should have more discretion regarding the buffer to be applied in their own country. Regions may develop in different ways, in particular in bigger countries and the situation may be different from one industry to the other. **Therefore, competent authorities should have sufficient discretion to limit the application of buffer to regions and industries in their country.**

Furthermore, we believe that only relevant exposures (i.e. above a fixed threshold) should be taken into consideration for the calculation of the countercyclical buffer. We therefore suggest a "de-minimis-clause".

8. Large Exposures

8.1 Eligible capital

Amendment n. 17

Article 4(23)(c) CRR1
(Definitions)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
(23) "eligible capital' for the purposes of Title IV of Part Two and Part Five means the sum of the following: (a) Common Equity Tier 1 capital; (b) Additional Tier 1 capital; (c) Tier 2 capital that is equal to or less than 25 % of own funds; 24) (...)	(23) "eligible capital' for the purposes of Title IV of Part Two and Part Five means the sum of the following: (a) Common Equity Tier 1 capital; (b) Additional Tier 1 capital; (c) Tier 2 capital ~~that is equal to or less than 25 % of own funds~~; (24) (...)

Justification

The Commission introduces the term "eligible capital" for calculating large exposure limits. Tier 2 capital is to be capped at 25% of the total for this purpose. The proposed change would place small and medium-sized institutions at a clear disadvantage since the relatively small amount of regulatory capital at their disposal means their large exposure limits would be quickly reached. This would significantly restrict their ability to lend to the corporate sector. The assessment base should continue to be calculated on the basis of all Tier 1 and Tier 2 capital.

8.2 Claims on institution in the form of minimum reserves

Amendment n. 18

Article 389(1)(l)(new) CRR 1
(Exemptions)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
1. The following exposures shall be exempted from the application of Article 384(1): (...)	1. The following exposures shall be exempted from the application of Article 384(1): (...) **(l) asset items constituting claims on institution in the form of minimum reserves required by the ECB or by the central bank of a Member State to be held by an institution provided that the conditions laid down in Article 114(4) are met;**

Justification

According to the current Large Exposure regime, an exposure to an institution - in the form of minimum reserves required by the ECB to be held by the credit institution – is not exempted from Large Exposure limits. This bring about a negative impact for smaller banks like BCCs which in almost all cases fulfil their minimum reserve requirements indirectly through their central credit institutions.

9. Leverage Ratio

9.1 Frequency of Calculation

Amendment n. 19

Article 416 (2)
(Calculation of leverage ratio)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
2. The leverage ratio shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. Institutions shall calculate the leverage ratio as the simple arithmetic mean of the monthly leverage ratios over a quarter.	2. The leverage ratio shall be calculated ***quarterly*** as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. ~~Institutions shall calculate the leverage ratio as the simple arithmetic mean of the monthly leverage ratios over a quarter.~~

Justification

The reporting of the leverage ratio may be burdensome, since it has to be calculated of monthly ratios over a quarter on a consolidated and solo basis. The measurement based on the end-quarter figures should be a permanent option, not only during the transitional phase. A calculation on a monthly consolidated and solo basis would entail disproportionate costs. The calculation of a leverage ratio on a monthly basis will be an extremely heavy operation to take care of and furthermore it will be costly both in terms of cost and of internal resources for banks. At the same time, the added value of a monthly calculation remains doubtful.
In addition we believe that "central banks" exposures to European Central Bank related to the fulfilment of BCCs minimum reserves should be deducted from the calculation of the ratio.

10. Liquidity Risk

10.1 General remarks

Within the network, BCCs take retail deposits and issue bonds and other debt securities almost exclusively in the retail markets. Bonds and other debt securities are held in retail accounts. Conversely, "central banks" take deposits from financial institutions, most of which are from BCCs.

