European Association of Co-operative Banks
Groupement Européen des Banques Coopératives
Europäische Vereinigung der Genossenschaftsbanken

2012 International Year of Cooperatives

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**CP50 'EBA Consultation Paper on Draft Implementing Technical Standards on Supervisory reporting requirements for Institutions'**

Dear Sir, Madam,

The European Association of Co-operative Banks (EACB) welcomes the opportunity to provide comments to CP 50 on **'**EBA Consultation Paper on Draft Implementing Technical Standards on Supervisory reporting requirements for Institutions'.

Please find our Key messages and specific remarks to the questions on the following pages.

We remain at your disposal for any further questions or requests for information.

Yours sincerely,

Volker Heegemann
Head of Legal Department

*The voice of 4.000 local and retail banks, 50 million members, 176 million customers*

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## KEY MESSAGES

The Members of the EACB acknowledge that uniform reporting requirements are necessary to ensure fair competition between comparable groups of credit institutions and investment firms. We understand that EBA has a mandate for drafting implementing technical standards based on COREP and FINREP Guidelines to specify uniform formats, frequencies and dates for prudential reporting as well as IT solutions.

We agree with the objectives to create more efficiency for institutions, ensure harmonisation and uniform application by institutions and to facilitate the monitoring of compliance with regulatory requirements, the evaluation of the risks, monitoring the developments in the financial sector and enhancing the convergence of supervisory practices by the competent national authorities.

However, we fear that there are many issues which will result in not meeting the intended objectives set out above and rather have disproportionate consequences.

### a) Level of information and Mandate

First, the financial information to be provided should correspond to a level which is sufficient to comply with the requirements from the CRR.

We would like to recall that the EBA mandate stem from Articles 95 and 96 CRR. Article 95(1) subparagraph 2 especially stipulate that reporting on own funds *'shall [also] include financial information (....) to the extent that this is necessary to obtain a comprehensive view of the risk profile of the institutions' activities'*. The required level of information certainly goes beyond these limits.

We consider that this consultation paper is overstating these requirements. We feel that that a model of "maximum data provision" has been chosen combining all possible information requirements of the respective countries while adding new elements at the same time. We cannot see possibilities that these ITS and templates will bring about any significant reductions in administrative burden or lead to more efficiency in reporting (cf. p. 4 of CP50). The proposed ITS should explicitly mention the obligation for the national supervisory authorities to delete present supervisory reports, which have equal or very similar contents to the information requirement regulated by the ITS. In our view it must be avoided that institutions send the 'duplicated' information in different formats to the supervisory authorities.

In our view, the currently used COREP templates could in general be regarded as adequate for obtaining a proper report on own funds requirements from a risk perspective. However, many proposed COREP are complicated and go beyond the necessary. In a similar way, the proposed FINREP requirements, the templates, the number of data fields and the level of detail go far beyond the required IFRS information to obtain a comprehensive view of the risk profile. We think that new templates should be required only where it is absolutely necessary (for example as regards a great part of capital in the COREP templates or exposure classes for the standardised approach which have not been treated separately earlier). No changes should be introduced in the templates where the requirements of the CRD IV/CRR are the same as at present, or the changes are minimal and therefore the present templates could be used.

Therefore, we consider it necessary that a proper analysis of the potential related costs and benefits, and an impact assessment is made as according to Art. 15(1) of the EBA

Regulation. Without a sound rationale why certain information is required beyond the necessary, which data has to be replaced by new data requirements etc. it is not possible to react to certain question or even understand what is requested to be quantified as costs.

### b) Proportionality and materiality

The application of the proportionality principle in supervisory reporting is welcomed. The possibility of different reporting intervals, for example seems to be a suitable manner to take account of the different types of institutions. In this context, the decision how and to whom the limited reporting frequencies could be used, should be at the discretion of national supervisory authorities.

However, as mentioned above, we doubt that the current proposals really meet the proportionality principle in all respects, especially not regarding the amount of information to be provided. According to the CRR *'the reporting formats shall be proportionate to the nature, scale and complexity of the activities of the institutions.'* First of all, the aggregation of some templates in the COREP reporting on credit risk capital requirements for institutions using the standardized approach is especially burdensome for small institutions in Member States which have implemented the CEBS Guidelines, because small institutions generally use less sophisticated approaches.

