therefore just wants to point out, that there are two separated areas of systemically importance: (a) size, product range and general market coverage (retail and investment banks) and (b) specific kind of (inter-bank) product offering. We are of the opinion, that both parts cannot be treated the same way. Especially with regard to the second part (b) of systemically importance, we do not follow the general BCBS approach of additional capital, liquidity or other supervisory measures. Here a more specific treatment of the particular product offerings by banks and market infrastructure providers being classified as banks is needed in our point of view.

Finally, some of the proposals call for a clear interpretation on the underlying accounting treatment. Unfortunately beside the general statement of the necessity to align the different accounting treatments, no concrete indication is given. This of course makes it difficult to comment on rules as their impact and direction might be different depending on the accounting treatment chosen.

C. Key topics to be tackled

Before getting into details we would like to sum up our key topics along the lines of the documents.

Consultative Document: Strengthening the resilience of the banking sector

Section II.1. Raising the quality, consistency and transparency of the capital base

- The composition of the capital components – especially with regard to the common equity part of Tier 1 – is not totally clear and leads to some potential unintended impacts. We therefore kindly ask to clarify the components belonging to common equity outside the nominal value of shares (share capital) or similar items for non-joint stock companies.

- With regard to the specific limits intended for the equity in relation to common equity, total Tier 1 and total capital we disagree to the proposed complete exclusion of minority interest from common equity.

Section II.2. Risk Coverage

- DBG welcomes the changes related to the area of CCPs. Both in the way standards for CCP itself are set and counterparty credit risks for

CCP positions are transposed to a mandatory treatment. Nevertheless, the tightened framework for CCPs as outlined might need some adjustments in detail.

- The current discussions on the regulation and supervision of Central Counterparties need to be aligned with the proposals on BCBS consultative documents to build a harmonised framework for CCP supervision and risk weights to positions with any CCP. This avoids regulatory loopholes. In the consequence, CCPs should fall in general under the rules of the Basel II framework and in general solvency, liquidity and leverage ratio (as proposed by BCBS) should apply. Nevertheless, for the CCP business some specific treatment might be needed in this context. Depending on the way, the CCP positions are handled at the CCP itself (so far no proposal available), the treatment of the default funds might require adjustments compared to the current proposal.

Section II.3. Leverage ratio

- Business structures of banks show a wide range of different business concepts related to customer basis (both in relation to client groups as well as to client locations), product range, risk structure, capital basis, funding structure, etc. A generic leverage ratio in the concept "one fits for all" will always have the need for thorough interpretation. Therefore we doubt, if the ratio will give in all cases really useful information (we especially have doubt in our own business and we have experienced information delivery with doubtful value (modified statutory equity ratio) to our supervisors based on new reporting duties in that respect in Germany in 2009). Moreover, as we expect a broad variety of ratio values to be found in the market and also quite some uncritical (and extreme) volatility at certain banks (like us) we strongly oppose to any idea making the leverage ratio a limit under pillar I.

  In case the leverage ratio will be used as an optional or mandatory pillar II information source, we in general share the idea of a simple calculation rule. Nevertheless, in order to avoid strange numbers and a high likelihood of misinterpretation, we suggest some modifications mainly related to unconditional revocable credit lines, matched principal broking securities lending and overnight client positions in relation to the processing of financial instruments or payment services.

Consultative Document: International framework for liquidity risk measurement, standards and monitoring

- The concept of the proposed liquidity ratios in general seems to be meaningful. In particular areas such as treatment of (1) unused lines given and received, (2) receivables from and liabilities towards banks and other financial institutions and (3) specific aspects of matched principal broking activities in securities lending and repo style transactions

we see the need for adjustments. Furthermore the definitions in general require some more clarifications to avoid misunderstandings and mainly for repo style transactions a clear understanding on the accounting treatment, on which the proposal is based, is needed.

- The scope of the proposed monitoring tools needs to be restricted to those, which add value and have a proper balance between production effort and supervisory use. The aim cannot be to collect a huge amount of possible useful data with a high frequency at high cost on both sides. This will result in a data graveyard and create – if at all – more questions than it answers.

- It needs to be clearly addressed, on which level the proposed metrics apply (stand alone or on a consolidated level or both). A lot of banks have implemented a centralised liquidity management at group level and therefore have reduced external dependencies for liquidity substantially. On the other hand, any legal entity needs to be liquid on its own. Consolidated reporting on liquidity need more time to be prepared and for reasons of practicability cannot be produced with a high frequency (i.e. daily or even intra-day) close to reporting date. Therefore it is necessary to take the intra-group liquidity management structures into account in an appropriate manner and include intra-group liquidity sources as a reliable part of the ratio calculation.

- Regarding potential frequency of the reporting we want to mention that a monthly reporting within pillar I seems to be most adequate. More frequent reporting as a general rule will increase the cost severely. Furthermore the time to prepare proper reports especially taking into account value date corrections, booking of nostro accounts out of other time zones etc. should not be underestimated. A daily reporting therefore would always have shortfalls. An intra-day report even would not show reliable information as it does not take into account technical processes which run at different times even if liquidity is to be seen as floating at the same time. In order to deliver figures which are reconciled with other reports like solvency we propose to have a unique reporting deadline. Time to production on a stand alone basis is following accounting preparation. Taking into account the need to get the data as soon as reasonable feasible and the time to prepare the figures, we suggest to give up to 15 working days for preparation.

- There are positions in the balance sheet, which require clarification of their treatment with regard to the liquidity ratio. This is true in particular for provisions, other assets / other liabilities and deferred tax assets / tax liabilities. We kindly ask to include a proposal for those items in the ongoing process of finalising the concept.

D. Detailed comments

Consultative Document: Strengthening the resilience of the banking sector

Section II.1. Raising the quality, consistency and transparency of the capital base

- **Paragraph 71**: We welcome the idea of reconcilability between the statutory accounts and the regulatory figures. Unfortunately, this is to a certain extent contradictory to the aim of the Committee to harmonize accounting standards for the purposes of regulatory supervision. In case statutory accounting standards deviate (even in the definition of capital) but regulatory “accounting” treatment is harmonized, there is a conflict of interest with the aim of reconciling statutory and regulatory figures.

- **Paragraph 73**: Regarding the definition of “common equity”, we see the need for some clarification in detail. Especially the classification of share premiums and retained earnings (including legal reserves) as well as the handling of other reserves (e.g. coming from other payments of the owners into reserves) need to be clarified. Also the allocation to the respective captions within regulatory capital of profit carried forward, retained earnings and retained earnings reserves which vary legally between jurisdictions need to be tackled. Most likely they all should be treated the same way (being part of the common equity). The need to clarify the treatment of retained earnings despite its clear mentioning in paragraph 73 and 85 (footnote 17) relates to the description given in paragraph 87 (see there).

- **Paragraph 82**: With the introduction of separate capital ratios related to **Common** Equity, total Tier 1 and total capital, the composition of the Common Equity is getting even more crucial. Therefore the clarification requested above is a key item. Furthermore, the handling of minority interest in that respect needs a more sophisticated approach (see paragraph 95). This is also to be seen in the light of the formulated requirement to have common equity being the predominant part of Tier 1.

- **Paragraph 87**: The criteria proposed seem to be understandable in case of paid in capital (nominal value of issued shares or similar instruments depending on legal form of the bank). But, similar to today’s situation we expect to have other paid in items (share premium, contributions of shareholders into the reserves) and any kind of retained earnings (legal reserves, profit brought forward, other retained earnings reserves) being included in the Common Equity component of Tier 1. This is true at least to the extent those components are related to the issued shares etc. (i.e. it is not linked fully or partially to other equity portions like preference shares). For such parts of Core Tier 1, some of the definitions do not fit (e.g. it is impossible to pay a dividend on retained earnings and legal reserves are not paid in).

In conjunction with the intention to harmonise accounting treatment for regulatory purposes, the various aspects listed in paragraph 87 raise a couple of questions to us, which clearly need to be answered:

- Equity is consisting of various components which vary here and there according to national law and form of incorporation. Certainly in principle the definitions and requirements should be stringent within the context of BCBS proposal.

  Taking the example of the European Banking Accounting Directive (86/635/EEC) equity for a private stock company consists inter alia of:

  - paid in equity
  - share premiums
  - legal reserves
  - premiums from conversion of convertible or other bonds into equity
  - other payments of the shareholders into the reserves (e.g. reserves according to § 272 (2) No. 4 German Trade Act (Handelsgesetzbuch, HGB))
  - other reserves
  - retained earnings (whether or not put aside in special reserve accounts)
  - profits carried forward

  Having in mind at least this split, we have difficulties to fulfil all criteria listed for those items at the same time. We would expect to have at least the items listed above being part of the Tier-1 Common Equity.

  Especially criteria No. 7, 8, 11 and 14 do not match to all of the items listed above. E.g. the so called capital reserve which is the level to be shown in the balance sheet (under the EU Banking Accounting Directive) comprises of some of the items listed above (criterion 14 not met), retained earnings are neither issued nor paid-up (conditions 11, 12 and 13 are questionable).