Due to a robust division-of-labour arrangements, "central banks" play a primary role within the network as a wholesale product and service provider for BCCs which, in almost all cases, do not have access to settlement systems, and capital/money markets.
By virtue of those agreements "central banks" are able to ensure the balancing of liquidity within the network, and BCCs are able to offer customers a complete range of banking/financial products and services and to carry out their own financial operations.
In particular, "central banks" provide BCCs with **clearing**, **custody** and **cash management** services[4]. Such services are provided under a **legally-binding agreement**.
For these operational functions each BCC holds a specifically designated account at the "central banks" and place deposits into this account. Therefore, these deposits are by-products of the underlying services provided by "central banks".
In addition "central banks" offer a wide range of services and products specifically designed for BCCs (such as repo, time deposits, etc.) which can be utilised for investing liquidity surpluses – i.e. amount of money estimated in excess to the above operational functions - to maximize profitability.
The related funds collected by "central banks" from BCCs may be either transferred to another BCC which needs funding, or used for their own lending activities, or placed on financial/money markets at better conditions than the local banks individually could obtain.

Furthermore, in almost all cases BCCs fulfill their ECB minimum reserve requirements indirectly through their "central banks".

The proposed CRR1 rules on liquidity risk creates a kind of conflicts of interest create between the central institutions and BCCs that may disincentive the existing centralized mechanisms of liquidity management within the network - and further development -, which have been demonstrating their stability and efficiency also in recent periods of stress.
In particular, under Liquidity Coverage Ratio, stress test hypotheses for transactions (deposits, loans and undrawn credit and liquidity facilities) between the central institutions and BCCs are based on inappropriate assumptions with respect to its operational features.
As stated earlier, within the network, the central institutions provide wholesale products and services to BCCs and manage, in a centralized manner, the liquidity of the network as a whole. Due to this operation, the central institutions hold specific liquidity buffer addressing the funding stemming from BCCs as well as the undrawn credit facilities granted to them.
Therefore, we believe that the treatment of transactions within the network proposed by CRR1 rules on liquidity risk is uneven and unduly penalizing since:

a) it does not take into account the general stability of the funding provided by BCCs to the central institutions;
b) as regard to undrawn credit lines granted by the central institutions to BCCs it implies no suitable benefits for the latter compared to the costs in which the former incurs to hold additional liquidity buffers; and
c) it does not consider the effects of BCCs geographical, dimensional and operational diversification and the consequent reduced risk of their simultaneous behaviour with respect to the central institutions.

---

[4] As laid down in par. 75-77 of *Basel III: International framework for liquidity risk measurement, standards and monitoring* (2010) and in Article. 409, par. 5, point a), of CRR1.

We share the Basel Committee and Commision goal to reduce an excessive use of wholesale funding by banks, especially from other financial institutions. At the same time we would like to point out that a 100 per cent outflow of both deposits placed by BCCs with their "central banks" and undrawn credit lines granted by the latter to the former is not realistic. Such treatment of transactions within the network could create a disincentive for the existing centralized mechanisms of liquidity management within the network, which have been demonstrating their stability and efficiency also in recent periods of stress.

Due to the significant differences among several business models it is very difficult to design a one-size-fits-all liquidity standards that would be meaningful across all banks. Liquidity standards underpinned by common stress assumptions can lead to misunderstood liquidity risk.
It is therefore extremely important that liquidity risk regulation takes account of the structural differences in business models.

As above said, the BCC network is working on the implementation of an institutional protection scheme (IPS) - the *Institutional Guarantee Fund* (IGF) – pursuant to art. 80(8) of Directive 2006/48/EC,. The IPS in general, and the IGF in our specific case, will significantly enhance the "liquidity system" within the network.

We believe that the specific case of institutional protection schemes has to be reflected more intensively in the context of CRD 4 and CRR 1.

The paragraphs below point out the main requests of amendment regarding the liquidity rules of the proposed CRR1. An extract of the proposed CRR1 liquidity rules with our amendments is reported in annex 1.