Moreover, in the proposed draft standards the proportionality principle is mainly directed at domestic banks versus international active banks and certain frequency related requirements. However, in our view 'proportionality' is not only about having certain risk exposures or activities in other countries or not. It is also important to consider the relative level of exposures and activities relative to the overall exposures and activities, which means the 'materiality'. We therefore do not consider it necessary that data on ***all*** subsidiaries are to be provided, no matter of their size. Only data on material subsidiaries that impact the risk profile should be reported.

### c) State of implementation CEBS GL for COREP and FINREP

The CRD IV/CRR will require several changes in the reporting systems, both regarding reporting requirements that have been harmonised at EU level via CEBS Guidelines as well as that are non-harmonised.

The presumption that the COREP and FINREP Guidelines have been implemented in various Member States is not a valid one and does not provide a valid basis for new standards. CEBS guidelines were not binding and only subject to the 'comply or explain' principle.

There are many nuances and differences regarding the application and use of COREP templates, and especially regarding the level and mode of application of the FINREP guidelines. While most of the Member States have implemented COREP, in certain Member States only parts of COREP are used. Thus there are great nuances and differences, which need to be taken into account

For FINREP many Member States have not even implemented the Guidelines as prudential reporting is based on national GAAP. Certain Members States have not implemented FINREP given that it was not possible to provide IFRS information for all entities subject to prudential consolidation. Furthermore, certain Member States are implementing FINREP gradually and have not finalized their process yet. Thus, in many cases FINREP was not (fully) implemented due to very important technical difficulties. We suggest that these difficulties should be analyzed carefully. Moreover, it should be taken into account that due to this situation Member States have different starting positions. Those that have already implemented FINREP will already be faced with a challenging task if these draft ITS need to be implemented. For those that have not implemented FINREP this task will be even more difficult as a 'double' implementation will be required which takes time and is very costly. In these instances, further guidance would be necessary on how to transform the system from local GAAP to IFRS. In such cases at least 12 months if not longer is required for the transformation as such let alone the implementation of these standards after its finalisation.

Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications e.g. aggregation are done by the National Supervisory Authorities.

### d) Scope of Consolidation

First of all, we agree that the scope and level of the ITS on prudential reporting (COREP) application can follow the scope and level of the CRR, the so-called CRR scope of consolidation (as mentioned in the Background and Rationale, in Recital 7 and Article 2(2)).

However, for financial reporting (FINREP) determining a specific scope of consolidation is not evident.

CEBS Guidelines on FINREP were relevant only for those institutions that provided consolidated supervision under IFRS. The 2006 CEBS Guidelines left for national discretion the scope of consolidation whether accounting or CRD and the reporting frequency. The revised Guidelines in 2009 defined the scope as that of the CRD and envisaged a quarterly reporting frequency from 2012. As it is known the implementation of the CEBS Guidelines have differed around the EU Member States. Some countries have implemented them full, some partially and some countries have not implemented them all. Where the FINREP have not been implemented supervisors required consolidated financial information by their own approach, either by the accounting scope or the CRD scope of consolidation. Thus the format and content of the consolidated financial information in Member States are very different.

Even where the FINREP have been implemented the scope of application was not the same. ***On the one hand***, in the majority of the Member States supervisors in implementing the 2006 had opted for the accounting scope. For this reason a shift to the CRD scope of consolidation would incur high costs as banks in these Member States have separate reporting lines for COREP (risk related) reports and for FINREP (financial) reporting. The EBA draft ITS would require on transaction level for COREP information also financial (FINREP) input. For the majority of banks this results in a big additional effort to reconcile on this low level risk and financial information. Especially non-financial entities since they are not covered by the scope of the CRD, would have to be 'deconsolidated' from the FINREP formats for reporting of financial data. This would be a burdensome exercise. ***On the other hand*** in Member States where supervisors in implementing the 2006 had opted for the CRD scope of consolidation, a shift to the accounting scope of consolidation would equally incur high costs. It is worth noting that once a year many institutions prepare their annual accounts using the IFRS, too, but often that report is only for disclosure reasons and no intra-year reporting work-flow is developed on that basis.

Moreover, it should be taken into account that there is also a difference in the way FINREP was implemented at Member States level and thus between the IFRS and national accounting in determining the scope of consolidation.
This shows that adjusting the scope of consolidation for prudential purposes is a highly complex and costly undertaking. We, therefore, expect the impact assessment which EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and to include a range of possible alternative solutions and carry on working further on the details, or to ensure a much longer implementation period with the involvement of the national supervisors.