  We therefore kindly ask to clarify which criteria are to be applied for which portion of equity. In consequence, we want to understand, how paragraph 87 and paragraph 89 are interlinked, which so far is not clear to us.

- **<u>Paragraph 89</u>**: As for paragraph 87 similar concerns regarding the application of the various criteria to all potential elements of Tier 1 Additional Going Concern Capital.

- **Paragraph 94** - Stock surplus: We completely agree to the paragraph as such but related to our comments on paragraphs 87 and 89 allocation **of** this item within the list of criteria is creating difficulties.

- **Paragraph 95** – Minority interest: We disagree to the exclusion of minority interest from Tier 1 Common Equity. The given **argumentation** does not take care e.g. for solutions where the ultimate parent, which might not fall in the consolidated supervision, does not only hold all common shares of the superior institution but for whatever a reason also direct (substantial) participations in some subsidiaries. In case those subsidiaries are the main risk takers in the group, we do not understand why in such circumstances minority interest does not support risks in the group as a whole. Depending on the impact of being Tier-1 Common Equity or Tier-1 Additional Going-Concern Capital, we would like to ask for a more differentiated approach on this topic. Based on the BCBS idea for separate solvency ratios for Tier -1 Common Equity, total Tier-1 capital and total capital (paragraph 82) this makes a big difference.

- **Paragraph 96** – Unrealised gains and losses on debt instruments, loans and receivables, equities, own use properties and investment properties: The accounting treatment for the items concerned is quite different across accounting standards. Depending on mandatory or optional accounting with market price / fair value or amortized cost, especially unrealised gains may or may not exist in accounting. In case a harmonized treatment is intended, the choice for one of the methods needs to be made. Furthermore, there are possibilities to account for the result in p & l or in the unrealised gains and losses caption of equity. Prior to harmonizing the prudential filters, a proposal for the general treatment is required. As stated above, this might lead to deviations with the statutory accounts and create potentially additional efforts and cost.

- Paragraph 97 – Goodwill and other intangibles: As goodwill and especially other intangibles are depreciated over time (for goodwill depending on the respective accounting standard) or impairment losses are recognised and – depending on the accounting standards – capitalisation of own work is done, the question on the value of the assets to be deducted arises. As regular depreciation is a must for most items once recognised in the balance sheet and impairment losses have to be taken, once notice of the underlying driver is taken, we assume that these assets need to be deducted with the book value at reporting / observation date. Therefore any write up and any write down has immediate effect on the amount to be deducted from Tier-1 Common Equity. We suggest clarifying the valuation in the future regulations to avoid different treatment across various jurisdictions and accounting standards. As the same question might arise for other items as well, potentially the valuation should be handled in a more general way.

- **Paragraph 98** – Deferred tax assets: In our understanding of deferred tax assets, any claim coming from either prepayments or re-payment obligations of the tax authority (out of final tax fixing) are not "deferred" and

therefore the content of the second paragraph of the box should be removed or at least rephrased.

Real deferred tax assets are dealt with differently across various accounting standards. Accounting standards either require their presentation, give options to show or even do not allow to account for them at all. Furthermore various concepts of gross or net presentation are in place.

As a result of capitalising tax receivables based on (potential) future income a profit arises, which is either booked in the profit carried forward or in the retained earnings (reserves).

In order to have a level playing field regardless of accounting treatment, we therefore support the approach to deduct deferred tax assets (net of deferred tax liabilities) from equity. To be in synch with the right caption of equity, it needs to be deducted from that caption of Tier 1, where the related earnings would be allocated to in case not paid out to shareholders. As this is depending on the clarifications of the definitions of "Common Equity" and Core Tier 1, we cannot comment on that topic finally for the time being.

In line with this proposal,

- The deferred tax assets should not be taken into account as risk assets
- Deferred tax assets / liabilities should not be taken into account for the purposes of the liquidity and leverage ratio.

- **Paragraph 101** – Investments in common shares of certain banking, financial and insurance entities which are outside the regulatory scope of consolidation: The look-through approach is in general quite **burdensome**. We therefore propose to rethink this approach for investments other than own shares (paragraph 100).

- **Paragraph 106** - Defined benefit pension fund assets and **liabilities**: We do not understand the background for the proposal related to defined benefit pension fund assets.

  First of all, the accounting treatments vary in different accounting standards. It therefore needs to be clarified, which treatment for regulatory purposes should be taken. More fundamental, the qualification of any asset being linked to defined benefit pension plans need to be clarified. Rules might be taken e.g. from IAS 19. In addition, the valuation rules for both the liability and the asset need to be clarified. Here, the item for clarification is mostly the asset side. Finally, the treatment of netting is to be clarified.

  We propose to leave the treatment of the liability (provision) on the basis of the accounting standard to be used but to define the value of the linked assets as being the market value. Related to the criterion as to when linked assets exist or not, we propose to leave this to the relevant accounting

standard as well and define IAS 19 as the relevant source in case the national accounting standard does not allow for netting.

Regardless of this specification needed, we cannot understand the need to deduct pension fund assets from capital. In case no link exists, the liability does not matter for the purpose of own funds or counterparty / market risk and the assets are dealt with as risk assets (market risk applies if relevant). As the gross liability (pension provision) to our understanding is not an element of equity at all, we have doubts why this item is listed in the area of regulatory adjustments to regulatory capital. Indirectly the paragraph indicates that the pension liability should be part of the capital, at least in case covered to some degree with plan assets. In the process of netting assets and liabilities for accounting purposes, we do not see a fundamental change in the way the items should be treated for regulatory purposes and therefore propose to follow accounting treatment (no part of capital).[3]

Different to this, we would like to raise the question on handling of the linked and netted assets. In the consequence of netting linked assets with the pension liabilities either net pension provisions or net assets arises. As the composition of any net asset position cannot be determined as a consequence of netting and most likely the institution will not have a claim to particular assets in this case. Potentially there exists a receivable of any amount exceeding all payments to be done to the beneficiaries (pensioners). The net receivable is an asset of its own kind. We feel that the net assets should be taken into account for counterparty risk with a weight of 100 % in the caption “other assets” instead of the gross assets kind by kind.[4] This would be a similar treatment like for pension obligation outsourced to a pension fund with a call for cover clause.

In principle, we also do not understand, why in this context <u>defined benefit pension plans</u> only are mentioned as the same accounting construct (but with different methods to calculate the liability) would exist for defined obligation pension plans.

<u>Section II.2. Risk Coverage</u>

- **<u>Paragraph 116</u>**: We disagree to the multiplier (AVC) for **<u>exposures</u>** towards financial firms as proposed.

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3 Especially we do not understand why different from the proposal send out for consultation by the EU Commission on this issue, the <u>gross</u> amount of the pension fund assets should be deducted. This makes just sense in case the related pension provisions are added to capital (which as such seems strange to us).

4 We also want to point out, that the value of assets in the consequence of over-funding might be (substantially) higher that the value of the pension obligations. In this case the proposed approach as understand by us would lead to a reduction of equity, which to our understanding is not intended.

Even if we see some interconnectedness between (large) "financial firms", we believe that this is not the appropriate time to introduce measures like this. Within the EU the measures to tighten rules on large inter-bank exposures within the CRD II package (directive 2009/111/EC) are not in force yet and we clearly see potential negative impacts on the financial markets – especially on the liquidity management for financial institutions – from this. Also the proposals on the liquidity ratio within the current BCBS proposal is giving positions with other banks more stringent weightings then positions towards non-financial corporates. Adding further measure in this area with the current changes is bearing the risk to heathen the fire and to make inter-bank liquidity management almost impossible. This would in our mind shift the liquidity taker / provider role to a large extent to central banks and would have general adverse impacts on the interest sensitive business of banks including the loan and deposit business with retail customers. In our specific case this might lead to higher settlement and / or custody prices.

Furthermore, we see also here an area of difficult to derive data. On the one hand side the assets of financial firms need to be checked and in times of up- or downturn, the risk weight for the same counterparty might go up and down (in case information is available). On the other side we see big difficulties to capture in a harmonized way all unregulated financial firms as intended by the Committee. This item is closely related to the definition of "unregulated financial firm" and the indication given in paragraph 136 is showing, how much uncertainty there is to define this.

Beside the open definition question of "assets" (balance sheet volume, assets under custody?) of at least $25 billion, the point in time / frequency of this information to be collected needs to be specified further.

We also have doubts, that the proposal related to the extent margin period for certain OTC derivatives and securities financing transactions is practical. The criteria set are not clear cut observable in the market and in the day to day monitoring and reporting of capital requirements this will lead to a wide range of different interpretations. Whilst we agree to the background as such, it does not make sense to implement stricter rules which cannot be observed due to missing proper and clear information.

