

Consultation Paper Response

Guidelines on disclosure of encumbered and unencumbered assets (EBA/CP/2013/48)

20 March 2014

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the EBA's recent consultation paper on guidelines on the disclosure of encumbered and unencumbered assets. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76.

We summarise below our over-arching response to the consultation paper, which is followed by a section with more detailed thinking around some of the main topics and questions asked.

Over-arching Comments

AFME and its members agree in principle to the disclosure of information by firms on encumbered and unencumbered assets which has the potential to increase transparency and facilitate more informed decision making by investors and market participants. We have noted also that the EBA is seeking to take a practical and cost effective approach to the disclosure standards through their alignment with the existing implementing standards on supervisory asset encumbrance reporting.

More detailed considerations/responses to questions

Use of emergency liquidity assistance from central banks

We understand that the use of emergency liquidity assistance from central banks is not intended to be disclosed owing to potential sensitivities in the market towards firms that disclose their use of such funding. We have noted also from the EBA's public hearing that the ECB is keen also that the use of such facilities should not be disclosed owing again to possible unintended consequences and the extent to which this might impede central banks' ability to intervene and provide emergency support. The consequence, however, of such non-disclosure is that firms which are using

emergency liquidity support will disclose the associated collateral as unencumbered which actually then present them in a better light than a potentially much stronger firm which is funding itself through the use of more expensive private markets.

Information on the importance of encumbrance

AFME and its members are supportive of the requirements for the provision of narrative information relating to the impact of their business model on their level of encumbrance and the importance of encumbrance in their funding model. We would note, however, the challenges that supervisory authorities are likely to face in ensuring consistency of disclosure across different firms, markets and jurisdictions.