### e) Non-feasible - Introduction as per January 1st, 2013 or interim solutions

The presented timeline is not feasible without significant changes regarding the reporting requirements. Furthermore, EBA should take into account the state of implementation of CEBS Guidelines on COREP and FINREP in the Member States. We would therefore suggest to implement only basic own funds reports and risk reports from March 2013 onwards; and postponing other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP) until 1 January 2014.

*i.* *Realistic reporting requirements as of 1 January 2013*

We appreciate the choice of EBA to focus on the first reference reporting date of 31 March, resulting in submitting the reports by mid May 2013. However, banks are required to adhere to the new CRDIV/CRRI already from 1 January 2013 and therefore their internal processes intend to be ready and are formally speaking also required by supervisors to be ready in order to control their business and meet all requirements from that date. The expectation is that new CRDIV and CRRI will be applicable as of January 1st. EBA can provide the final templates only after the European Parliament has made its final vote, which is expected to be around June 2012. Although banks are meanwhile analyzing proposals and repercussions, they can only start building IT solutions after the final templates are available. This limits the available time considerably, also keeping in mind that adequate testing is necessary to assure a reporting of good quality.

Furthermore, the majority of the ITS and templates do not complement the existing guidelines and templates, but actually bring about a completely new exercise/project. The proposed time of 9 months to realise such a new ‘project’ is unreasonable, unrealistic and not feasible in practice. Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications (e.g. aggregation) is performed by the National Supervisory Authorities.

Therefore, considering that the standards will probably be ready only in Autumn 2012 and there is no legal certainty or precedent at that time what and how it should be reported, the data that should be provided by May 2013 cannot be realistically based on the requirements set out in the Draft ITS and templates. It is only possible to require reporting of ‘core’, essential data by 1 January 2013 based on existing and currently used COREP and FINREP CEBS Guidelines.

*ii.* *<u>Phasing in arrangements suggested</u>*

We suggest looking into an EU–wide phasing-in solution from 1 January 2014 onward. The EACB proposes to start with the basic own funds reports and risk reports and decide over time to add additional templates for prudential reporting (COREP). As of 1 January 2013 still the current COREP and FINREP frameworks should be used. As of 1 January 2014 a first phase of the phasing-in arrangement can take place for other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP). The first reporting reference date should start on March 2014.

In order to meet certain objectives, we would like to draw your attention to the 'streamlining exercise' for prudential reporting conducted in 2009. This major exercise resulted in 'core' and 'non-core' templates. For COREP, the certain ‘core’ templates were harmonized over all EU jurisdictions and were mandatory to submit. In choosing these core templates the relevant supervisors have had apparently extensive discussions to find a focus on the most basic information required to supervise banks. This means that for the non-core templates more time for dialogue between the supervisors is definitely needed. For example, it is necessary to change the COREP capital templates and EBA should publish guidelines or the national authorities should inform how the new info should be introduced and how the capital templates should be changed.

## SPECIFIC REMARKS TO QUESTIONS

**CHAPTER 1 Subject matter, Scope and Definitions** (pp. 12-13)

- **Art. 2 Definitions**

1. How would you assess the cost impact of using only the CRR scope of consolidation for supervisory reporting of financial information?

First of all,
First of all, we agree that the scope and level of the ITS on prudential reporting (COREP) application can follow the scope and level of the CRR, the so-called CRR scope of consolidation (as mentioned in the Background and Rationale, in Recital 7 and Article 2(2)).

However, for financial reporting (FINREP) determining a specific scope of consolidation is not evident.

CEBS Guidelines on FINREP related only those institutions under consolidated supervision which had to provide their annual accounts by the IFRS. The 2006 CEBS Guidelines left for national discretion the scope of consolidation whether accounting or CRD and the reporting frequency. The revised Guidelines in 2009 defined the scope as that of the CRD and envisaged a quarterly reporting frequency from 2012. As it is known the implementation of the CEBS Guidelines have differed around the EU Member States. Some countries have implemented them full, some partially and some countries have not implemented them all. Where the FINREP have not been implemented supervisors required consolidated financial information by their own approach, either by the accounting scope or the CRD scope of consolidation. Thus the format and content of the consolidated financial information in Member States are very different.