10.2 Extension of the Observation Period

Amendment n. 20

Article 481(2)(new)
(Liquidity requirements)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
1. EBA shall, by 31 December 2013, report to the Commission on appropriate uniform definitions of high and of extremely high liquidity and credit quality of transferable assets for purposes of Article 404. *(...)*	1. EBA shall, by 31 December 2013 **a preliminary report, and by 31 December 2014 a final** report to the Commission on appropriate uniform definitions of high and of extremely high liquidity and credit quality of transferable assets for purposes of Article 404. *(...)*

Justification

The observation period for the LCR will start only once EBA has developed uniform reporting formats, i.e. in the beginning of 2013. Thus, the observation phase will last 1 year at the most and hence result in a tight, restricted time-frame. We therefore strongly suggest an extension of the observation period at least until the end of 2014.
We strongly support that the period when the institutions know the final parameters should be long enough so that they have time to adapt before the actual implementation of the regulation, i.e. 2015.

10.3 Proportionality in case of non compliance

Amendment n. 21

Article 402
(Compliance with liquidity requirements)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
Where a credit institution does not meet, or is expected not to meet the requirement set out in Article 401(1), it shall immediately notify the competent authorities and shall submit without undue delay to the competent authority a plan for the timely restoration of compliance with Article 401. Until such compliance has been restored, the credit institution shall report the items daily by the end of each business day unless the competent authority authorises a lower frequency and a longer delay. Competent authorities shall only grant such authorisations based on the individual situation of a credit institution. They shall monitor the implementation of the restoration plan and shall require a more timely restoration if appropriate.	Where a credit institution does not meet, or is expected not to meet the requirement set out in Article 401(1), it shall immediately notify the competent authorities and shall submit without undue delay to the competent authority a plan for the timely restoration of compliance with Article 401. Until such compliance has been restored, the credit institution shall report the items daily by the end of each business day unless the competent authority authorises a lower frequency and a longer delay. Competent authorities shall only grant such authorisations based on the individual situation of a credit institution **and taking into account the nature, scale and complexity of the institution's activities**. They shall monitor the implementation of the restoration plan and shall require a more timely restoration if appropriate.

Justification

In the case of non compliance with liquidity requirements, proportional discretion should be applied for a credit institution. We propose a more flexible reporting to the competent authority in that case.

10.4 The 30-day period

Amendment n. 22

Most information systems in banks are able to produce data on a calendar month period but not on 30 calendar days. IT developments necessary to the strict application of the regulation would be very heavy to implement. Therefore, in our view the interpretation institutions should have about the 30 day horizon is **1 month rolling.**

10.5 Particularities of co-operative networks constituting an IPS

10.5.1 Conflicts of interest

Amendment n. 23

Recital 75 CRR 1

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
The stock of liquid assets should be available at any time to meet the liquidity outflows. The level of liquidity needs in a short term liquidity stress should be determined in a standardised manner so	The stock of liquid assets should be available at any time to meet the liquidity outflows. The level of liquidity needs in a short term liquidity stress should be determined in a standardised

as to ensure a uniform soundness standard and a level playing field. It should be ensured that such a standardised determination has no unintended consequences for financial markets, credit extension and economic growth, also taking into account different business models and funding environments of credit institutions and investment firms across the Union. To this end, the liquidity coverage requirement should be subject to an observation period. Based on the observations and supported by EBA, the Commission should confirm or adjust the liquidity coverage requirement by means of a delegated act.	manner so as to ensure a uniform soundness standard and a level playing field. It should be ensured that such a standardised determination has no unintended consequences for financial markets, credit extension and economic growth, also taking into account different business models and funding environments of credit institutions and investment firms across the Union. **It should be avoided that the application of the liquidity requirements may create conflicts of interest within financial groups or within an institutional protection scheme and may hinder the development and implementation of arrangements aiming at ensuring the liquidity and solvency of the whole group or the institutions entered into an institutional protection scheme.** To this end, the liquidity coverage requirement should be subject to an observation period. Based on the observations and supported by EBA, the Commission should confirm or adjust the liquidity coverage requirement by means of a delegated act.

