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Dear Mr. Farkas,

DB Response to EBA consultation paper on draft Implementing Technical Standards on supervisory reporting requirements for institutions (CP50)

Deutsche Bank (DB) welcomes the opportunity to comment on the EBA's consultation paper (CP) on draft Implementing Technical Standards (ITS) on reporting requirements. We fully support the effort to further harmonise the COREP and FINREP reporting standards in Europe. In particular, the reduction in the number of ad hoc reports will ensure that there is more predictability in reporting requirements in the future and will contribute to a level playing field across jurisdictions.

This letter covers our high-level comments and concerns in response to the proposals in the CP. It does not respond to the detailed questions set out in the draft ITS. We have contributed to the work of the trade associations examining the templates and to the more granular responses submitted by the Association of Financial Markets in Europe (AFME) and the European Banking Federation (EBF), which we generally support.

Gap analysis for DB: To set the context of the comments outlined below, which are largely focused on implementation, it is important to note where we currently stand today in comparison with the proposed ITS:

- **COREP:** The current German approach to COREP is comparatively light compared to the proposals in the CP. There are significantly fewer fields required than in the EBA's proposals and we estimate that around half of the fields proposed would be new for German banks.
- **FINREP:** Aside from the key risk indicators currently required by the EBA for major banks, FINREP has not been implemented in Germany to date. The regulatory basis for consolidation is different from the IFRS basis and no guidance exists on how to implement it for an IFRS-compliant group. In addition, many FINREP requirements go substantially beyond current regulatory or accounting requirements.

Data point model, validation rules and XBRL: The proposed data point model with embedded validation rules is a very positive development. It will provide a consistent basis for implementation across banking groups and will improve the general quality of data collected. Although these common rules and data points will mitigate the timing challenges to some extent, the integration of a common approach into a bank's internal systems is nonetheless resource intensive and requires adequate time. For this reason, we believe that XBRL should be introduced consistently across the EU by all supervisors, but with sufficient time for advance testing to ensure that it interacts correctly with banks' systems.



Timetable: The 1 January 2013 implementation date for both COREP and FINREP is very ambitious. If the intention is for banks to meet the proposals with high quality reporting, then more time will be needed.

There is currently a wide range of regulatory priorities competing for the resources needed to meet the proposed COREP and FINREP requirements and to implement a strategic solution across the global group. In the case of FINREP, the systems would have to be in place and fully operational from 1 January in order for the correct information needed for the templates to be collected in time. Additionally, for banks active in a large number of Member States, a comprehensive IT project would have to be put in place, requiring large-scale adjustments to diverse local IT landscapes. This will require significant time.

We would propose in this context that a phased approach is needed:

- To be completed by 1 January 2013:
 - COREP: Templates CA1, CA2 and CA3;
 - FINREP: The core tables as defined in Part 1.
- To be completed by 1 January 2014:
 - COREP: All additional templates;
 - FINREP: All other requirements with the exception of those referred to in the next bullet point.
- Certain proposals regarding FINREP go beyond current IFRS reporting requirements. Implementation of those requirements on a consolidated basis will take significantly more time. They will require fundamental changes to the existing reporting processes. We therefore believe that a longer run-in time than 2014 will be needed for, *inter alia*, the P&L splits required in Tables 14, 3, 17 and 18.

Frequency of reporting: The proposal to submit the results templates (CA1 to CA5) on a monthly basis for COREP would be operationally difficult to implement. In order to populate the results sheet, banks would effectively be required to run COREP fully each month. Provided the remittance period stays at six weeks, banks would have to start working on the next month's report when the current month was not yet finalised. This would be an unworkable drain on resources and would require duplication within the relevant IT environments.

Scope of consolidation: Defining a scope of consolidation for FINREP that differs from IFRS would result in inconsistencies between financial and prudential reporting that could be potentially misleading and would be the source of ongoing quality risks. Given the implementation necessary to put this scope of consolidation in place, we believe the benefit would be marginal. It would not provide the regulators with better insight into the profile of the institution. We would strongly urge the EBA to revert to the IFRS definition for the required basis of consolidation in the final ITS.

Level of application: We support the EBA proposal to prioritise a consolidated level of application for FINREP. Financial information at a consolidated level is the best way to obtain a comprehensive view of an institution's risk profile. The IASB applied IFRS at a consolidated level because it considered it the most appropriate approach to informing investors. Local FINREP should be left to host regulators due to the differences in local GAAP.

Table 2 on Group Solvency asks for risk weighted assets of subsidiaries to be calculated based on local solvency rules: this data would not be comparable with the Group's solvency data and would not add value. We would recommend eliminating this requirement from the final ITS.

Geographical data breakdowns: In principle we agree that it is useful to have materiality thresholds which exempt institutions with an insignificant international portfolio from the



geographical reporting requirements. The current proposals would require the ten largest countries to be reported separately. Given that the list of top ten countries would change on a regular basis, updating the list would be an extremely resource-intensive and dynamic process. In addition, for many banks the countries in the top ten would not represent the most material activities.

As an alternative, we would propose jurisdiction-based reporting for COREP and FINREP covering 80% of total exposures and assets/liabilities. This would be more stable and reliable.

Usefulness of data: It is essential that disclosure and reporting requirements ultimately lead to end-users receiving useful and relevant information that is “fit for purpose”. In the case of the existing COREP and FINREP, we believe that the targeted German requirements have captured the necessary information adequately and appropriately since they were implemented. It is concerning that there is such a significant increase in the number of templates and these should only be introduced with a clear justification of their usefulness. There are a number of elements in the proposals that do not have a clear prudential benefit (e.g. in COREP the number of borrowers and securitisation ratings at inception; in FINREP the requirement to split capital and debt securities issued by type of counterparty or the required P&L splits referenced above).

Accounting versus risk models: At present banks do not operate on the basis of fully integrated data for accounting and risk purposes. Although there is a drive to move towards greater integration and consistency in many organisations, and this is a priority in DB, it will be several years before integration across the industry is completed. Substantial differences remain between regulation and accounting approaches. In particular, while COREP is granular and closely aligned with risk models for point-in-time information, FINREP is based on IFRS systems which are designed to capture data on an aggregate basis for accounting periods. Implementing regulatory splits into IFRS information would, therefore, require significant changes to existing IT solutions.

Consistency of counterparties between FINREP and COREP: The COREP form “CR IRB GB” requires a geographical breakdown of exposures subject to credit risk. This breakdown has to be reported according to FINREP exposure categories. For consistency, and given data availability, IRB COREP exposures should be used instead.

We look forward to continued dialogue with the EBA on these important issues.

Yours sincerely,

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