We clearly support the incentives to use CCPs in general. This is true for the OTC derivatives but <u>also for other asset classes</u>. We recognize the aim of the BCBS to incorporate proper and strict rules for CCPs to be eligible for zero risk weight into the Basel framework. In order to have the financial industry involved in this discussion, we are also clearly in favour to follow the CPSS / IOSCO guidelines and take them as a proper basis. We nevertheless recommend consulting this particular bit at a later stage with the financial industry and supervisors prior to making it a binding rule.

- **<u>Paragraph 137</u>**: The meaning of this paragraph is not clear to us, as it is referenced to inter-bank on the one hand side and to the $25 billion

threshold (for regulated financial entities) on the other hand side. Also it is not clear, how this paragraph is to be read for "unregulated financial firms".

From the context of this paragraph, we have the impression, hat the AVC is limited to the IRB and will not be proposed for the standardized approach. Contrary to that, the similar proposal of the EU Commission is not limited to IRB. We therefore kindly ask for clarification in this regard as we even more disagree to the proposal under the standardised approach.

- **Paragraph 166**: As CCPs have proven to be stable and absorb risks even in times of high volatility and high volumes, we fully support the proposed treatment of a zero risk weight to be applied for positions out of collateral and marked to market exposures to CCPs, which apply the standards proposed. As laid down in Annex 4 of the Basel II framework part II article 6 this should not only be related to OTC derivatives but to all asset classes. Furthermore the current wording of the zero weighting in the Basel II framework is not setting the weighting to zero but just allowing a zero weight. The wording therefore should be modified to clearly state that zero weight, under the conditions proposed, is to be applied for all asset classes (including clearing of spot market transactions. Here mainly the cash collateral placed would be in scope of the risk weight). The current regulation contains implicitly two options which we feel should be removed and a clear application rule should be put in place.

  a) There is the general possibility to attribute ("can be attributed to") a zero weighting towards certain positions (i.e. derivative contracts or SFTs) outstanding with CCPs and towards credit risk exposures to CCPs that result from derivative transactions, SFTs or spot transactions and

  b) The exact scope of the exposures taken into account by the competent authority is depending on national decisions to exercise the option for all or part of the possible exposures to be allocated with a zero weighting.

  Guarantee or default fund contributions are a major part in the so called "lines of defence" of a CCP. They have in general two functions:

  1) They cover any remaining risk of the CCP towards a member in default which is not covered by the overall position or the individual margins collateral of that clearing member.

  2) In case the complete collateral including the default fund contribution of the particular clearing member is not sufficient to cover the risk in case of a default, the default fund contribution of the other clearing members are used to cover losses.

  Default fund contributions are mainly done by pledging securities or other means of giving securities as collateral depending on national law. In these cases, the risk weight does not matter as the securities stay in the books of the pledgor and the risk weight is related to the security as such (in the books of the pledgor). In some cases, the contribution is done by a guarantee from a third party. In this case the risk for the third party is on the

clearing member and not on the CCP. The regulations for counterparty risk weights for positions with a CCP should not have any influence on that. There are CCPs accepting cash as default fund contribution. As the default fund contribution is more stable than margin requirements, cash contributions are nevertheless most likely not the major part of it. Different risk weights for general collateral (margins) and default fund contributions would most likely result in a shift in collateral: cash for margins, and securities for default funds contribution. As a consequence, if the risk weight for collateral (margins) and mark to market positions towards a CCP is set to zero, the risk weight for the default fund contribution does not really matter. We therefore propose for the ease of calculation algorithms and reporting tools to include the contributions to the default funds in the zero weighting as it is in principle today. We also want to stress, that in general the second aspect of the default fund is mostly one of the last lines of defence and even in default cases during the recent crisis has not been used. This also gives a strong indication, that a zero weighting is the most appropriate one.

In case this approach is not followed, we propose to have a weighting of e.g. half of that towards a bank as item (1) above should in theory have a zero weighting[5] and only item (2) is related to risks which are not related to the clearing member itself. As the contribution upfront cannot be separated to the two different captions, a “blended” rate seems to us a reasonable approach.

- **<u>Paragraph 167</u>**: We feel that the recommendations developed by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) as well as the recommendations of the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR) for CCPs are a very good basis for the guiding principles for CCPs. We therefore strongly recommend incorporating those in the Basel II framework as being the relevant criterion for a CCP to receive zero weights for positions towards it.

  With regard to the proposed concrete changes within the enhanced requirements for CCPs we would like to propose some clarifications and adjustments:

  - The first item is arguing for a “high specific level of initial margin”. We feel in this context that the term “high” is vague and potential also misleading. We are of the opinion that the margin should be based on proper risk based calculations methods with a high confidence level instead.

  - Furthermore, we see the need to clearer address the term “on-going collateral posting requirement” in the same bullet point more precisely. In general we feel a daily margin call as being sufficient. But, this needs to

[5] As it is related to the positions the clearing member has with the CCP and therefore in principle it should to our mind have the same weight as margin collateral.

be combined with an ongoing monitoring of position and margin values and the requirement to call for further margin collateral on short notice in case the intraday margin shortfall exceeds materiality thresholds.

- We therefore propose to elaborate in the further process together with CPSS/IOSCO and BCBS a more precise and adequate requirement in the following sense: “Establish a level of initial margin, which meets a high confidence level for the market movements, on-going position and collateral value monitoring with additional margin calls at least once a day in case of shortfalls in the margin coverage and mandatory intraday collateral posting requirements with reasonable short delivery deadlines in case of larger shortfalls during the day.”
- The requirement in the forth bullet point also needs further refinement. Here it is important to define how “significant participants” are to be determined. There are in general several criteria which might serve as an indicator for this: default fund contribution, share in open interest, number of open transaction, margin size, etc. Furthermore the determination of the appropriate number of significant participants to be taken into account is depending on a number of factors like market size, number of clearing members, construction of the margin calculation algorithm, current market volatilities, etc. and we therefore see the risk that with a general approach to set the number to a figure bigger than 1 might be too restrictive. In any case more than 3 significant participants seems unacceptable to us as this would impose most likely high collateral requirements which are – taking history as a back testing proof – too prudent. Nevertheless, we agree to the approach in general and potentially the solution here lies in a corridor for the number of significant participants which than needs to be determined in an appropriate manner by the CCP itself.

Section II.3. Leverage ratio

- General comments: The leverage ratio might be an indicator for the potential amount of risk being incorporated in the overall business activities of a particular bank. But, we doubt that a ratio designed like the proposal will be sufficient to serve this purpose for all banks in the same manner or at all. The business of the various banks is too different to be captured with such a simple ratio. A non-weighted figure is not taking into account various aspects of the business. Especially we have difficulties to define any kind of “position” - regardless of maturity, character, counterparty or collateral received – as equally “using” equity. Ratios calculated on this basis will not be comparable and no proper benchmark can be defined. Therefore the ratio as such might just be usable as additional pillar II information but in our opinion cannot be a pillar I limit.
- **Paragraph 206**: Beside our general comment above, the proposed leverage ratio needs to be adjusted at least by three items as follows:

(i) In order to facilitate daily client transactions, unconditional revocable credit lines are granted. This is true for retail banks but also for wholesale institutions. With regard to our group in particular, substantial lines are granted in order to facilitate smooth and ongoing settlement. If those lines are taken into account when calculating the leverage ratio, this would lead to enormous needs for capital increase (please note that solvency ratios for our groups' legal entities are well above minimum requirements). In turn, as this is economical not reasonable, the lines granted would need to be reduced dramatically and in consequence, a sequence on negative impacts on financial markets would occur:

(1) Settlement would be possible on a pre-funding basis only,

(2) Clients would be forced to held sufficient funds with us for settlement purposes. But, in order to keep all the ratios, this might have to be capped to certain thresholds (as far as possible, as we cannot stop our correspondence banks to accept incoming funds),

(3) Settlement transactions scales might be reduced in order to increase usage of funds in the settlement cycles,

(4) Settlement will become more costly.

In total, we would like to encourage the Committee to use the conversion factors of paragraphs 82 and subsequent of the Basel II framework as indicated as an alternative approach in paragraph 234.

(ii) Especially in the securities lending markets central providers are seen as a useful tool to increase lending opportunities, guarantee standardised practises and proper collateralisation. Furthermore, they act often as single counterparty for all participants (CCP like) and reduce therefore the need to analyse multilateral counterparty relationships. Business of that kind is done on a matched principal broking basis. As economically the central provider is not part of the transactions, in most jurisdictions this is not shown in the balance sheet. Due to the matched principal broking principle, we do not see a leverage impact out of these transactions and therefore feel that those items should be left out when assessing the total business volume as a basis for the ratio calculation. It therefore needs to be clarified that such exposures are not included in the definition of the total exposure measure, in case the Committee follows our arguments. A further clarification is needed for such items, which are used for third party transactions, but do not belong to the bank itself, i.e. securities borrowed and lent onwards or securities received via a lending or reverse repo transaction and given away for another lending or repo transaction. Here we are in principle also in favour to follow current accounting rules as used in most accounting standards which is not to de-recognize the security and just to account for a receivable. Furthermore, we are in general

strongly in favour of netting of repo style and securities lending transactions as proposed in paragraphs 214.