Justification

The CRR1 proposal in its present form creates conflict of interests between the central institutions and the local banks within those co-operative network, which will not be able to comply with Article 7. Therefore we think that it has to be stated in the recitals of CRR1 proposal that the application of the liquidity requirements should not obstacle the fulfilment or the development of the liquidity and solvency arrangements among the network members. Fine tuning is necessary for the calculation of cash outflows and inflows in order to minimise the detrimental effect of the new regulation. Otherwise the new liquidity rules may disincentive the existing centralized mechanisms of liquidity management within the network - and further development -, which have been demonstrating their stability and efficiency also in recent periods of stress.

10.5.2 Retail deposits

Amendment n. 24

Article 409 CRR 1
(Outflows on retail deposits)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
1 Institutions shall multiply the amount of retail deposits that are covered by a Deposit Guarantee Scheme according to Directive 94/19/EG or an equivalent deposit guarantee scheme in a third country by at least 5% where the deposit is either: (a) part of an established relationship making withdrawal highly unlikely; (b) held in a transactional account, including accounts to which salaries are regularly credited.	1 Institutions shall multiply the amount of retail deposits that are covered by a Deposit Guarantee Scheme according to Directive 94/19/EG or an equivalent deposit guarantee scheme in a third country, **and an institutional protection scheme meeting the requirements of Article 108(7) that provides equivalent protection** by at least 5% where the deposit is either: (a) part of an established relationship making

2 (...)	withdrawal highly unlikely; (b) held in a transactional account, including accounts to which salaries are regularly credited. 2 (...)

Justification

The amount of retail deposits not covered by a Deposit Guarantee Scheme according to Directive 94/19/EG or an equivalent deposit guarantee scheme in a third country should be treated as stable deposits provided that:(i) it is guaranteed by an institutional protection scheme meeting the conditions laid down in Article 108(7); (ii) the institutional protection scheme provides equivalent protection; (iii) the conditions set forth in article 409 (1) (a) and (b) are satisfied.

10.5.3 Supervisory discretion regarding inflows and outflows

Amendment n. 25

Article 410(8)
(Outflows on other liabilities)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
8. By derogation from paragraph 7, competent authorities may grant the permission to apply a lower percentage on a case-by-case basis when where all of the following conditions are fulfilled: (a) the depositor is a parent or subsidiary institution of the institution or another subsidiary of the same parent institution or linked to the institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC; (b) there are reasons to expect a lower outflow over the next 30 days even under combined idiosyncratic and market-wide stress scenario; (c) a corresponding symmetric or more conservative inflow is applied by the depositor by derogation from Article 413; (d) the institution and the depositor are established in the same Member State unless Article 18(1)(b) applies. Where such lower outflow is permitted to be applied, the competent authorities shall inform EBA about the decision and its reasons. The conditions for such lower outflows shall be regularly reviewed by the competent authorities.	8. By derogation from paragraph 7, competent authorities may grant the permission to apply a lower percentage on a case-by-case basis when where all of the following conditions are fulfilled: (a) **the depositor is one of the following:** (i) a parent or subsidiary institution of the institution or another subsidiary of the same parent institution or linked to the institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC**; or** **(ii) an institution falling within the same institutional protection scheme meeting the requirements of Article 108(7);** (b) there are reasons to expect a lower outflow over the next ~~30 days~~ **month rolling** even under combined idiosyncratic and market-wide stress scenario; (c) a corresponding symmetric ~~or more conservative~~ inflow is applied by the depositor by derogation from Article 413; (d) the institution and the depositor are established in the same Member State unless Article 18(1)(b) applies.

	Where such lower outflow is permitted to be applied, the competent authorities shall inform EBA about the decision and its reasons. The conditions for such lower outflows shall be regularly reviewed by the competent authorities.

Justification

We think that competent authorities should have the discretion to allow lower outflow on a case by case basis, also to the institutional protection schemes meeting the requirements of Article 108(7) as in the amendment of the Article 410 (8). Article 108(7) describes a situation approximating consolidation and allows a specific treatment of exposures between entities belonging to a non-consolidating group, provided that certain criteria are met. We therefore propose that members of the same institutional protection scheme should be treated in the same way as consolidating groups.

