

**Monitoring indicators for intraday liquidity management****Comments by Crédit Agricole S.A.**

Crédit Agricole S.A. welcomes the opportunity to comment on the BCBS principles for monitoring the intra-day liquidity. Crédit Agricole S.A. subscribes to the answers given by the FBF (Fédération Bancaire Française), EACB (European Association of Co-Operative Banks) and IbFed (International Banking Federation). Crédit Agricole S.A. notably subscribes to the comments given in these answers concerning:

- the fact that the definition of intraday liquidity risk should be clearly mentioned in the norm. As far as Crédit Agricole S.A. is concerned, we believe a clear definition could be “intraday liquidity risk is the risk that the bank does not have enough liquidity during the day to process properly its payments”;
- the perimeter of application issue:
  - ✓ it is not clear in the norm if it applies on the perimeter of RTGS systems only or not;
  - ✓ in the same vein, it is not clear which indicators exactly a bank A should produce – should it produce any – if it is using for its payments the services of a correspondent bank B (which is for example the case for payment in currency); on this last point:
    - it appears to us that the production of indicators for bank A does not have much interest, above all if bank A is not given an explicit intraday credit line by bank B (which should not be compulsory, see below);
    - even in the case in which bank B grants an intraday credit line to bank A, most indicators mentioned in the Basel norm are not meaningful, since bank A does know when, during the day, bank B fulfills the payments on its behalf; in fact, in this case, only indicators (ii) and (iii) would be meaningful;
    - should the norm require indicators to be produced by bank A, a proportionality principle should also be implemented: a reporting on nostro accounts would be extremely burdensome and costly (difficult to automatize);
    - considering all these difficulties, we are not in favour of the implementation of such a reporting on nostro accounts.
  - ✓ in the case of Virtual account (registered by the European Central Bank on TARGET2), the scope of the entities that are members of this virtual account should be regarded as a whole and thus should drive the scope of application (production of consolidated indicators only);
- the confidentiality issue / systemic risk issue: you can limit the consumption of your intraday liquidity credit line by delaying your payments. Hence, the publication of the indicators is likely to create systemic risk, since all the banks will have an interest in delaying payments
- the risk to create more rigidities for clients: it appears to us that the norm should not give an incentive to banks to implement intraday credit lines to a larger part of its clients that is

already the case, since the consequence could be a more rigid system instead of a smoothing of the payment systems;

- the risk of duplication of data already collected elsewhere: large amount payment systems are generally run by central banks, which therefore have all the necessary information to produce in an automated manner a large part of the indicators mentioned in the norm, hence limiting the costs for the system as a whole;
- the need to balance the economic interest of the indicators with the operational costs they generate. Some of the indicators proposed in the norm do not appear very useful to us, whereas they could generate high operational costs. We think only a limited number of indicators is necessary to manage properly intraday liquidity risk.
  - ✓ particularly concerned are intraday stress scenarios, which we do not see how to produce with limited costs while their usefulness does not seem obvious to us. We think that stress scenario should either not be compulsory, or be more precisely specified so that it is possible to automatize them with limited costs.

In addition to these general comments, Crédit Agricole S.A. gives in this paper extra-detailed comments on the indicators proposed and takes advantage of this answer to mention its specificities.

## **Detailed comments on the indicators proposed**

### ***(i) Daily maximum liquidity requirement***

In the case of Crédit Agricole S.A. using Target 2, we think that this indicator should be produced for the Credit Agricole S.A. Target2 Virtual Account (consolidated data provided by Credit Agricole as responsible for the Virtual Account).

Indeed, the intraday Liquidity is followed as a whole. Hence, the indicator should be supplied globally at the level of the Virtual Account.

### ***(ii) Available intraday liquidity***

In the case of Crédit Agricole S.A. using Target 2, we think that this indicator should be produced for the Credit Agricole S.A. Target2 Virtual Account (consolidated data provided by Credit Agricole as responsible for the Virtual Account).

Indeed, the intraday Liquidity is followed as a whole. Hence, the indicator should be supplied globally at the level of the Virtual Account.

We consider that this point of view is fully compliant with the liquidity pooling within a virtual Account.

### ***(iii) Total payments***

***Idem (ii).***

***(iv) Time-specific and other critical obligations***

In the case of Crédit Agricole S.A. using Target 2, we think that this indicator should be produced for the Credit Agricole S.A. Target2 Virtual Account (consolidated data provided by Credit Agricole as responsible for the Virtual Account).

This indicator can be implemented but we do not see clearly the interest to follow specifically the critical obligations. The main part (in value) consists of payments with the ancillary systems of TARGET2, which are already known and monitored by the Central bank.

***(v) Value of customer payments made on behalf of financial institution customers***

It is rather difficult from a technical point of view to monitor the consumption of the intraday liquidity linked to a type of customers in particular. It would oblige to set up heavy and expensive solutions for a limited interest: the aimed payments are already taken into account by the previous indicators.

***(vi) Intraday credit lines extended to financial institution customers***

We have no comment in particular on the part concerning the (confirmed) intraday limits.

It is more complicated to monitor the effective consumption. This joins the difficulty expressed in the previous point.

***(vii) Timing of intraday payments***

In the case of Crédit Agricole S.A. using Target 2, we think that this indicator should be produced for the Credit Agricole S.A. Target2 Virtual Account (consolidated data provided by Credit Agricole as responsible for the Virtual Account).

This indicator leaves us interrogative because it will be by nature volatile; however, it does not mean that this volatility really reflects a lesser or greater risk

***(viii) Intraday throughput***

In the case of Crédit Agricole S.A. using Target 2, we think that this indicator should be produced for the Credit Agricole S.A. Target2 Virtual Account (consolidated data provided by Credit Agricole as responsible for the Virtual Account).

This indicator is rather close to indicator 7 but seems to present the advantage to be less complex to produce.