(iii) Balance sheet total in our case is driven mainly by customer cash lodged (money paid in by customers) with us for the purpose of settlement or custody payments or received cash collateral. These are exactly those positions, which are exempt from the large exposure regime by article 106 (2) lit c of the revised EU directive (CRD, 2009/111/EC). As the volume of those positions which are purely dedicated for that purpose is highly volatile and the corresponding balances at other banks held in conjunction with these balances are exempt from the large exposure regime for good reasons, a special treatment is needed. We therefore propose to deduct assets fulfilling the requirements of the above mentioned regulation ("client driven cash for settlement").

In case an appropriate exceptional treatment is not reached, there is even not a chance to reduce these holdings. A limit of customer cash plus a huge cut in the credit lines granted would make settlement just impossible. On the other hand, increase in capital is from an economical point of view also not a valid option. To demonstrate the severe impact of the leverage ratio in case of being introduced as a limit, we provide an example of the volumes in question:

<u>*Example 1*</u>: The equity of one of our legal entities is approx. 400 million € while the balance sheet volume shows – on a quite volatile basis – peaks going beyond 12 billion €. The main driver of the balance sheet is customer cash. All other positions amount to something like 1 billion € (including equity and provisions). The client overdrafts are in the range of something like 500 million € or less. Based on that and not taking into account any business from unused credit lines or gross positions out of matched principal broking securities lending would lead to a ratio of something like 3.3 %. Any further growth of customer cash to reach a balance sheet volume of something like 15 billion € (stressed scenario) would reduce the ratio to something like 2.7 %. It needs to be stated, that the solvency ratio is – and due to collateralised placements will most likely be – in the region of 11 % or even (much) higher, taking into account a substantial capital charge resulting from the usage of the Advanced Measurement Approach (AMA) for operational risks. Reducing the business volume by the *client driven cash for settlement* the ratio would be stable at around 25 %. Contrary, adding the unused credit lines (unconditional revocable at any time) of up to 90 billion € and potential gross securities lending positions (matched principal broking) of around 30 billion €, the ratio would end up being around 0.3 %.

Similar to what we stated above and in principle covered by our proposal, for cash collateral received for financial transactions e.g. by a CCP regulated (currently just under national law) within the same scope as banks, the same problem arises.

> *Example 2*: Taking the need to request and take collateral, which can at a certain point in time during the day just be delivered in cash, the CCP within our group would have had in peak times during the financial crisis a ratio below 0.2 % and a "normal" ratio in the region of 2 %. With a capital of 110 million €, the current solvency ratio is in the region of 50 % or even higher due to a high amount of collateralized placements out of the received cash collateral.

In case CCPs will fall under the regulations of the leverage ratio also the question of the CCP position itself need to be regulated. In our opinion, this should be clearly excluded. Any inclusion on a "grossing up" basis definitely would not give a better picture and would counteract the purpose of CCPs. We therefore clearly ask to exclude CCP positions form the calculation of the leverage ratio (this is similar true for the liquidity ratios).

Our main concern is related to a limit system. In case of giving the gross view in a report structure which reflects the items addressed above in an appropriate (reporting) manner, a pillar II information instead of a pillar I limit is reducing our concerns.

To sum up this item, we honour the idea of a simple calculation algorithm in principle. But, as shown above, a too simple method is creating more than strange results and is misbalancing the interaction with the risk-based minimum capital ratio.

- **Paragraph 208**: Structure of funding for capital is varying between banks. We are more in favour – in case the leverage ratio is going to be implemented – to base the ratio on total regulatory capital than on Tier 1 capital only. This is giving in our mind a better level playing field between different banks. Giving the limitation we see in the ratio in general, limiting to total Tier 1 or even Tier 1 common equity only would further reduce the content of the inherent information.
  Capital measure should be total capital as this is the basis for the banks operations. Taking into account ratio figures of about 5 % which to our knowledge prior to any calibration are currently in discussions, we see the need to adjust this figure upwards in case restricted to Tier 1 capital only.

- **Paragraph 212**: We strongly support to follow the outlined approach (basis for the ratio are accounting figures). We furthermore agree with the need to get at least a certain level of harmonized accounting treatment (as stated in paragraph 213) which – at least on the basis of national implementation – is going beyond IFRS and US GAAP as being the only standards in question. Taking this approach for granted, we once more want to stress, that matched principal broking items are – to our best knowledge –not shown in the accounts by any major accounting standard. Same is true for the above requested treatment of onwards usage of received third party securities.

- **Paragraphs 214 – 216, 220 - 221**: We strongly support a solution which takes netting into account.

- **Paragraph 217**: In addition to the items listed in paragraph 217, we want to address also the issue of “covered” pension plans (defined benefit / defined contribution plans) as already described in the section on capital above. We assume that netting as requested by IAS 19 (or other accounting standards) will be valid for the purposes of the leverage ratio as well.

- **Paragraph 220 – 221**: For reverse repo and similar transactions we propose to allow for the same treatment as for counterparty risk under the Basel II framework. Cash (received and) placed in a collateralised manner should receive a preferential treatment as we cannot see any leverage behind such transactions and they are done with the aim to reduce risk. Based on our business, the amount of cash received from customers / clearing members is volatile and can rise substantially. All of it is overnight only and can be withdrawn (potentially by replacement in securities in case of collateral) on short notice. The resulting cash balances are placed to a large extent short term in secured reverse repo style or similar transactions. From a solvency perspective even taking more than unlikely stress situations into account, the capital includes substantial buffers.

  For securities lending transactions done under the matched principal broking regime, we see the need to follow accounting treatment which in general is no recognition. Alternatively, treatment according to counterparty risk (i.e. taking CRM into account) could be a solution.

- **Paragraph 227**: We are in favour to use regulatory netting as this is showing the economic content of the positions in a much better way. Grossing up will indicate leverages which in practise do not exist or to be more precise are intended to be avoided by off-setting counter deals.

- **Paragraph 232 – 235**: As stated above, we do not agree to include all off balance sheet items which are included in the paragraphs 82 – 89 of the Basel II framework with a general weight of 100 % in the ratio calculation. Especially with regard to immediately unconditional revocable credit lines, this will lead to very low ratios and include items where we do not see a leverage.

  In our view, the leverage ratio is not an appropriate measure in itself for effectively limiting risky leverage. This might be the case for banks with particular business models but cannot be taken for granted for the variety of different banks. Movements in the ratio depend on various factors. In our specific case it is moving unpredictably up and down with quite high percentages without telling any underlying trend. We therefore doubt that the ratio will indicate changes in the economic situation of banks as a general rule. With regard to particular banks, potentially even large portions of the banking industry, some indications might be given. Nevertheless, we believe though, that this indication can be derived within the pillar II

framework and the existing reporting obligations (including quantitative liquidity measures) at least to the same extent.

Finally, we cannot see any – whatsoever – leverage ratio minimum, which would be appropriate for all kind of banks. While – depending on the final definition – a very low ratio including a high volatility for specific kind of transaction banks with in general short term (inter-bank) balance sheet positions might be more than acceptable, a quite substantial and more stable ratio might be necessary for broadly acting commercial banks or banks having strong investment banking activities.

Summary of the baseline proposal for a leverage ratio:

- We are in general clearly in favour of the alternative options as listed.
- For off-balance sheet items and especially for items with a zero weight we are in favour of a much lower weight. For unconditionally cancellable commitments we clearly see the need to exclude them from the measure (i.e. have a zero weight).

  In order to facilitate settlement in financial instruments in a fast and efficient manner, we are granting unconditionally revocable credit lines in a sufficiently high range on a secured basis. The usage for any single client during the day is highly volatile and might reach limit regions. The cumulated and especially the cumulated overnight usage is just a small percentage of the lines granted.

- Taking into account
  - Reverse repo style placements (without CRM),
  - Matched principal broking securities lending transactions gross and without CRM and
  - Unused parts of unconditionally revocable credit lines

  the value for the leverage ratio in peak situations are expected to be around 0.3 % for our group companies still fulfilling solvency ratio requirements. As none of our companies is involved in securitization business or in plain loan business, we believe that a leverage ratio being a pillar I limit in the proposed approach would be contradictory at least for businesses like ours in the securities settlement or CCP area and that counter measures to be introduced would dramatically impact the financial market as a whole.

Section II.4. Procyclicality

- **Paragraph 258**: We agree in principle to the concept of the Capital Conservation buffer.

But, we would like to suggest differentiating between the buffer as such and the duty to fund it or withdraw from it. The proposed basis on which the decision to fund is based needs to be clearly defined. The minimum requirements might vary (sharply) over time due to high volatile business (like in our case). In order to catch at least a reasonable stable basis for the buffer, we suggest using average “minimum” requirement of e.g. the last four quarters prior to the end of the fiscal year. The current total (regulatory) capital after deducting any prudential correction (i.e. intangible assets) plus the existing capital conservation buffer need to be compared to that.