Article 413 CRR 1
(Inflows)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
4. Competent authorities may grant the permission to apply, by derogation from paragraph 2 point c), a higher inflow on a case by case basis for credit and liquidity facilities when all of the following conditions are fulfilled: (a) there are reasons to expect a higher inflow even under idiosyncratic stress; (b) the provider is a parent or subsidiary institution of the institution or another subsidiary of the same parent institution or linked to the institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC; (c) the institution and the provider shall be established in the same Member State unless Article 18(1)(b) applies. Where such higher inflow is permitted to be applied, the competent authorities shall inform EBA about the decision and its reasons. The conditions for such higher inflows shall be regularly reviewed by the competent authorities.	4. Competent authorities may grant the permission to apply, by derogation from paragraph 2 point c), a higher inflow on a case by case basis for credit and liquidity facilities when all of the following conditions are fulfilled: (a) there are reasons to expect a higher inflow even under idiosyncratic stress; (b) **the beneficiary or provider is one of the following:** i. a parent or subsidiary institution of the institution or another subsidiary of the same parent institution or linked to the institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC; **ii. an institution falling within the same institutional protection scheme meeting the requirements of Article 108(7); and** (c) the institution and the provider shall be established in the same Member State unless Article 18(1)(b) applies. Where such higher inflow is permitted to be applied, the competent authorities shall inform EBA about the decision and its reasons. The conditions for such higher inflows shall be regularly reviewed by the competent authorities.

Justification

As stated below for the liquidity outflows, we propose to establish a symmetrical treatment by modifying Article 413 (4). Therefore the recognition of higher inflow percentages at national discretion on a case by case basis should be extended to the institutional protection schemes meeting the requirements of Article 108 (7).

10.5.4 Inflows from monies related to operational deposits and within an IPS ("common task sharing" and "legal or statutory minimum deposit")

Amendment n. 26

Article 413(2)(c) CRR 1
(Inflows)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
2. The liquidity inflows shall be measured over the next 30 days. They shall comprise only contractual inflows from exposures that are not past due and for which the bank has no reason to expect non-performance within the 30-day time horizon. The inflow shall be taken into account in full with the exception of the following: (c) monies due that the institution owing those monies treats according to Article 410(4), any undrawn credit or liquidity facilities and any other commitments received shall not be taken into account.	2. The liquidity inflows shall be measured over the next 30 days. They shall comprise only contractual inflows from exposures that are not past due and for which the bank has no reason to expect non-performance within the 30-day time horizon. The inflow shall be taken into account in full with the exception of the following: (c) monies due that the institution owing those monies treats according to Article 410(4)~~,~~ **shall be reduced by 75%.** Any undrawn credit or liquidity facilities and any other commitments received shall not be taken into account.

Justification

While we appreciate that the special situation the of co-operative liquidity network that do not take a consolidated approach as stipulated in Art. 7(2) is reflected in Article 410 (4)(a) and (b) - respectively, primary role played by "central banks" within the network as a wholesale product and service provider for BCCs, including clearing, custody and cash management services, and the specific case of the institutional protection scheme -, we do not think that the provision sets the right incentives. In fact, it would have as a consequence that an institution may prefer to place deposits in a bank outside the liquidity network since when those deposits were placed in the network 0% would be available as inflows for the institution. Thus, 25 % of money would be lost. This seems inappropriate. As a consequence, we propose to establish a treatment, which reflects the situation better, by modifying article 413 (2) (c), so that the lost 25% of money are an inflow to the deposit bank.

10.5.5 The 75% cap on Inflows/Deposits and off-balance sheet commitments

Amendment n. 27

Article 413(1) CRR 1
(Inflows)

Text proposed by the European Commission	*FEDERCASSE Suggestion for wording*

1. Institutions shall report their capped liquidity inflows. Capped liquidity inflows shall be the liquidity inflows limited to 75% of liquidity outflows. Institutions may exempt liquidity inflows from deposits placed with other institutions and qualifying for the treatments set out in Article 108(6) or Article 108(7) from this limit.	1. Institutions shall report their capped liquidity inflows. Capped liquidity inflows shall be the liquidity inflows limited to 75% of liquidity outflows. Institutions may exempt liquidity inflows from deposits placed with other institutions **as well as inflows from loans and off balance sheet commitments** and qualifying for the treatments set out in Article 108(6) or Article 108(7) from this limit.

