

14 September 2012

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland
baselcommittee@bis.org

Response to the BCBS consultative document on monitoring indicators for intraday liquidity management

Dear Sir/Madam

Mediterranean Bank plc welcomes the opportunity to comment on the BCBS consultative document on monitoring indicators for intraday liquidity management.

Mediterranean Bank plc is a specialist Maltese bank focusing on wealth management, savings and investments.

We would like to provide the following general comments:

- It is important that the monitoring framework recognises the size and complexity of the operations of individual banks and clearly sets out the requirements for direct participants and indirect participants. The framework is not particularly clear on what is required to be reported by banks which are both direct and indirect participants.
- Definitions need to be included, such as 'settlement time', 'payments made', 'payments received', 'intraday liquidity available at the start of each business day', 'time specific and other critical obligations'.
- It is not clear whether the data required for certain calculations relating to the monitoring indicators, in particular (i) *Daily maximum liquidity requirement*, (ii) *Available intraday liquidity*, (vii) *Timing of intraday payments*, (viii) *Intraday throughput*, should be collected at (a) the actual time of each settlement at the correspondent bank, (b) time when payment is sent/received by the reporting bank, or (c) at a periodic point in time, e.g. 10am, 2pm, etc.



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- For indirect participants, it is not clear whether the data should be extracted from own ledgers of the bank or from the counterparty sources, e.g. online statements of the correspondent banks. Extraction of data from the counterparty sources would require manual processing and is not considered feasible.
- The indicator (viii) *Intraday throughput* refers to the proportion, by value, of a bank's outgoing payments that settle by specific times during the day. The example (vii) in Annex 1 seems to be inconsistent with the definition of the indicator in that it refers to payments **sent** and not **settled**. Clarification is required. It is important to recognise the fact that there may be a considerable time lag between the time when payment is sent for processing by the indirect participant and the time when the payment actually settles. It is not feasible to capture actual settlement time of each payment in the systems of the correspondent banks.
- In order to satisfy the proposed detailed reporting requirements, an automated extraction of data and automated processing will need to be additionally implemented at a considerable cost. Regular costs relating to daily maintenance, daily real-time nostro reconciliations specific to the requirements of the monitoring framework, daily extraction of reports, calculation of several variables are also expected to be on the high side. It should also be taken into account that changes to the IT systems will require considerable time to implement.
- Paragraph 57 of the document proposes that the host supervisor should have the option to require foreign branches in their jurisdiction to report intraday liquidity indicators. We consider the requirement to calculate a separate set of monitoring indicators for a branch burdensome due to a separate set up required to capture branch transactions (including but not limited to separate nostro accounts and all work pertaining to extraction, reconciliation, calculation and reporting of data). We also question the value that such indicators will provide to the supervisors, on the grounds that intraday liquidity is commonly managed on a consolidated basis.
- It is important that banks are not further over-burdened by the requirement to submit new intraday liquidity reports within current tight regulatory reporting deadlines and also taking into account the increased reporting requirements due to the implementation of the Basel III (CRR/CRD IV).
- We welcome an elaboration on the stress scenarios described in the part B of the consultative document and the way they should be incorporated in the assessment of impact on the proposed intraday liquidity indicators.

We hope you will find our comments helpful.

Yours faithfully

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