Even where the FINREP have been implemented the scope of application was not the same. ***On the one hand***, in the majority of the Member States supervisors in implementing the 2006 had opted for the accounting scope. For this reason a shift to the CRD scope of consolidation would incur high costs as banks in these Member States have separate reporting lines for COREP (risk related) reports and for FINREP (financial) reporting. The EBA draft ITS would require on transaction level for COREP information also financial (FINREP) input. For the majority of banks this results in a big additional effort to reconcile on this low level risk and financial information. Especially non-financial entities since they are not covered by the scope of the CRD, would have to be 'deconsolidated' from the FINREP formats for reporting of financial data. This would be a burdensome exercise. ***On the other hand*** in Member States where supervisors in implementing the 2006 had opted for the CRD scope of consolidation, a shift to the accounting scope of consolidation would equally incur high costs. It is worth noting that once a year many institutions prepare their annual accounts using the IFRS, too, but often that report is only for disclosure reasons and no intra-year reporting work-flow is developed on that basis.

Secondly for the cost impact, we propose to continue using the accounting group as basis for FINREP reporting as this is currently already the case. EBA's proposal to apply the CRR scope of consolidation, which means a separate 'regulatory or prudential' scope of consolidation, being different from the accounting group is not logical and would imply enormous costs. This causes at least another complication that banks have to create another look-through and maintain the appropriate details and specifications. In addition, it should be mentioned that the audit work requires extra work for this regulatory approach. Therefore, the annual accounts should be audited as is an established requirements and which are integral part of FINREP. FINREP as such however should not be required to be audited.

Moreover, it should be taken into account that there is also a difference in the way FINREP was implemented at Member States level and thus between the IFRS and national accounting in determining the scope of consolidation.

This shows that adjusting the scope of consolidation for prudential purposes is a highly complex and costly undertaking. We, therefore, expect the impact assessment which EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and to include a range of possible alternative solutions and carry on working further on the details, or to ensure a much longer implementation period with the involvement of the national supervisors.

Furthermore, concerning FINREP the consultation brings about 69 quarterly FINREP tables while currently actually there are 35 tables which are used on a yearly basis in some Member States, whereas in other countries FINREP is not implemented at all. The new proposed 69 quarterly FINREP tables increasingly resort to non-accounting data:

- by type of counterparty but which are different than those in COREP on liabilities or on the results
- by business areas, geographical zones, a matrix analysis combining a number of these elements
- by breakdowns which do not correspond to day to day management and even to the IFRS standards (i.e: economic coverage)

From the above, it can be concluded that this requirement will imply a significant additional burden which comes in addition to the implementation costs.

The provision of definitive cost indication is not possible at this time. Moreover, the magnitude will be very different from institution to institution.

2. Please specify cost implications if parts 1 and 2 of Annex III and of Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation.

It is not possible at this moment of time to provide information of the cost implications. Nevertheless, we reject categorically the double reporting request. Rather, we want to question the meaning and purpose of such a critical requirement.

**CHAPTER 2. Reporting reference and remittance dates** (pp. 13-14)

In general, the implementation period of the ITS in order to report by the first possible reference date of 31 March 2013 is much too short considering the substantial changes which are implied and proposed. These ITS for supervisory reporting cause legal uncertainty and induce major changes for banks internal arrangements, regarding the data to be reported and the arrangements of submission.

- ***Non Feasible implementation of ITS by 1 January 2013***

The presented timeline is not feasible without concessions with respect of the reporting requirements. Furthermore, EBA should take into account the state of implementation of CEBS Guidelines on COREP and FINREP in the Member States. We would therefore suggest to implement only basic own funds reports and risk reports from March 2013 onwards; and postponing other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP) until 1 January 2014.

a) *Realistic reporting requirements as of 1 January 2013*

First of all, we appreciate the choice of EBA to focus on the first reference reporting date of 31 March, resulting in submitting the reports by mid May 2013. However, we would like to point out that banks are required to adhere to the new CRDIV/CRRI already from 1 January 2012 and therefore their internal processes intend to be ready and are formally speaking also required by supervisors to be ready in order to control their business and meet all requirements from that date. The expectation is that new CRDIV and CRRI will be applicable as of January 1st. EBA can provide the final templates only after the European Parliament has made its final vote, which is expected to be around June 2012. Although banks are meanwhile analyzing proposals and repercussions, they can only start building IT solutions after the final templates are available. This limits the available time considerably, also keeping in mind that adequate testing is necessary to assure a reporting of good quality.

Furthermore, the majority of the ITS and templates do not complement the existing guidelines and templates, but actually bring about a completely new exercise/project. The proposed time of 9 months to realise such a new ‘project’ is unreasonable, unrealistic and not feasible in practice. Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications (e.g. aggregation) are performed by the National Supervisory Authorities.