Justification

We recommend that all the internal flows within an IPS should be allowed to be excluded from the cap on the inflows, including the loans and off balance sheet commitments.

10.6 Liquid Assets

10.6.1 Definition of Liquid Assets

Amendment n. 28

Article 404(1 and 3) CRR 1
(Reporting on liquid assets)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
1. Institutions shall report the following as liquid assets unless excluded by paragraph 2 and only if the liquid assets fulfil the conditions in paragraph 3: (a) cash and deposits held with central banks to the extent that these deposits can be withdrawn in times of stress;	1. Institutions shall report the following as liquid assets unless excluded by paragraph 2 and only if the liquid assets fulfil the conditions in paragraph 3: (a) cash and deposits held with central banks ~~to the extent that these deposits can be withdrawn in times of stress~~;
2. *(...)*	2. *(...)*
3. Institutions shall only report as liquid assets that fulfil each of the following conditions: (a) they are not issued by the institution itself or its parent or subsidiary institutions or another subsidiary of its parent institutions or parent financial holding company; (b) they are eligible collateral in normal times for intraday liquidity needs and overnight liquidity facilities of a central bank in a Member State or if the liquid assets are held to meet liquidity outflows in the currency of a third country, of the central bank of that third country; (c) their price can be determined by a formula that is easy to calculate based on publicly available inputs and does not depend on strong assumptions as is typically the case for structured or exotic products; (d) they are listed on a recognised exchange;	3. Institutions shall only report as liquid assets **not issued by the institution itself or its parent or subsidiary institutions or another subsidiary of its parent institutions or parent financial holding company** that fulfil ~~each~~ **one** of the following conditions: ~~(a) they are not issued by the institution itself or its parent or subsidiary institutions or another subsidiary of its parent institutions or parent financial holding company;~~ (**a** ~~b~~) they are eligible collateral ~~in normal times for intraday liquidity needs and overnight liquidity facilities of~~ **to** a central bank ~~in a Member State or if the liquid assets are held to meet liquidity outflows in the currency of a third country, of the central bank of that third country~~; ~~(c) their price can be determined by a formula that is easy to calculate based on publicly~~

(e) they are tradable on active outright sale or repurchase agreement markets with a large and diverse number of market participants, a high trading volume, and market breadth and depth. The condition in point (b) shall not apply in case of liquid assets held to meet liquidity outflows in a currency in which there is an extremely narrow definition of central bank eligibility. In case of currencies of third countries, this exception shall apply and only apply if the competent authorities of the third country apply the same exception and the third country has comparable reporting requirements in place. *(...)*	~~available inputs and does not depend on strong assumptions as is typically the case for structured or exotic products;~~ ~~(d) they are listed on a recognised exchange;~~ (**b** ~~e~~) they are tradable on active outright sale or repurchase agreement markets with a large and diverse number of market participants, a high trading volume, and market breadth and depth. ~~The condition in point (b) shall not apply in case of liquid assets held to meet liquidity outflows in a currency in which there is an extremely narrow definition of central bank eligibility.~~ In case of currencies of third countries, ~~this~~ exception shall apply and only apply if the competent authorities of the third country apply the same exception and the third country has comparable reporting requirements in place. *(...)*

Justification

All deposits at Central Banks should be considered part of the liquidity buffer, including the mandatory reserves. Otherwise, the LCR would act as another layer of mandatory reserves since a portion of the deposits need to be invested in liquid assets. This will deprive the economy as a whole of additional funding that is needed to fuel growth. The integration of minimum reserves in the buffer is all the more necessary to ensure a fair treatment of banks in different jurisdictions in the world. Indeed, the different jurisdictions do not all have the same level of minimum reserves requirement (e.g., around 2% of the deposits in Europe vs around 20% in China). Thus, the non-recognition of minimum reserves in the LCR buffer would not allow the level playing field between different institutions in the world.

