

Secretariat of the Basel Committee on  
Banking Supervision

Bank for International Settlements  
CH-4002 Basel  
Switzerland

By email: [baselcommittee@bis.org](mailto:baselcommittee@bis.org)

Zurich, 14 October 2013

**Re: Liquidity coverage ratio disclosure standards**

Dear Sir/Madam,

UBS would like to thank the Basel Committee on Banking Supervision for the opportunity to comment on the consultative document "Liquidity coverage ratio disclosure standards." Please find attached our response.

We would be happy to discuss with you in further detail any questions you may have. Please do not hesitate to contact Ms. Alex Brougham on +44 20756 77425 or at [alex.brougham@ubs.com](mailto:alex.brougham@ubs.com) if you have any questions.

Yours sincerely

UBS AG



Tom Naratil  
Group CFO



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Group Treasurer

# **UBS Response to the BCBS Consultative Document on "Liquidity coverage ratio disclosure standards"**

## **1. Introduction**

UBS would like to thank the Basel Committee on Banking Supervision ("BCBS") for the opportunity to comment on its consultative document "Liquidity coverage ratio disclosure standards" (the "Consultative Document").

UBS is committed to the goal of improving the stability of the financial system and we are fully supportive of the efforts of the BCBS and others to promote transparent disclosures. UBS also strongly supports the work of the BCBS to monitor and ensure the consistent and timely implementation of Basel III, including the liquidity coverage ratio ("LCR"), which is a key component of this framework. We strongly agree with the BCBS that a common disclosure framework for the LCR will improve transparency, reduce uncertainty and strengthen market discipline by helping market participants to assess consistently the liquidity risk position of banks.

We set out below our feedback on those aspects of the document that we consider the most important. UBS has participated in discussions on this document hosted by the Institute of International Finance ("IIF") and is generally supportive of the comments made by the IIF in their letter.

## **2. LCR disclosures on a consolidated and sub-consolidated basis (paragraph 10)**

To ensure comparable disclosure for domestic and international banks and to ensure consistency of disclosures for an internationally active bank, we are supportive of national supervisors using these standardized disclosure requirements. As the LCR for internationally active banks is managed generally from a group consolidated level, disclosure of additional sub-consolidated data could be misleading and potentially confusing to users. If a bank is required to manage the LCR on a sub-consolidated basis, any disclosure at a sub-consolidated level should be presented so that a user clearly understands the differences between the consolidated and the sub-consolidated information. The BCBS could consider adding the following sentence at the end of paragraph 10—"where a national supervisor requires management of a liquidity coverage ratio for internationally active banks at a level below a consolidated basis, any disclosure of this should be clearly differentiated from the disclosure on a consolidated basis."

We also recommend that the guidance is clear on the scope of consolidation for both consolidated and sub-consolidated disclosure.

## **3. Timing, frequency and content of LCR disclosures (paragraphs 1, 12 and 13)**

When considering disclosure of regulatory ratios more broadly including the LCR, the Enhanced Disclosure Task Force ("EDTF") decided "not to propose that banks disclose these...until the requirements are finalized and in force." Although we support voluntary, early disclosure of the LCR on a pro-forma basis, we suggest that the BCBS incorporates these criteria into the determination of the required mandatory effective date for these disclosures. For better comparability and clearer implementation, we suggest that full LCR public disclosure as proposed should be mandatory no sooner than two quarters after the requirements are finalized at national level. As this would push back the mandatory implementation date to the

extent that the requirements are finalized at a national level later than mid-2014, we recommend that national authorities are encouraged to complete their implementation process as soon as possible. We agree that the LCR disclosures should be included in banks' published financial reports.

To ensure enhanced disclosure in as short a timeframe as possible, we recommend that the BCBS considers a phased approach to mandatory disclosure, requiring in the first instance disclosure of only the high level components of the template (sub-categories 16, 20, 21, 22, and 23). Mandatory disclosure of sub-categories 2, 5, 9, 10, 14, 15, 17, 18, and 19 can then follow, subject to the suggested two quarters implementation period after finalization of the disclosure requirements by national authorities.

Unless agreed and implemented consistently, the proposed most detailed breakdown of the LCR (sub-categories 3, 4, 6, 7, 8, 11, 12, and 13 on the template) could differ significantly between banks operating in different jurisdictions and markets, resulting in comparability difficulties and potential misinterpretation. The relative relevance of this level of breakdown will also differ between reporting entities due to different business models. To ensure the disclosure is meaningful, we recommend that a breakdown at this level is included only as indicative disclosure, rather than as part of the mandatory template. In addition, we recommend that narrative, qualitative disclosure be required to ensure a clear understanding of any disclosures made at this level. This would result in a disclosure framework for the LCR that is consistent across entities, but at the more detailed level is adaptable through market forces to changing circumstances, both external and internal.

#### **4. LCR calculation—use of averages and related time period (paragraph 14)**

UBS has reservations about disclosing LCR based on averages of daily values. We believe that using month-end values to produce a rolling average for the previous quarter provides disclosure that is both useful and robust. Using periods longer than three months could lead to uncertainty about a bank's actual liquidity position and diminish the clarity of the disclosures to users.

Alternatively, we propose disclosure of quarter-end values, which provide the most up-to-date information to end-users and enable consistency with other related disclosures, such as those to support EDTF's Recommendation 18 on liquidity.

Either approach should be complemented with qualitative, narrative disclosure to explain whether or not the reporting entity has complied with the LCR, as agreed with the relevant supervisor, throughout the reporting period. Such narrative disclosure should address the point raised in paragraph 6 of the Consultative Document, enabling use of high quality liquid assets ("HQLA") even if this then results in the LCR falling below the standard minimum requirement, provided this has been agreed with the relevant supervisor.

#### **5. Weighted and unweighted LCR disclosures (paragraph 15)**

We have concerns that disclosing unweighted values of all the components of the LCR would decrease the clarity and simplicity of the disclosure and could lead to misinterpretation.

We recommend that all components of the LCR are disclosed on a weighted basis, with additional optional information on an unweighted basis where the reporting entity considers this of value to the user. For example, in order to reconcile to other liquidity disclosures, such as disclosure of HQLA, it may be appropriate to disclose both unweighted and weighted values of HQLA, together with qualitative disclosure to explain how these two values relate.

**6. Disclosure of other information (paragraphs 9, 16, 17, 18, 19 and 20)**

We agree that banks should provide sufficient qualitative, narrative disclosures on the LCR to facilitate greater understanding and that additional disclosure should be provided to ensure a broader picture of banks' liquidity risk position and management, as well as to promote market discipline.

We appreciate that the disclosures in paragraph 16 are only required "where significant to the LCR" and that the disclosures in paragraphs 19 and 20 are only suggestions. However, we believe that the specific examples in paragraphs 16, 19 and 20 should not be included in the BCBS LCR disclosures standard. The standard should set out in detail only the minimum LCR disclosure requirements, as well as retain the more general guidance around the disclosure objectives. On the basis that the specific examples are removed, we recommend that 16(c) is retained and incorporated within the second sentence of paragraph 16, as we consider information on the composition of the HQLA to be fundamental to understanding the LCR for any entity.

More detailed other recommended disclosure is better captured in a more flexible way through bodies such as the EDTF, or through other general market practice as it develops.