Based on the percentage of over fulfilment a step by step increase of the buffer needs to be done in the course of setting up the statutory accounts. The percentages for the increase set (like in the example given) should be valid until the next level of over fulfilment of the minimum requirement is reached.

Example 3: In case the minimum requirements would be 100, the income is 60, current regulatory capital is 110 and the existing buffer is 15. Taking the values out of paragraph 159 into account, the step up would look like the following:

Total minimum requirement		= 100	
Available capital		= 125	
percentage of over fulfilment	=	25 %	
Applicable percentage for buffer increase until 50 % fulfilment is reached		=	80 %
“used” earnings to fill buffer in that caption	=	31.25	
Applicable percentage for buffer increase until 75 % fulfilment is reached		=	60 %
“used” earnings to fill buffer in that caption	=	28.75	

Result:
Buffer increase
= 80 % of 31.25 (= 25) + 60 % of 28.75 (= 17.31) = 42.31
Distributable income = 17.69

In case, the percentage of the situation as at the start of the buffer increase calculation would have been taken into account, the buffer increase would have been 80 % of 60 = 48 and distributable income therefore would be 12 only. This can lead in specific situations to a buffer request which would exceed 100 %.

Furthermore, we want to raise two additional points:

(a) Overall cap for the buffer and (b) risk categories to be included in the buffer.

(a) We assume a buffer of 100 % or more as being too prudent. This would – in Basel I terms – lead to a 16 % capital ratio. We feel that a 50 %

buffer should be the maximum, if not lower percentages might be adequate.

(b) As the current capital framework asks for capital coverage of counterparty (credit), market and operational risk, we do not see the need to cover all three risks – at least not to the same extent – within the concept of capital conservation buffer. In our opinion the main reason for a possible introduction of the buffer is counterparty risk and to a lesser extent market risk. In contrast, for operational risk we do not see the same need for the buffer. Therefore we propose to exclude operational risk capital requirements from the requirement in that way, that it is deducted in the metrics from both them “minimum requirement” and the available capital (including buffer).

In case our proposal is seen as being too far reaching in that respect, we at least suggest having a reduced buffer requirement for operational risk. This could happen in such a way that our approach proposed above is modified in: reducing the operational risk capital charge from the “minimum requirement” amount and reducing the available capital (including existing buffer) by the same amount plus a buffer percentage of e.g. 10 % for the purpose of calculating the buffer requirements for counterparty and market risk only.

The basis for comparison should be the bank’s capital plus the existing capital conversation buffer (total capital) (not to increase the reserve every year by the already existing amount). In case of very good results but a poor excess of total capital over the minimum requirement, the approach should take into account the outcome of the current instalment into the buffer. Therefore a cap need to be implemented (capital plus reserve do not need to be higher than twice the minimum requirement to stay in the example as given in the Committee’s proposal; this is 150 % of minimum requirement based on our example proposal of a 50 % cap for the buffer).

Finally, we want to point out, that any buffer requirement will interfere with the requirements of stress testing capital needs and internal risk based processes to determine necessary capital (Internal Capital Adequacy Assessment Process - ICAAP).

- **Paragraph 259**: Based on accounting rules and accounting treatment of the buffer and local tax law, the buffer might come out of taxed income and might be shown as other (special) reserves. Contrary it might be a tax deductible expense in other jurisdictions. We therefore propose to construct the buffer in a tax neutral basis. Any tax paid shall be added to the buffer as in times of economic downturn, the tax should in principle be returned. Over time it needs to be adjusted by changes in the tax rates. Alternatively, any tax advantage out of tax deductable instalments to the buffer should be added to the buffer requirements.

Furthermore, the question on eligibility for Tier 1 capital arises. The bank might shift the buffer into paid-in capital or reserves (real Tier 1) by in-

creasing the capital out of reserves (depending on treatment of the buffer in national accounting standards). It is therefore crucial to clarify accounting treatment, Tier 1 status, and benchmark (capital plus buffer or just capital). As a higher Tier 1 portion is welcomed in general, we opt for a Tier 1 approach and therefore a status as “regulatory reserve” similar to the legal reserves.

As the buffer needs to be built in statutory accounts, the buffer requirement can just be done on a stand alone basis. We therefore disagree to the proposal to base the buffer on consolidated accounts for the following reasons: The influence of the superior institution or financial holding company to the single entities with respect to labour law (bonus payments) and dividend payments might be restricted. Decisions on the lower level might be done without knowledge on the consolidated situation. Furthermore, decisions might be necessary at a time, were consolidated information is not available yet. This puts practical questions into force, which cannot be solved. Finally any dividend within one group might lead to payments to minority shareholders, which in fact would not be allowed from a consolidated perspective. Legal complications will arise, which cannot be managed.

Related to the elements subject to the restriction on distribution, we agree on the proposed items in principle. But, discretionary bonus to staff should be allowed to a certain extent (e.g. limited to x percent of the earnings in total and y percent of the total annual non discretionary cash payments). In case of blocking discretionary bonuses in total even in times of profits, management of staff and proper remuneration systems are put under stress especially compared to other banks and the comparable disadvantage from a staff point of view might lead to a pressure on the bank to either increase base salaries (to keep good staff) or take the risk of losing key resources.

For the matter of practical implementation, it needs to be clarified, when the buffers are to be filled and when the distribution restrictions are coming into effect. To our mind the calculation for the buffer can just be made in the course of setting up statutory accounts (the usage of interim accounts reviewed by the external auditors need to be discussed further). In consequence, the limitations for discretionary payments to staff / management and board members should be <u>for</u> the respective period. Payments of discretionary bonuses therefore need to be aligned with knowledge of the result. (I.e.: In case of bonus payments after the result is known (common practise), it cannot be paid out. In case they are paid prior to final figures (e.g. mid December with the December salary payment), further payments are blocked until another fiscal year shows sufficient (final) income again.) Dividend payments are restricted for the year in question and share buy backs should be restricted from the moment, management is expecting the “breach”. Once a “breach” occurred, the next share buy back is just allowed after having had statutory annual accounts which respect the needed buffer.

- **<u>Paragraph 262</u>**: In terms of the proposals related to an adjusted capital buffer we agree to the intention but see major difficulties in putting this into

a practical form which would be easy and reliable to calculate, fit to all types of banks and other financial institutions and reach the intended target. For those reasons we would ask the Committee to come up with a concrete proposal to be validated by an impact study before finally potentially putting this to a proposal for a binding rule. We have doubts that a general rule or even a set of rules with some variables depending on the business of the banks can be developed. In case additional buffers are built, which are overstated compared to the business risk of any bank, we see the risk that increasing cost of capital will have an impact on product prices. Furthermore, the “capital” need to be held somewhere which is in turn increasing the (risk weighted) assets, has a need to be placed and therefore solvency, large exposure and liquidity ratios are touched.

As this is true also for the “Capital Conservation Buffer”, rules for the handling of the buffer need to be implemented related to solvency, large exposure and liquidity limits and ratios respectively.

The proposed “counter-cyclical” buffer is tied to a certain extent to the Capital Conservation buffer. This approach is to our mind also supporting our argumentation to use (both) buffers on a stand alone basis and not on a consolidated basis. The described approach is to our mind focussing on banks with a loan granting driven business. In case of transaction banks (like us), banks with a high degree on investment banking / proprietary trading, CCPs etc. the approach does not seem appropriate. Furthermore, the indicators need to be forward looking as the buffer will be built based on year-end figures. Therefore a back looking indicator is not giving the right direction. As any indicator has its strength and weaknesses and none will match to all kind of business and countries, the metrics need to be simple, if applied at all.

Consultative Document: International framework for liquidity risk measurement, standards and monitoring

- General remarks on liquidity measures:

In general a quantitative backstop limit for short term funding of short term cash outflows seems to be useful. We therefore support the concepts for the LCR and the NSF as such.

But, as short term liquidity is either provided by other banks or by the central banks and short term excess liquidity is placed with other banks, we see the need for calibration of the inter-bank position. Furthermore, we want to stress that unused parts of unconditional revocable credit lines should not be included in the cash outflow. We are focused on the inter-bank market and related to our operations we are granting a huge amount of credit lines (which are mainly unused overnight) to clients (the usage for any single client during the day is highly volatile and might reach limit regions; the cumulated and especially the cumulated overnight usage is just a small per-

centage of the lines granted). But, even in the high tide of the crises we were not faced with liquidity constraints. Our specific problem was more to find reliable counterparties with having sufficient collateral of good quality available to secure our placements out of customer cash holdings. Being already regulated with quantitative liquidity limits in both Luxembourg and Germany, we feel that those systems have proven their reliability. In case the calibration of the measure does not cover our concerns in an appropriate manner related to our business, we need to change our settlement processes. This will reduce settlement effectiveness and efficiency as well as increase cost for settlement and custody services.