Liquid assets should be more broadly defined. We believe that assets that would meet the requirements of Article 404(3)(b) - i.e. eligible collateral but are not eligible for liquidity buffer (because they not meet all the other conditions of Art. 404) - should be recognized as liquid. Recognizing central bank eligibility as a criterion sufficient enough to be liquidity buffer eligible is not only necessary, but also helps mitigating the systemic risk.

Moreover the market liquidity of the assets which are not central bank eligible should be considered as liquid assets.

We are deeply concerned about marketable assets not issued by the institution or its related parties and not eligible for liquid assets (e.g. shares), but having a transparent pricing and either listed on a stock exchange or actively traded in the repo market. We strongly support their recognition as liquid assets or cash inflow within the next 30 days, provided appropriate haircuts are used. It is realistic to assume that under stress conditions from these assets some cash-flow can be generated.

The additional conditions - points (c) and (d) - in Article 404 (3) should be articulated during the observation period.

10.6.2 Operational requirements

Amendment n. 29

Article 405 CRR 1
(Operational requirements for holdings of liquid assets)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*

The institution shall only report as liquid assets those holdings of liquid assets that meet the following conditions: (a) they are appropriately diversified; (b) not less than 60% of the liquid assets that the institution reports are assets referred to under points (a) to (c) of Article 404(1). Such assets owed and due or callable within 30 calendar days shall not count towards the 60% unless the assets have been obtained against collateral that also qualifies under points (a) to (c) of Article 404(1); (c) they are legally and practically readily available at any time during the next 30 days to be liquidated via outright sale or repurchase agreements in order to meet obligations coming due. Liquid assets referred to in point (c) of Article 404 which are held in third countries where there are transfer restrictions or which are denominated in non-convertible currencies shall be considered available only to the extent that they correspond to outflows in the third country or currency in question; (d) the liquid assets are controlled by a liquidity management function; (e) a portion of the liquid assets is periodically and at least annually liquidated via outright sale or repurchase agreements for the following purposes: (i) to test the access to the market for these assets, (ii) to test the effectiveness of its processes for the liquidation of assets (iii) to test the usability of the assets, (iv) to minimise the risk of negative signalling during a period of stress; (f) price risks associated with the assets may be hedged but the liquid assets are subject to appropriate internal arrangements that ensure that they will not be used in other ongoing operations, including: (i) hedging or other trading strategies; (ii) providing credit enhancements in structured transactions; (iii) to cover operational costs. (g) the denomination of the liquid assets is consistent with the distribution by currency of liquidity outflows after the deduction of capped inflows.	The institution shall only report as liquid assets those holdings of liquid assets that meet the following conditions: ~~(a) they are appropriately diversified;~~ (**a** ~~b~~) not less than **40%** ~~60%~~ of the liquid assets that the institution reports are assets referred to under points (a) to (c) of Article 404(1). Such assets owed and due or callable within ~~30 calendar days~~ **1 month rolling** shall not count towards the **40%** ~~60%~~ unless the assets have been obtained against collateral that also qualifies under points (a) to (c) of Article 404(1); **(b) not less than [75%] of the liquid assets that the institution reports are assets meeting criterion 404(3)(b);** (c) they are legally and practically readily available at any time during the ~~30 days~~ **1 month rolling** to be liquidated ~~via outright sale or repurchase agreements~~ in order to meet obligations coming due. Liquid assets referred to in point (c) of Article 404 which are held in third countries where there are transfer restrictions or which are denominated in non-convertible currencies shall be considered available only to the extent that they correspond to outflows in the third country or currency in question; (d) the liquid assets are controlled by a liquidity management function; (e) a portion of the liquid assets **as defined in Article 404(3)(b)** is periodically and at least annually liquidated via outright sale or repurchase agreements for the following purposes: (i) to test the access to the market for these assets, (ii) to test the effectiveness of its processes for the liquidation of assets (iii) to test the usability of the assets, (iv) to minimise the risk of negative signalling during a period of stress; (f) price risks associated with the assets may be hedged but the liquid assets are subject to appropriate internal arrangements that ensure that they **are readily available to the liquidity management function when needed** ~~will not be used in other ongoing operations, including:~~ (i) ~~hedging or other trading strategies;~~

	(ii) ~~providing credit enhancements in structured transactions;~~ (iii) ~~to cover operational costs.~~ (g) the denomination of the liquid assets is consistent with the distribution by currency of liquidity outflows after the deduction of capped inflows.