Therefore, considering that the standards will probably be ready only in Autumn 2012 and there is no legal certainty or precedent at that time what and how it should be reported, the data that should be provided by May 2013 cannot be realistically based on the requirements set out in the Draft ITS and templates. It is only possible to require reporting of ‘core’, essential data by 1 January 2013 based on existing and currently used COREP and FINREP CEBS Guidelines.

b) *Divergences in MS implementation of CEBS GL COREP and FINREP*

Secondly, drafting the ITS and new templates based on the current COREP and FINREP Guidelines with the assumption that these Guidelines have been implemented in various

Member States is not a valid and a too general assumption (cf. p; 4)There are nuances and differences (which is contradictory also underscored by EBA further in the consultation paper on p. 23) to the extent to which COREP templates are implemented and applied; and especially whether(!) and how FINREP guidelines are implemented.

While most of the Member States have implemented COREP, in certain Member States only parts of COREP are used. These great nuances and differences need to be taken into account.

For FINREP many Member States have not even implemented the Guidelines as they use prudential reporting based on national GAAP. Some of these Members States have not implemented FINREP given that it was not possible to provide consolidated data based on the IFRS' definition of consolidation. Furthermore, other Member States are implementing FINREP gradually and have not finalized their process yet. It should be taken into account that Member States have different starting positions. Those that have already implemented FINREP will already be faced with a challenging task if these draft ITS need to be implemented. For those that have not implemented FINREP this task will be even more difficult as a 'double' implementation will be required which takes even more time time and is more costly. Moreover, for these Member States further guidance would be required how to transform the system from local GAAP to IFRS. In such cases at least 12 months if not longer is required for the transformation from local GAAP to IFRS let alone the implementation of these standards after finalisation. Therefore, the Requirements for financial reporting can only be applied at the earliest from of 1 January 2014 onwards

Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications e.g. aggregation are done by the National Supervisory Authorities.

*c) Phasing in arrangements suggested*

We suggest looking into an EU–wide phasing-in solution from 1 January 2014 onward. The EACB proposes to start with the basic own funds reports and risk reports and decide over time to add additional templates for prudential reporting (COREP). As of 1 January 2013 still the current COREP and FINREP frameworks should be used. As of 1 January 2014 a first phase of the phasing-in arrangement can take place for other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP). The first reporting reference date should start on March 2014.

In order to meet certain objectives, we would like to bring to your attention the 'streamlining exercise' for prudential reporting conducted in 2009. This major exercise resulted in 'core' and 'non-core' templates. For COREP, certain 'core' templates were harmonized over all EU jurisdictions and were mandatory to submit. In choosing these core templates the relevant supervisors have had apparently extensive discussions to find a focus on the most basic information required to supervise banks. This means that for the non-core templates more time for dialogue between the supervisors is definitely needed. For example, it is necessary to change the COREP capital templates and EBA should publish guidelines or the national authorities should inform how the new info should be introduced and how the capital templates should be changed.

- **Art. 3**

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| 3. Financial information will also be used on a cross-border level and aggregated at European level, requiring adjustments to enable comparability. How would you assess the impact if the last sentence of Article 3(2) referred to the calendar year instead of the accounting year? |

For the reference year it should be mentioned that a calendar year is not the same as accounting year. It is necessary to maintain the accounting year as FINREP reporting can only take place after the publication of the annual accounts. However, for COREP the accounting years is not a necessary reference year.

- **Art. 4**

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| 4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process? |

No, it would not be practical or useful to have the same remittance dates. Moreover, it is not only necessary to distinguish between individual or consolidated reporting but also between prudential and financial reporting. Given the different nature of COREP and FINREP, it is not possible to have the same remittance date for both reporting streams:

It should be mentioned that the volume of data required can call into question the actual process and the use of the consolidation tools. In general, the requirement to provide not only consolidated prudential data but also individual prudential and data will translate itself in an enormous and completely disproportionate and excessive amount of work for co-operative banks which have numerous local branches. All these points bring about very important organisational issues.

**COREP**

Concerning the COREP statements, having the same remittance dates for reporting on an individual and a consolidated level will be very difficult in terms of obtaining the individual data and at the same time consolidating the data. It is therefore necessary to have at least 10 working day gap between COREP statements on a consolidated basis and the COREP statements on an individual basis to enable controls.