In case applied just to some CCPs (e.g. due to national applicability of the Basel rules to CCPs but no inclusion of all CCPs in the Basel rules), it will also impair the level playing field. In case of applicability in the form proposed without proper calibration, it will also interfere to the collateralisation of CCP positions which might be in contrast to the general role, a CCP is supposed to take in financial markets. Based on the structure of clearing members of a CCP being mainly banks or investment firms, the cash outflow for cash collateral would be set to 100 %. This does, however, not reflect the fact that a clearing member is obliged to cover his risk position through margins. History has shown that clearing members' cash collateralisation is usually quite stable and at least a substantial portion is kept as cash residuum. During the financial crisis the cash collateral has increased and the CCP had severe difficulties to place liquidity with reasonable counterparties in a diversified and if possible collateralized manner. Contrary, liquidity never was an issue. This again indicates to have an outflow percentage substantially lower than 100 %. It is important to note, that our liquidity management is driven by the need to place liquidity which is delivered by clients whereas most banks need to fund liquidity, which is withdrawn by clients.

- **Paragraph 11**: The majority of institutions does not have a public credit rating. Therefore it needs to be clarified, that rating downgrades are just relevant for institutions having a credit rating on institution level or – in case might be – for certain issued debt instruments (than of course limited to the impact on those instruments) (This is also valid for paragraph 22 (a))

- **Paragraph 12**: The provision of the required information on contingent liabilities might be exhaustive, especially as it is required to include triggers. We therefore doubt the usefulness of such a list.

- **Paragraph 15**: We support the idea of having a core set of common metrics used for qualitative liquidity supervision. We clearly see the need for supervisors to have a good insight in the liquidity situation and also have reasonable indications for future developments. But, we doubt that a huge package of information delivered with high frequency is the right approach to that. The exchange of exhausting information would lead to immense cost for both banks and supervisors but in the end would just create a huge storage of information which needs interpretation and therefore intense dis-

cussions. We therefore clearly prefer a lean set of metrics to be delivered on a regular basis and prefer the ongoing dialogue with regulators to have some tailor made information which is deemed useful. Especially we doubt on the usefulness of permanent intraday data as this is outdated in the moment it is delivered.

Intraday liquidity monitoring needs to be an integral part of liquidity management and the banks should be obliged to document their approach to monitor this in an appropriate manner. Furthermore, they have to be in a position to demonstrate the effectiveness of their approach in the course of pillar II supervision. The approaches as such vary depending on the business activities and we do not see any standardised approach to be put in place which would fit for all kinds of banks.

Section II.1: Liquidity Coverage Ratio (LCR)

- **Paragraph 29**: Even in times of stress, substantial parts of high rated non-government bonds have demonstrated a high degree of liquidity as defined in the proposal. Hugh portions of central bank eligible, high rated and low risk weighted bonds are supposed to be liquid in going concern / normal times but also to a substantial degree in times of stress. As it is not clearly predictable, which part of them will remain liquid, we at least request a reasonable treatment of such items either as stock of liquid assets or as a highly reliable source of cash inflow.

  In order to be operational, the characteristics required need to be clearly defined, observable and treated equally by all banks and supervisors. We therefore see the need to have only few but reliable parameters to define the characteristics of an asset.

  Some of the characteristics are either doubtful, or impossible to be defined clear enough:

  - Low duration: Central government bonds with a high rating, denominated in the accounting currency of the bank might be very liquid but might not have a low duration. This is especially true, as they often have long maturities. The use of this indicator should therefore be double checked.

  - Active and sizable market: For some highly liquid assets, there is a high demand but virtually no turnover at the exchanges. Nevertheless, in case securities are offered, turnover is usually secured. This is especially often the case in government bonds (like Bunds). It needs to be secured that a straight relation to exchange turnover figures is not implemented. The requested characteristics of “active and sizable markets” is therefore – but also in general – difficult to measure and related information is difficult – if not impossible – to capture and process for liquidity monitoring and reporting.

- Active and sizable market: The capturing of information on "active outright sale and repo markets" is difficult to perform and management of data for reporting purposes is nearly impossible.
- Low market concentration: Market concentration cannot be measured by the banks themselves, as this information is not publicly available. Whilst we agree on this item being in principle a good indicator for the liquidity of the asset, we disagree to make this a mandatory characteristic. Furthermore, a concrete metrics needs be put in place which might be difficult to develop.

Moreover we believe that liquid assets either need to have a well functioning market to sell them in a sufficient high volume to the current market price or use them on repo style markets / collateral at the central banks. As the measurement of liquid markets is difficult if possible at all and a generic definition might not suit as well, we believe that central bank eligibility is at least a reliable basis to build upon. We nevertheless want to point out, that there might be liquid assets in other markets (e.g. in other jurisdictions / currencies) that are for whatever a reason not central bank eligible but highly liquid. It is therefore necessary to allow the banks to set up additional funds as being liquid assets subject to the approval by the competent authority. Besides, recent market problems have shown, that also central government debt is neither totally safe nor liquid at all times.

We recommend the inclusion of any liquid fixed income financial instrument regardless of the issuer as long as it meets the eligibility criteria. This includes explicitly corporate bonds, covered bonds and commercial paper issued by financial or non-financial issuers.

We also want to mention, that the split of "eligible" and "non-eligible" liquid assets on top of the existing differentiation criteria (ratings, ECB eligibility) might have impacts on the financial markets as such. There is a risk of a scramble for securities deemed "eligible", which would become even more attractive, in detriment of the "ineligible" ones. As a consequence, interest / market price spreads might rise.

- **Paragraph 32**: As liquidity is necessary on legal entity level, we do not see the same level of requirements for liquidity measurements (especially in the sense of reporting and quantitative measures) on the consolidated level. Current liquidity schemes often apply on stand alone level only (e.g. Germany and Luxembourg). In times of group-wide liquidity management, we see some room for group-wide qualitative supervision on liquidity management (general guidelines, liquidity framework, liquidity pool, etc.). But, in our opinion group-wide liquidity management should be more supervised on the basis of "sound practices on liquidity management" / qualitative basis than in quantitative measures. Moreover, the calculation of consolidated liquidity ratios to be kept at any times and to be reported with high reporting frequency is at least very costly if possible at all. We therefore recommend limiting quantitative measures on the level of legal entities only. The sup-

porting factor of group-wide liquidity management should be taken into account as liquidity provider.

We are in particular opposing any obligation to monetise periodically a portion of our liquid assets. Especially in times of stress there is a flight to quality and quality might be a rare asset. If a bank would be forced to sell this, it might not be in a position to buy it back. Therefore it has proven in a contingency test its liquidity possibilities but is now faced with the problem to get an equal asset back without receiving a negative impact on its p & l. As we propose to relay on the central bank eligibility, we do not see the need for a real test, as long as central bank funding is secured as one option.

- **Paragraph 33**: We agree to the need to monitor liquidity on a currency by currency basis in principle. But, we are not supportive for implementing the metrics of LCR and NSF on a currency by currency basis. Currency positions are often concentrated on a few major trading currencies whereas the remaining other currencies do not play an important role. In order to reflect this, supervisors should be obliged in their review to take the importance of the currencies into account when reviewing banks' currency liquidity management. A liquidity buffer by currency would increase the fx risk of the bank and it needs to be taken into account that there might also be restrictions on the re-conversion of the currency which neither would allow nor make it sensible to keep reserves in all currencies in which liquidity needs may arise.

  Based on a going concern assumption for the operation of a bank currency conversion of existing liquidity is not an issue. In times of stress, e.g. political or other extreme scenarios disposition on accounts in certain countries might not be accessible anyway and any buffer held in that country would not just be useless but also causing negative risk impacts. We are therefore clearly in favour to have the currency liquidity management being included in a qualitative supervisory approach and have this included in pillar II supervision. Especially cases where the currency position in specific currencies is flat (i.e. assets and liabilities have roughly the same size) within the same maturity clusters, we do not see value added in calculating ratios based on different in- and outflow probabilities.

- **Paragraph 34**: We refer to our comments made above (paragraph 29). Moreover, a "definition" of "cash"[6] needs to be inserted. Cash should be defined in line with banking accounting standards (like EU Banking Accounting Directive) and therefore does not contain any holding on nostro accounts with other banks. But, holdings on nostro accounts need to be treated in an appropriate manner.

  It is unclear to us, how <u>positions (receivables and payables) on current accounts</u>, which do not have a specific due date (available at any time) are to be treated, as they do not have any expected out- or inflow related to them.

[6] This is also true for the NSF

Therefore they might be a portion of the stock of "high quality liquid assets" depending on counterparty (e.g. part of "Cash") or are to be included in cash in- and outflows in an appropriate manner. We therefore kindly ask to clarify their handling.

- **Paragraph 36**: Bonds issued by financial institutions are not illiquid per se and we see therefore the need to take them into account. Haircuts should be similar to those of non-financial corporates. We accept that interconnectedness of institutions is potentially increasing the risk on liquidity in times of "stress". But, economic risks to corporates are also visible at the markets. A failure of a big industry group will have severe impacts on its suppliers. Problems in the selling of specific goods (e.g. cars) might be industry wide. We do not agree to an over-pessimistic approach toward financial institutions.