Justification

Diversification of liquid assets cannot represent a compulsory requirement especially in the case of smaller banks. In addition, the deleted point (a) of article 405 does not even qualifies the criterion to be used for assuring proper portfolio diversification. Rather than requiring a rough diversification criterion, limits and caps on assets referred to Art. 403 (1) and Article 404(3)(b) would help diversifying liquid assets in the liquid buffer.
Regarding the new point (g) the key requirement should be the availability of liquidity assets to the liquidity management function *in case of a crisis. Competent authorities should review banks internal arrangements.*
In order to ensure coherence with the amendments on the definition of highly liquid assets, according to Article 404 (3), we propose to modify Article 405 c) and e) as above:

10.6.3 Recognition of other Liquid Assets as inflows

Amendment n. 30

Article 413(3)(new) CRR 1
(Inflows)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
	Notwithstanding paragraph 2, monies from assets which do not qualify as liquid assets according to Article 404 but which meet the requirements of Article 404(3) (a) or (b) shall be taken as inflow for [70%] of the value of such assets.

Justification

We think that either assets tradable on markets or eligible collateral assets should be recognized as inflows for 70% even if they do not meet all the conditions of highly liquid assets, according to Article 404.

10.7 Treatment of minimum reserves

Amendment n. 31

Article 410(9)(new) CRR 1
(Outflows on other liabilities)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
	Institutions shall not report as outflow liabilities resulting from deposits by other institutions if they correspond to minimum reserves required by the ECB or by the central bank of a Member State.

Article 413(8)(new) CRR 1
(Inflows)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
	Institutions shall not report as inflow assets resulting from deposits in other institutions if they correspond to minimum reserves required by the ECB or by the central bank of a Member State.

Justification

Should the above proposal to consider all deposits at Central Banks as part of the liquidity buffer not be recognized, co-operative banks have a specific issue with the treatment of minimal reserves.
Indeed, in some countries co-operative banks fulfill their minimum reserve requirements indirectly through their central institutions. In this case the central institutions are simply an intermediary between the European Central Bank or other Central Bank and the local co-operative banks. An example is the case of BCCs.
In that case the central institutions do not have a liquidity inflow nor reserves as far as the LCR framework is concerned, since the deposits are finally held by the European Central Bank. It seems imperative to neutralize the inflows in/outflows out of the central institutions regarding these funds, so that they do not give rise to any additional liquidity requirement.

10.8 Other liabilities outflows

10.8.1 Treatment of SMEs

Amendment n. 32

Article 400(2) CRR 1
(Definitions)

Text proposed by the Commission	*FEDERCASSE Suggestion for wording*
'Retail deposit' means a liability to a natural person or to a small and medium sized enterprise where the aggregate liability to such clients or group of connected clients is less than 1 million EUR.	'Retail deposit' means a liability to: (a) a natural person; or; (b) a small and medium sized enterprise **whose reported sales for the consolidated group of which the firm is a part is less than €50 million EUR, provided** ~~where~~ the aggregate liability to such clients or group of connected clients is less than 1 million EUR.

Justification

This is to harmonize the Basel 3 liquidity definitions with the Basel 2 definitions and thus define two categories of exposure:

- *retail customers: deposits of individuals regardless of the amount of the deposit;*
- *SMEs: defined according to Basel 2 with the criterion of turnover lesser than €50 million.*

Retail customers and SMEs should be applied the same runoff factors, up to an aggregate funding of 1 million EUR for the latter.