

Communication

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Consequences of the implementation of CRD IV and CRR for the National Bank of Belgium liquidity supervision.

Scope

Credit institutions, stockbroking firms, financial holding companies, settlement institutions and institutions equivalent to settlement institutions.

Abstract/Objective

This communication describes the consequences of the implementation of CRD IV and CRR for the NBB liquidity supervision.

Dear Madam,
Dear Sir,

The Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) include provisions which are relevant to the liquidity supervision of Belgian institutions. This communication aims to inform the institutions concerned about the projected implementation of these provisions within the framework of the liquidity supervision by the National Bank of Belgium (NBB). In a subsequent stage, these plans will be formalised by means of changes to the relevant regulations.

The introduction of a European liquidity reporting is an important component about which the institutions concerned have already been informed on a previous occasion (see NBB communication of 29 August 2013 on the new reporting developed by the EBA).

A second important component is the transition from the NBB liquidity regulation to the Basel III Liquidity Coverage Ratio which implements the CRR in phases as from 2015 (starting with a 60% minimum LCR early 2015, and incrementing annually up to full 100% implementation in 2018). The CRR provides that the European Commission must lay down the final procedures of the European LCR by the end of June 2014 at the latest. The NBB liquidity regulation¹ has been using similar regulatory quantitative liquidity standards ever since 2011. The NBB therefore wishes to ensure that, during the transition from the NBB ratios to the LCR, the credit institutions and financial holding companies governed by Belgian

¹ Regulation of the CBFA of 27 July 2010 on liquidity of credit institutions, financial holding companies, settlement institutions and institutions equivalent to settlement institutions.

law continue to hold sufficient liquidity buffers in order to avoid possible cliff effects connected with the phased implementation. The CRR grants the NBB explicit power to impose stricter requirements until the 100% implementation of the LCR (scheduled in 2018). This is why the NBB already plans to implement the European LCR at 100% for all Belgian credit institutions and financial holding companies as from 1 January 2015, in particular based on the social and consolidated positions for credit institutions governed by Belgian law, and based on the consolidated position for financial holding companies governed by Belgian law. The NBB also intends to impose the compliance with the European LCR and liquidity reporting on a consolidated basis on Belgian subsidiaries of a parent undertaking which is a credit institution or financial holding company governed by foreign law. Belgian subsidiaries of a credit institution or financial holding company governed by Belgian law that in turn (sub)consolidate will however be exempt from compliance with the European LCR based on this (sub)consolidated position. As from 1 January 2015, the Belgian regulatory quantitative liquidity standards and reporting will no longer be maintained for all Belgian credit institutions and financial holding companies.

Due to the abandonment of the shared responsibility for the liquidity supervision of branches in Belgium of credit institutions from member countries of the European Economic Area for the supervisor of the host country as from 2015, the Belgian regulatory quantitative liquidity standards and reporting will no longer be imposed on these branches either. Similarly, the European LCR and European liquidity reporting are not applicable to these branches.

The NBB does plan to implement the European LCR at 100% as well as the European liquidity reporting as from 1 January 2015 for all branches in Belgium of credit institutions from countries which are not part of the European Economic Area. Also, the Belgian regulatory quantitative liquidity standards and reporting will no longer be maintained for them as from 1 January 2015.

Equally, the European liquidity regulation and reporting will not be applicable to the Belgian settlement institutions and institutions equivalent to settlement institutions, and the application of the NBB liquidity regulation will be abolished for these institutions as from 1 January 2015. If such institutions also have a status of credit institution or financial holding company governed by Belgian law, they are - in that capacity - obviously subject to the provisions of CRD IV/CRR and the transition from the NBB ratios to the 100% European LCR as from 2015, just like the other credit institutions and financial holding companies. In addition, the specific liquidity requirements and reporting from article 37 of the Royal Decree on the status of settlement institutions and institutions assimilated to settlement institutions, remain applicable to them.

Finally, the NBB has decided to exempt the Belgian stockbroking firms from the European liquidity reporting and the European LCR, in anticipation of the development of a specific prudential regime for investment firms by the European Commission by the end of 2015.

A copy of this communication is also sent to the accredited statutory auditor(s) of your institution.

Yours sincerely,

The Governor,

Luc Coene