



The European Mortgage Federation<sup>1</sup> welcomes the opportunity to provide a response to the EBA Consultation on *“Draft Implementing Technical Standards on Supervisory Reporting Requirements for Leverage Ratio” (Draft ITS)*.

The EMF would like to reiterate its support for the efforts of the European Commission to improve the resilience of the European financial system. In this context, the Mortgage Credit Industry welcomes the opportunity to contribute to the development of the technical Leverage Ratio rules which are based on the Commission's Capital Requirements Regulation and Directive (CRR/CRD IV) Proposal. However, the EMF would like to draw the attention of the EBA to a number of concerns regarding the Draft ITS on Leverage Ratio which could be detrimental for the European Mortgage Credit Industry.

## **Principle based concerns**

### **1. The draft ITS is based on a not yet finalised and continuously changing CRR/CRD IV text**

The Mortgage Credit Industry is extremely concerned about the fact that the EBA has been developing reporting requirements for calibration and supervisory purposes based on the Commission's initial proposals on CRR/CRD IV (dated 20 July 2011), which have already been changed by the parties to the Trialogue Discussions (i.e. the European Parliament which has already a diverging but firm position, the Council and the Commission) on several points and have not yet been finalised. Besides the risks arising from the lack of clarity regarding guidance and definitions, this may lead to temporary templates which have to be redeveloped again at a later stage.

### **2. Treatment of objectives: calibration versus supervision**

Based on the understanding of the Mortgage Industry, the two main objectives of collecting data on Leverage are:

- to calibrate the Leverage Ratio based on the mandate given by the CRR/CRD IV to the Commission/EBA; and
- to monitor supervisory compliance.

The nature of these disparate objectives requires different and separate approaches to define the implementation and transition of calibration and supervisory compliance.

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<sup>1</sup> The European Mortgage Federation, which represents over 75% of the EU mortgage industry, is the voice of the mortgage industry in the EU, bringing together national banking associations and individual mortgage lenders from EU Member States. The EMF is registered on the EU Transparency Register, ID Number: 24967486965-09



### 3. Securing the international level playing field: European competitiveness is in danger

There is an uncertainty about the introduction of Basel III rules in the US, where, officially, the rules on Leverage Ratio (LR) are to be introduced as of 2013. In contrast with the European regulatory plans, the LR rules in the US will only apply to five big banks and to banks following the standardised approach. Therefore the extent of the scope of the EU regulation is not comparable with the scope of the US rules. The Mortgage Credit Industry fears that this difference will endanger the equal terms of competition between the EU and US business models and will penalise EU Mortgage Lenders.

### 4. Asset encumbrance included in the Leverage reporting templates

In principle, the Mortgage Credit Industry does not oppose the reporting requirements regarding asset encumbrance. However, it does question whether or not such data should be reported under the Leverage reporting requirements via Template LR8 of the Draft ITS on Leverage.

## Technical issues

### 1. Implementation period is unrealistically short

The EMF understands that the European Council has suspended its work on the CRR/CRD IV until September 2012, whilst the vote of the European Parliament on this regulatory package has been postponed to October 2012. At the same time, the EMF believes that the implementation date for the new CRD Framework, including the ITS on Leverage Ratio, appears to remain the 1<sup>st</sup> of January 2013.

The Mortgage Credit Industry is extremely concerned about the significant delay experienced in the legislative process of the CRR/CRD IV, which prevents credit institutions from having sufficient time to prepare for and adapt to the new provisions. The extensive IT modifications and other preparations that will be necessary can only be undertaken by financial institutions to a very limited extent before the final text of the CRR/CRD IV has been published. Moreover, before the technical implementation starts, credit institutions will need a sufficient amount of time to examine and understand the new rules. Given the different levels of IT development, the extensive amount of new requirements other than those defined in the CRR/CRD IV and the different nature of business models, we believe that the remaining two month period is unrealistic<sup>2</sup> and that the Industry needs **at least six months** for implementation after the publication of the ITS in the official journal.

### 2. Reporting frequency

For most credit institutions, it will be impossible to comply with the monthly data requirement in the CRR/CRD IV, as this data is not available. Imposing a calculation based on monthly consolidated data will create an unnecessary burden on credit institutions, with no obvious added value. The Mortgage

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<sup>2</sup> The Commission, in its "Non paper on CRD IV – Issues Related to the future implementation of the CRR and transposition of the CRD" from 23 April 2012, has already drawn the attention of the European Regulators to some difficulties of the implementation of the CRR and transposition of the CRD IV.



Credit Industry believes that end of quarter data would be more appropriate and just as effective for supervisory monitoring purposes.

### **3. Parallel reporting obligation**

Under the voluntary reporting QIS template, some institutions have already been providing data on leverage items overlapping with the data required by the EBA's ITS Proposal. The Industry believes that this duplicated reporting "obligation" will result in inefficient resource management. In order to avoid this unnecessary waste of resources, the EMF finds it essential that both the Basel and EBA reporting regimes on leverage are aligned.

### **4. Accounting framework**

As indicated in the EMF Response on Liquidity, the Commission's CRR/CRD IV Proposal and the Draft ITS do not provide guidance on which accountancy system should be used. The European Mortgage Industry fears that this could result in incomparable data.