For the COREP statements, we propose that by 2016 (with phasing in possibilities as of 2013) the remittance data should be at least: 30 business -days remittance period for COREP individual reporting and 40 business-days remittance period for COREP Consolidated reporting. As mentioned there should be a phasing-in period for gradually reducing the remittance period with 5 days per year during three years. For example, on the 31 March 2013, the actual remittance date for COREP individual reporting will be maintained at 45 business days As of that date a phasing in period for the shortening of the remittance dates with 5 working days per year should take place.

The remittance dates imply that banks automate as much as possible the reporting and the consolidation of information. Yet this automatisation process constitutes an completely different and additional separate project. Therefore, a gradual approach is especially necessary as there is a need take into account the following points:

- Impact in terms of IT system

- Internal training (computational complexity, a number of manual entries)
- Setting up of controls at the different levels of consolidation both on the quantitative and qualitative information.

**FINREP**

For FINREP consolidated reporting, we also propose that by 2016 (with phasing in possibilities as of 2013) the remittance data should be at least: FINREP consolidated reporting 45 business days. As mentioned there should be a phasing-in period for gradually reducing the remittance period with 5 days per year during three years. For example, on the 31 March 2013, the actual remittance dates will be maintained at 60 business days as from that date the remittance date could be shortened with 5 working days per year spread over a three year period to reach 45 business days in 2016.

The EACB considers that for FINREP a remittance date of at least 45 days is necessary to guarantee reporting on time and of sufficient quality. Moreover, the remittance date of 30 business days for the annual FINREP statements is in conflict with the publication of the financial information. Such remittance date for the annual FINREP statements is unrealistic. It is necessary that there is a time lag between the annual remittance and the publication of financial statements. Therefore, the remittance of the annual FINREP statement should at least be 45 business days in order to resolve the conflict between the date of delivery of these statements at 30 business days and the publication of the financial information. Furthermore, at least the year-end report should have remittance date at the end of March because of audit reports which have to be prepared and public holidays. Furthermore, it is important that FINREP reporting data is required after the publication of the annual accounts.

5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?

Concerning the COREP statements, having the same remittance period for reporting on an individual and a consolidated level will be very difficult to comply with in terms of control of the individual data as well as for making the data more reliable on a consolidated basis. It is therefore necessary to have a 5 working day gap between COREP statements on a consolidated basis and the COREP statements on an individual basis to enable controls.

For FINREP statements in our view, this question is not relevant as any ITS on financial reporting (FINREP) should take the accounting scope of consolidation as a basis and should therefore not be reported on an individual level. Moreover, FINREP terminology should be consistent with IFRS.

We consider that this reference to the accounting scope of consolidation for FINREP should be taken up in the Recital 7 and Art. 2(2) as follows: ‘the scope and level for prudential reporting follows the scope and level of application of CRD/CRR on a consolidated and individual basis, whereas the scope and level for financial reporting shall follow the accounting scope of consolidation as a basis as applicable in Directive 86/635/EEC’.

We propose to continue using the accounting group as basis for FINREP reporting as this is currently already the case. EBA’s proposal to apply the CRR scope of consolidation, which means a separate 'regulatory or prudential' scope of consolidation, being different from the accounting group is not logical and would imply enormous costs. This causes at least another complication that banks have to create another look-through and maintain the appropriate details and specifications. In addition, the audit work requires extra work for this regulatory approach during the accounting related work flow. Moreover, FINREP terminology should be consistent with IFRS in order to ensure that supervisory reporting remains in line with the institutions' accounting system.

To conclude in principle, we reject the reporting of financial data on an individual level.

6. When would be the earliest point in time to submit audited figures?

Submitting unaudited data and then audited data will duplicate the reporting processing costs and is also unnecessary, taking into account that the difference between audited and unaudited figures is negligible in our experience. We strongly demand that audited figures should be submitted as of the following reporting reference date. For example, if audited figures are available in April, it should be used for the 30th of June. It should be taken into account that these figures are based on the audited annual accounts. The FINREP statements as such should not be required to be audited.

7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?

Problems could arise, especially if the deadlines of reporting associated with the COREP reporting would be set shorter. This is especially true for the reporting of large exposures (large exposures). Therefore we call for concurrent deadlines and dates in these areas. Ultimately, the extent of these conflicts will primarily depend on the length of the reporting deadlines. For this reason, the deadline should be extended to 40 instead of 30 business days as proposed in the explanatory text block under Article 4 of CP50.