Ratings should be stated in line with credit quality steps as for solvency purposes and not in a notation of any ECAI itself. (This is true also for other captions of the paper)

Measurement of "in large, deep and active markets characterised by a low level of concentration and a bid-ask-yield spread that has not exceeded 40 bsp or 50 bsp neither during all of the last 10 years nor during a relevant period of significant liquidity stress" seems to be difficult.

The same is true for "maximum decline of price or increase in haircut over a 30-day period during the last 10 years or during a relevant period of significant liquidity stress not exceed 10%". Especially for securities issued recently and those with original maturity of less than 10 years (especially short term papers like CPs), this is extremely difficult to reach – if at all. A much more practicable approach is needed. Which haircut is meant in that phrase not to increase over a 30-day period?

- **Paragraph 41**: The definition of "retail" customers for solvency and liquidity supervision should not be different. We therefore strongly recommend referring for retail exposures to article 70 first and forth bullet point of the Basel II framework. The threshold referred to in article 70 third bullet point should not apply in this case.

The differentiation between "stable" and "less stable" seems quite artificial to us. If salaries are paid onto a specific account this does not mean that cash is not taken away shortly after arrival on that account. The term "other established relationships" is in our opinion also quite vague and differing interpretations are the potential outcome. We therefore recommend having just one (blended) rate for those exposures. For example the rate currently used for non financial institution customers under the German Liquidity ordinance is 10 %. Taking into account the rates proposed by the Committee, we assume that this rate might be a fair compromise.

- **Paragraph 45**: In principle, we do not see major differences for secured / unsecured funding with respect to outflow probabilities.

- **Paragraph 48**: Our remarks on retail customers (see above) in principle are valid here as well.

- **Paragraph 51**: The term "operational relationship" is not clearly defined and potential different interpretations create "room to manoeuvre". We therefore suggest not to split into different categories based on "operational purposes".

- **Paragraph 55**: Based on our general remarks on the special role of banks in the economy in section B of this paper, it cannot be assumed that all banks (this argument is content wise also true for the other business listed as "financial institutions" in this regard) withdraw their funds at once. This is especially true in cases where there are contractual obligations for a defined period. Also for other liabilities, we do not agree to the assumptions of a complete outflow (100 % weight). The current German Liquidity ordinance does not have weights higher than 40 %. Taking into account recent turmoils and the general tendency to be more prudent in the future to avoid any potential financial market crisis, we could think to have a maximum outflow weight of something like 50 – 75 %. Especially for institutions like our group companies working with short (mainly overnight) maturities in the inter-bank business, the proposed approach would be leading to strange results and making the fulfilment of the ratios impossible. A residuum amount is usually kept on an account and this is even more true in respect to account balances (not talking about the same position as the day before) on inter-bank operational current accounts.

- **Paragraph 56**: as notes, bonds and other debt securities have a maturity and are in principle not cancellable on short notice by the holder, we ask for clarification how such instruments are to be treated which have a remaining maturity of at least 30 days and do not offer any possibility to the holder to request early redemption or other means of early re-payment within that timeframe.

- **Paragraph 59**: As for the unsecured funding part above we do not see the probability for a 100 % withdrawal of all repo style transactions collateralised with "non-eligible" assets at the same time (without getting new inflows).

Summing up we propose to have the outflow ratio for public and non-financial corporates being set to something like 25 % and the outflow for financial institutions (potentially to be defined more specific) should be set to something like 60 %. In order to calibrate the ratios based on the QIS currently under way, one should have in mind that in a going concern situation potential inflows of new "cash" cannot be estimated, whereas in a gone concern situation, the outflow might not or just with some delay be possible. In case of severe liquidity stress for a particular bank, the supervisor will most likely execute supervisory measures and put the institution under a moratorium or liquidation will come into effect. In both cases outflows are frozen for the time being.

In total, we would see outflow rates for on balance sheet items as follows (prior to calibration after QIS):

- 10 % for retail on balance sheet items,

- 60 % for payables to financial institutions (to be defined) and

- 25 % for all other payables.

As an alternative approach to the one given above, we want to give a thought to a more easy to derive and potentially better to monitor and reconcile approach: Instead of defining “retail” and “wholesale” customer and splitting in “non-financial” and “financial” we kindly ask to consider to follow the balance sheet (as defined in e.g. in the EU Banking Accounting Directive [86/635/EEC]) and split between “credit institutions” and “customers” and adjust the above mentioned percentage as follows:

- 20 % for “customers”, 60 % for credit institutions

Finally, the treatment of <u>accrued interest</u> and <u>accrued fees</u> needs to be clarified regardless of the approach taken.

- **<u>Paragraph 66</u>**: For <u>committed credit lines</u>, a common approach as “one fits for all” seems to be not appropriate in our mind. Most important is a clarification of the term “committed” for this purpose (this is true in general for the current two BCBS documents in question). Depending on national law and interpretations, a commitment already exists if the line is granted in writing or in the form of any contract. The BCBS paper on liquidity specifies “committed” as being contractually irrevocable. As this is a very important difference, the focussing on the possibility to revoke would solve some of the problems addressed in this paper. A sensitive use of terms to avoid different interpretations across jurisdictions is therefore needed.

  In general, we recommend for off-balance sheet items to align risk categories with the classifications and general weighting approach of paragraphs 82 – 89 of the Basel II framework.

  <u>Other committed credit lines which are revocable under conditions</u> should have a lower weight than those off balance sheet items which are not revocable within a given timeframe.

  For certain items the <u>allocation to on- or off-balance sheet</u> is depending on the accounting treatment and therefore on the future harmonized approach for regulatory reporting and supervision.

  In particular we want to draw the attention on securities lending transactions which are performed on the basis of matched principal broking. In those cases securities lent are borrowed out at the same time the lending occurs

on a 1:1 basis. Especially in cases where there is no cash collateral required, we cannot see the need to include such transaction in the liquidity measures. Even in cases where cash collateral is given or received in connection with that, we do not see a different treatment except that the cash need to be treated as any other cash (respectively receivable / payable).

- **Paragraph 71**: Positions held on accounts with no explicit maturity which might be drawn upon at any time (e.g. current account) do not show a "contractual inflow". Similar this is true for accounts held with a certain notice period where the inflow (as well as any potential outflow) is not "contracted". The inclusion of these positions as "inflow" need to be secured.

  For us it is crucial, that any cash held on other bank accounts (nostro accounts) in the form of a current account is taken into account as an inflow or as part of the stock of high quality liquid assets.

- **Paragraph 76**: We want to point out that treasury (dealing) limits for both takings and placements are often not given in writing. While this in the context of liquidity management does not matter for placement limits, the limits to takings could have a relevant impact: Unfortunately, they cannot be measured. Exceptional confirmed inter-bank lines are usually quite reliable. Therefore confirmed lines need to be taken into account at least up to a substantial percentage.

  As a consequence of central liquidity pooling, intra-group limits might not be set or are set at a very high level. Therefore inclusion of intra-group limits (both received and given) might not be very useful. But, we want to point out, that there needs to be other appropriate measures to include intra-group liquidity management in the calculation algorithm.

  Undrawn portions of received committed and irrevocable credit lines should therefore count for 100 %. Other committed lines should count for at least 5 %.

Section II.2: Net stable funding ratio (NSF)

- **Paragraph 86**: For the capital captions, it is needed to clarify the handling of any item to be deducted from capital for solvency purposes (e.g. intangible assets).

  Regarding our position on vague definitions and difficult to obtain data we refer to our remarks related to the LCR. Also for the NSF we clearly ask for a categorisation of liquidity classes by means of clear definition, observable / measurable characteristics and low to no room for interpretation. As a consequence, the differentiation of classes will most likely be reduced and less classes will be the result. For those classes the necessary weights need to be calibrated in the course of proper quantitative impact studies.

As for the Liquidity Coverage Requirement, we recommend to follow more closely existing definitions. Therefore we suggest explicitly to drop the differentiation between "<u>stable</u>" and "<u>less stable</u>" deposits as this might be difficult to differentiate in practise and precise definitions might be difficult to reach.

Furthermore, the definition of the captions should be aligned with either "retail" in the sense of retail exposures for solvency purposes (see above) or – even better – base the distinction on the accounting treatment ("credit institutions" / "customers").

We propose a rate of 80 % for <u>deposits</u> (in a broader sense of any cash taken on account including collaterals and cash on current accounts) of any kind <u>from "customers"</u> (i.e. non-banks) with no explicit maturity or residual maturity of 1 year or less.

Taking into account the liquidity provider role of banks, we also see in this area the need to include a reasonable portion of any kind of cash deposit form banks or – to be in line with our proposal to use banking accounting standards from "credit institutions" (as defined e.g. in EU-directive 86/635/EEC). We acknowledge the interconnectedness of financial institutions and therefore accept the general idea of the Commission proposal to have a lower percentage included. But, zero percent is from our perspective a far too low approach. We believe that something like 40 % is preferable and reflects proper liquidity management to a better degree. This includes inter alia cash residuum out of cash collateral received.

