A. Introduction

Deutsche Börse Group (DBG) welcomes the opportunity to comment on BCBS consultative document "Liquidity coverage ratio disclosure standards" issued in July 2013.

DBG is operating in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and as such mainly active with regulated Financial Market Infrastructure providers.

Among others, Clearstream Banking S.A., Luxembourg (CBL) and Clearstream Banking AG, Frankfurt/Main (CBF), who act as (I)CSD[1] as well as Eurex Clearing AG as the leading European Central Counterparty (CCP), are classified as credit institutions and are therefore within the scope of the European Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) which transpose i.a. the Basel III rules into European law. Clearstream subgroup is supervised on a consolidated level as a financial holding group.

We are in general concerned about the on-going initiatives on all levels (International, European but also national) to increase regulatory rules and to make them more and more detailed. We have raised our concerns in our reply to the BCBS consultation on "the regulatory framework: balancing risk sensitivity, simplicity and comparability" (BCBS 258). We strongly share the main aim of BCBS 258 and are highly supportive to develop future regulatory standards on the basis of simplicity and risk sensitivity. However, we also ask for consistency, a stable rule set (also to reach comparability over time) and to stop continuously adding additional elements. Furthermore, in our view it is neither useful nor advisable to further increase the information in the disclosure requirements (already nowadays the disclosure reports are hardly readable). Moreover and even more important, we kindly ask the Committee to stop the approach to introduce further measures and further burden to the banks via the disclosures requirements.

In this context, we want to point out that especially for non-internationally active banks but also for banking sub-groups of mixed activity groups it may be neither mandatory to set up consolidated statutory accounts nor to publish interim financial

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[1] (International) Central Securities Depository

statements. This is e.g. the case for the supervised entities within Deutsche Börse Group. However, such banking entities might nevertheless be systemically important. The BCBS proposals therefore should consider even more the impacts of its standards to smaller institutions. The reference to the general principle of proportionality in this context is not sufficient.

In the light of these introducing remarks, we want to comment in more details on the proposed elements of section 2 of the BCBS proposal.

B. Comments

The Basel III framework, as specified in the document "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools" as of January 2013" is demanding to keep the LCR once fully introduced on an on-going basis and to report this to the supervisory authorities on a regular, at least monthly basis with the operational capacity to increase the frequency to weekly or even daily. Keeping the LCR on an on-going basis however does not imply to calculate the ratio on a daily basis (i.e. daily ratio calculation is not mandatory per-se). This is in particular true for the ratio on a consolidated basis. Banks are in the position to control the ratio to a large extend by monitoring other key figures and perform control calculations or even LCR computations only in case the key figures indicate possible LCR ratios close to minimum or even LCR minimum breaches. In addition, the obligation to maintain the operational capacity to report weekly or even daily is a separate debate on top. A full calculation of the LCR on a consolidated basis – especially taking value date corrections into account – will take time and is most likely not performed until the end of the next day. Daily ratio calculations in an overlapping production cycle are not only difficult and costly but its' regulatory value especially outside exceptional cases is more than doubtful.

The LCR is targeted to control the <u>short term</u> liquidity situation over a time horizon not longer than <u>30 days</u>. As it has to be met at <u>any time</u>, an average figure going back three month (in case quarterly disclosure in line with statutory accounts is done) or even one year (in line with (stand alone) accounts only published once a year) does not seem to be meaningful. We therefore disagree to the proposal of average figures as this would

(a) implicitly introduce mandatory daily (consolidated) LCR calculation and;

(b) not show dedicated data of any given day.

In turn neither extremely low nor extremely high figures are visible and the average is not telling a reliable story especially when liquidity status is volatile. The related burden in preparing daily figures and calculating an average thereof is therefore by no means paying a positive return in delivery useful information to the recipient of the disclosure information, i.e. the public.

In all cases it makes by far more sense to disclose LCR data that is based on most recent data instead of averaged values which also include data that is further in the past.

However, to show the recipient of the disclosure information even observed fluctuations over the disclosure period and without increasing the preparation cost and burden, we consider the disclosure of the observed maximum and minimum value of the LCR as reported to the competent authority (including the reporting data of that figure) as being an alternative solution.

We did not detect a specific reasoning in the consultative document to use averaged values for the LCR disclosure, therefore we propose that in case a bank reports the LCR on a monthly basis only, the disclosure of LCR data should be based on the month end data as reported over the disclosure period (lowest, highest and last value of the LCR and its respective components). Only if banks are required to report the LCR to competent authorities more frequently (in exceptional cases), the disclosure of the LCR may show values (lowest, highest LCR) from reporting dates different form a month end.

In cases of (exceptionally) higher reporting frequencies the bank should be obliged to disclose the fact of an obligation to report more frequent than monthly only, including an explanation for the reasoning of that increased frequency.

Taking the need for appropriate disclosures, the principles of risk sensitivity and simplicity but also appropriate cost / benefit ratios into account, we belief our proposal is by far more beneficial than the proposed daily average. We strongly oppose to the proposed solution as it is adding a heavy burden while not generating useful information.

Taking the guiding principle of disclosure obligations in line with the publication of (interim) accounts for granted, we finally want to point out, that for a substantial portion (at least of the non-international active banks) no interim accounts are published and that therefore the disclosure requirements should reflect this.

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We hope that our comments given are useful in the further process and are taken up going forward. We are happy to discuss any question related to the comments made.

Eschborn

14 October 2013

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