**CHAPTER 3, Section 1: Format and frequency of reporting on own funds requirements** (pp. 14-18)

In terms of frequency, some statements show stability and a low volatility in terms of data variation form one quarter to another. Thus, submitting statements on a quarterly or semestrial basis is not relevant. As an example, the statement "Group Solvency" is quite stable. We suggest that the annual frequency should be applicable in these cases to them.

Concerning the proportionality criteria, an alternative proposal for the COREP statements could be to define a second level of proportionality dealing with the frequency of the remittance of the individual tables for cross border groups with the aim to alleviate the quarterly statements.

The aggregation of some templates in the COREP reporting on credit risk capital requirement for institutions using the standardised approach is especially burdensome for small institutions in Member States which have implemented the CEBS Guidelines, because small institutions generally use the less sophisticated approaches. Therefore, such changes in the templates should be avoided.

Where former information is necessary to be re-structured, mapping of difference from former information to the new structures would be very important. This could decrease a little the costs of the new reporting requirements for institutions, especially for the smaller ones.

Unfortunately, the CRD IV/CRR will not decrease the gap between the prudential reporting and accounting based reporting, and also the gap between the exposure classes of the standardised approach and the IRB approach will persist. We think that the gaps should be decreased by mapping and validation rules as much as possible, but not by introducing changes like aggregating exposure classes in the standardised approach. The notion of retail for prudential purposes will never be the same in a big institution and in a small one.

In the COREP the IRB banks should report also the geographical breakdown of their exposures. This would be a new harmonised information requirement, for which the definition of the exposure value is not introduced in the CRR. We think that in this case both the definition of the exposure value and how the credit risk mitigation effect should be taken into account should be clarified. We think that the information on the geographical breakdown without showing the effect of the credit risk (country risk) mitigation, may be misleading. We suggest therefore that the template on the geographical breakdown should be left out as. this geographical breakdown is already present in the pillar 3. It must not be present in the COREP, as it would be bring about disproportionate costs for little benefits.

We welcome the general approach that reporting requirement of the exposure value and the credit risk mitigation follows the same structure both at credit risk and the large exposures.

In order to have a certain coherence, we have to maintain a single consolidated reporting and not an individual reporting. In other words, we only wish a consolidated reporting. However, the guidelines for reporting on a consolidated basis are not sufficiently clear, which is related partly to the text of the CRR proposal itself. We must not deviate from the consolidating methods. The methods should not defer in function of the reporting. It must follow the consolidated method (global integration, proportional integration).

Since at market risk the netting of the positions between the parent and the subsidiary depends on the supervisory approval, it should be clear how the positions are to be shown, if no netting is permitted on a consolidated basis and the validation rules should take that into account, too.

In our view the introduction date can only be realistic in those Member States where the COREP reporting have already fully been implemented. In our view, in countries where the implementation of the CEBS Guidelines have not taken place or the implementation was only partial a longer transition period is necessary, with special regard to the fact that changes will be required not only by the COREP, but by other supervisory information, too. In order to ensure that everybody is treated equally everybody should benefit from the reporting, we suggest at least that for the Member States concerned the mandatory introduction date would be the first quarter of 2014.

- **Art. 5**

| 8. Do the proposed criteria lead to a reduced reporting burden? |
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In principle, we believe that the introduction of materiality thresholds is appropriate to exempt institutions with a relatively foreign portfolio from meaningless reporting. However, the present proposal should be assessed more carefully.

First of all, many small institutions use the IRB approach, which are not subject to the reporting requirement on the geographical breakdown. If we understand the thresholds correctly, mainly the first one, the reporting burden will not increase for the small and medium-sized institutions which must comply with the reporting requirement on a standalone basis, but have the supervisory approval to use the IRB approach for some or most of the portfolios. For all other IRB institutions to report the geographical breakdown means a considerable increase compared to the present reporting. (Please see below for remarks on the thresholds).

Secondly, in our understanding of the proposed thresholds, it is necessary to determine in a first step to determine if the corresponding foreign assets stand for more than 10% of total claims. In this context some questions remain unclear. Are the participations and the securitization portfolio to be included? Is the value of assets to determined before or after allocation of credit risk mitigation? Is allocation to countries within the foreign loan portfolio determined on the basis of the country of domiciliation of the borrower or on the basis of the country in which the claim was established?