Also in our mind, a substantial portion of committed credit facilities obtained need to be included.

As one source of stable funding we expect to include at least substantial portions of provisions (e.g. Pension provisions, other long term provisions). As provisions have the tendency to relay on estimates and therefore do not have a proper effective maturity, we propose to include some specific rules for provisions.

- **<u>Paragraph 89</u>**: As for the LCR, we would like to clarify the term "cash". Furthermore, we suggest replacing the term "loan" with "exposure" as we belief any kind of receivable is meant irrespective if this is particularly granted or e.g. a fee receivable out of services performed.

In addition, we believe that accruals, prepayments, tangible assets and assets to be deducted from the regulatory capital should be excluded.

In order to synchronize with the solvency requirements, we propose to align the wording and content of the 5 % portion of the coverage requirements. Therefore there should be no rating requirement for multilateral development banks. Just such securities should be included, which receive a 0 % risk weight under the credit risk standard approach. Proper reference to the respective captions of the Basel II framework should be made in the final

draft. Notations of ECAI ratings should be avoided, as they are not clear. If need be, credit quality steps should be the reference.

Furthermore, information on "active repo-markets" is hardly to retrieve. We therefore ask either to drop this requirement or explain clearly in the final revised framework the characteristics of such markets. In case of keeping this requirement, a unique approach for all banks on the same security is unlikely to happen, as it will not be easy to derive this data into a lean and efficient process. The same is true for "deep, active and liquid markets".

The term "proven record of a reliable source of liquidity in the markets even during stressed markets conditions" is again a vague term and has a high degree of interpretation and therefore uneven use.

Investment funds which are liquid are missing in the concept at all. In case the issuer of the fund is offering a daily repurchase and daily prices are published, we feel that this should be sufficient to either include such funds in the stock of highly liquid assets or as cash inflow.

- **Paragraph 91**: We do not see any reason to include unconditionally revocable credit and liquidity facilities into the RSF. We therefore strongly suggest taking out the possibility for national supervisors to give and weight greater than zero to this item.

- **Paragraph 100**: We have doubt in the sense of sending raw data – which is of course not available in a standardised form – to the supervisors. This is creating a massive work load for both sides and due to the huge amount of information to be analysed, we doubt any useful usage.

- **Paragraph 128**: Again the amount of data potentially being collected is massive and it is unclear to us, how a particular form of standard information can be delivered. Pillar II already now offers the possibility to collect quite a lot of tailor made information. Overall, we feel that the metrics proposed are too vague at the current status to make this operational. Without a detailed proposal for any operational exchange of information, a comprehensive answer to the metrics proposed is impossible.

- **Paragraph 131 - 132**: For various technical reasons, the actual information on all or even on all material account / position balances is not available real time. It therefore is of course adequate to have qualitative tools in place to monitor and steer the liquidity at all times and also intra-day. Even quantitative information (cash forecasts, position management, near time information) is needed to monitor. During the day it is nevertheless impossible to monitor the proposed ratios on an ongoing basis. Certain accounts are just connected on a batch modus. Some settlement systems book items in different batches, which are linked for cash flow purposes, etc. Also booking corrections and back valuations occur. Therefore it is economically and technically impossible to calculate supervisory ratios (including solvency and leverage ratio) intra-day. Due to the technical constraints explained, also a daily reporting is of limited use. Production of reli-

able data takes some time and follows in principle accounting processes. On a stand alone level figures which are close to definitive might be provided in a time frame of approx. 10 working days, delivery on a consolidated level will take even longer. We therefore strongly oppose to require ratio delivery with a frequency below one month and – in case a high degree of “finality” is requested – prior to 10 working days after reporting date.

- **Paragraph 134**: We disagree to the delivery on a consolidated level as argued above. Furthermore related to the currency positions we want to refer to our statement given above (see remarks on paragraph 33)

Annexes:

- The specifications in the annexes are to a large extent more detailed than the description in the paper itself. To reconcile the data request out of the annexes with the general approach is therefore difficult. We strongly recommend to design the further calculation requirements in line with the general approach and not to request more detailed information which might be difficult – if at all – to be captured.

Annex 2:

- The complex reduction on just a part of cash is hardly operational and almost not practical for any reporting process. This is not in line with the general description of the paper as such.
- The definition of “instruments” should be replaced by “non-derivative financial instruments”– and the split into three categories (“instruments” and “securities”) can be taken away. Any “non-derivative financial instrument” with an embedded option that would increase the maturity should be excluded here as proposed.
- For the securities in relation to reverse repo transactions, a particular accounting treatment seem to be incorporated, which is unfortunately not disclosed.

In principle by an ordinary repo transaction (where the securities owner is obliged to buy back the security and the cash provider is obliged to deliver back the security), the ownership of the asset does not change. It stays unchanged in the balance of the original owner (see article 12 paragraph 4 of directive 86/635/EEC). Therefore the cash provider has a cash receivable and the cash taker has a cash payable.

Different treatments which might occur in certain accounting standards or with different kind of repo arrangements either show a complete transfer of the security and potentially an off balance liability to purchase back under certain conditions or show the cash positions as mentioned above and in addition to this a transfer of the security and a corresponding receivable / payable of the value of the security. (The cash provider shows a cash re-

ceivable and the security as well as a payable in kind in the amount of the value of the security).

The proposed treatment shows to our understanding somehow something in the middle. It does not follow any of the accounting treatments which are commonly used and therefore it looks impaired to us. In order to comment properly, information on the intended accounting treatment (for regulatory purposes) is needed. In case the security stays in the “books” of the cash taker, “eligibility” criteria do not matter for the cash provider (inflow) and the cash taker has to show the respective cash outflow (independent of the “eligibility” of the asset) and need to capture the security in an appropriate manner. (Similar arguments are true for the treatment under Annex I)

- For loans to “financial entities” (again not a clearly defined term) with a maturity of less than one year, we do not understand the impact of the maturity of the collateral. We propose to take out any reference to collateral in that respect.

- Covered bonds are in principle issued by banks or other financial institutions. We strongly support the inclusion of covered bonds in the 20 % slot but here the only criteria should be point 68 of Annex VI of Directive 2006/48/EC. We feel that the allocation in the category of 20 % is correct and that they therefore should be dropped in the 50 % caption. In principle they are seen as being of a “good quality” and due to their coverage they are usually more liquid in the inter-bank markets than non-financial corporate bonds. Due to the impacts on market liquidity seen in the recent crisis we feel an equal weighting compared to non-financial corporate bonds as being adequate.

- The term “proven record of a reliable source of liquidity in the markets even during stressed markets conditions” is again a vague term and has a high degree of interpretation and therefore uneven use. Especially the meaning of “change or increase in haircut” and how a 10 year back history is to be understood is unclear to us, as the majority of securities have an originally maturity of 10 years or less.

- Same is true for the term “Traded in large, deep and active markets”.

- We therefore suggest taking out the last two characteristics of the 20 % caption.

- As already stated, we do not support the idea of earmarking receivables from banks and other financial institutions as being a high liquidity risk. This is in particular true for bank bonds. Outside times of financial crises especially those have proven as being much more liquid than non-financial corporate bonds. The proposal to put liquidity from financial institutions always in the class of low or even lowest liquidity is in our mind therefore contradicting market conditions. Nevertheless, we accept the proven aspects of lost liquidity in certain stress scenarios (there are other stress scenarios, were corporate bonds from a specific type of industry have similar or even

worth problems, e.g. automotive industry in the 2008 / 2009 crisis while bank bonds might be stable). We therefore propose to have a caption added for corporate bonds issued by financial institutions fulfilling the criteria as laid out for the 20 % caption would receive a 40 % weight and to drop the second bullet of the 50 % caption.

- For the 50 % caption, we do not understand the inclusion in a large cap market index as being a general requirement. As we are talking also about bonds, this does not make sense. Potentially this need to be referred to for equities only like in the text proposal itself (see paragraph 89). We also want to mention in general but explicitly for this caption, that Annex 2 is not in line with the proposed weightings in paragraph 89. Paragraph 89 does not have bonds in the 50 % caption, whereas the annex does.

- We furthermore do not understand the special caption for trading book. In case this should be the only criterion for the trading book, we do not support this. In case this is an additional item, this should be made clearer.

- We suggest bundling the loans to "customers" (in line with the EU-Banking Accounting Directive or similar accounting standards and therefore including retail clients) and have this in one caption. We propose for this caption a 60 % weighting.

- We assume that loans with a maturity of more than one year tend to be paid back outside the 1 year horizon of the measure proposed. We therefore do not understand why they are counted for with 100 %. We kindly ask to review this approach and potentially put them in a caption with (much) lower weight.

Frankfurt / Main

16 April 2010