THE
HONG KONG
ASSOCIATION
OF
BANKS
香港銀行公會

Room 525, 5/F., Prince's Building, Central, Hong Kong
Telephone: 2521 1160, 2521 1169 Facsimile: 2868 5035
Email: info@hkab.org.hk Web: www.hkab.org.hk

香港中環太子大廈5樓525室
電話：2521 1160, 2521 1169 圖文傳真：2868 5035
電郵：info@hkab.org.hk 網址：www.hkab.org.hk

10 October 2013

By email: baselcommittee@bis.org

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Sirs

Consultation on Liquidity Coverage Ratio Disclosure Standards

We refer to the consultative document on the "Liquidity Coverage Ratio (LCR) Disclosure Standards" published by the Basel Committee on Banking Supervision (BCBS) in July 2013.

On behalf of our members, we write to provide our views on the proposals as follows:

Scope of application

According to paragraph 10 of the consultative document, the disclosure requirements "should be applied to all internationally active banks on a consolidated basis". We would appreciate if the definition of "all internationally active banks" could be clearly defined.

The disclosure requirement of 90-day average

We propose that the use of averages of daily observations over the previous quarter for LCR disclosure purposes should be reconsidered.

The requirement to compute a 90-day average for LCR disclosure may lead to an increase in operational complexity and place additional burdens on systems, especially for entities with multiple branches and/or subsidiaries where a consolidated LCR will be required.

While we understand that banks may be expected to be able to report LCR on a daily basis in stressed situations, there is a significant difference between such ad-hoc information for risk management and supervisory purposes in specific situations and information that is destined for public disclosure. Whereas a daily report for risk management in stressed situations can be based on interim

information, not all of which may be of the same date or within the same tolerances, public disclosures must meet higher standards (even if not audited) because of regulatory requirements and the banks' own disclosure standards.

As a result of the requirement of using "daily" averages, upstream systems or processes for certain lower-risk portfolios that are not highly volatile and do not require daily reporting and monitoring for normal risk management purposes may also require enhancement or development in order to meet the necessary standard for disclosure purposes. This may be a costly and resource-intensive development effort and even if it is feasible, would produce at best marginal benefits to users and supervisors.

Given that many banks prepare monthly financial data for internal and/or regulatory reporting purposes, we consider that averages of month-end LCR calculations are more feasible and practical for purposes of LCR disclosures and in line with normal reporting standards and procedures.

We also consider that the number of month-ends used for calculating the LCR average should be consistent with the frequency of the external reporting. For example, the averages of the previous 3 and 6 month-end LCR calculations should be adopted for LCR disclosure purposes for banks publishing financial reports on a quarterly and half-yearly basis respectively.

Additional disclosures

It is mentioned in paragraph 20(e) of the consultative document that "an outline of contingency funding plans" could be included as one of the qualitative information to enable market participants to gain a more thorough understanding of internal liquidity risk management and positions of the banks.

We are concerned that a broad interpretation of this clause could lead to very complex disclosures that could actually undermine a bank's ability to carry out a contingency funding strategy in times of stress. We, therefore, suggest removing this requirement.

We hope you would find our comments useful. Should you have any questions, please do not hesitate to contact our Assistant Manager, Mr. Timothy Tam, at (852) 2526 6080.

Yours faithfully

Boey Wong
Secretary

cc. Ms. Karen Kemp, Executive Director (Banking Policy), Hong Kong Monetary Authority