In a second step, it must be checked for each country and for each of the specified classes whether they exceed 0.5% of total claims. From the pool of asset classes and countries the ten largest countries (including the home country) should be reported. Such calculation for aggregation in the sum template does not give a clear result, as the ten largest countries can be completely different on the various debt classes. So it may be, for example, that a country in this test with only have a few asset classes (e.g. 1 to 2) but it will be taken a large portfolio in the respective classes in the pool. How can such a country be evaluated in comparison to a country where all portfolios are to be run according to the test, but with lower portfolio sizes? It is also quite possible that there are less than ten countries to be detected. For this reason, we consider this threshold not suitable.

Against this background, we consider that a more transparent and simpler method should be used in order also to keep the reporting burden to the minimum necessary. We want propose a two-stage process: institutions whose foreign portfolio exceeds more than 20% of the total portfolio, shall report according to size on those countries which stand for 80% of the foreign portfolio. This means the following:

1) Institutions with a portfolio of less than 20% on balance sheet of foreign assets are exempt from the application of the template “Geographical breakdown (GB) Total CR IRB". This means that the proposed EBA reporting threshold is increased from 10% to 20%. The idea behind this proposal is that a threshold of 10% does not lead to an exemption of institutions which have up to 10% of their total assets invested abroad. Such a materiality threshold of 10% would imply that there is no relief for those who are not far from the respective threshold. To the contrary, these institutions need to check regularly that they have not yet got over the threshold. They need to implement the complete algorithm to calculate the underlying system and technical differentiation.

2) In a second step institutions whose business abroad is at least 20% of their total assets shall report at least 80% of their foreign portfolios sorted according to the size portfolios of the relevant countries. This ensures that the coverage for the prudential consideration is sufficiently high. Similarly, the institutions will be given the opportunity not to report insignificant, regional portfolios.

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| 9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold, both in aggregate and separately for each exposure class. |

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| 10. What would be the cost implications if the second threshold of Article 5 point 1(c) ii) were deleted? |

It is not possible at this moment of time to provide information of the cost implications, but if we understand the thresholds correctly the second threshold in this form rather increases than decreases the implementation costs.

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| 11. Is the calculation of the threshold sufficiently clear? |

The calculation of the thresholds is **not** sufficiently clear. The wording ‘original exposure’ is not quite exact. The proposal would like to refer to the original exposure before pre-conversion factors of the second column (no. 030) of the 3.3. a. CR IRB template, as the details of the geographical breakdown should be presented in the 3.3. b. CR IRB template. This means that original exposure before pre-conversion factors would not include equity positions, securitisation positions and other non-credit obligation assets. If our understanding is correct, we suggest to make more precise the wording and to refer to the columns of the COREP templates or to put among the definitions the word original exposures and there to explain its calculation.

Based on 3.3.4 of the instructions we think that the wording “originated” in the rows 80-130 of the 3.3. a. CR IRB template is misleading because, if the loan is originated in the branch in another country, but for a domestic obligor, then it is a domestic exposure from the point of view of geographical breakdown of exposures due to the definition of the domestic exposure. Therefore in our view the word originated must be deleted or substituted.

The first threshold is clear, because if the total exposures pre-conversion factors are more than 90% of the total IRB exposures pre-conversion factor on the 3.3. a. CR IRB template, no exposures by country must be reported. If this is so, then that should be explicitly stated in the ITS.

However, the second threshold is disturbing. At first, the asset classes are not the asset classes of the IRB approach, but those of the FINREP. In our opinion the IRB asset classes should be used, and any kind of aggregation, if necessary, should be down by the supervisory authorities. At second, if the original exposures pre-conversion factors must be shown for all country exposures within an asset class, where the share of one country is higher than 0.5 %, then it may happen that the sum total on a specific country will not be the real original exposure pre-conversion factor on that country, because in some asset classes the share of the given country was less than 0.5%.

From a practical point of view it has to be considered, that if the geographical breakdown must be reported then institutions must provide the IT support and must establish the working process for all foreign exposures. The second threshold is not reducing the reporting burden, but it makes that more complex. Moreover, the information may differ from that in the internal reports which use no limits by asset classes. Therefore we suggest to report in the 3.3.b. CR IRB template the top ten from those countries which share of the <u>total</u> original exposure pre-conversion factor is higher than 0.5 per cent. But we should like to stress, the information should be provided by the IRB asset classes.

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| 12. Do reduced reporting frequencies lead to significant reductions in administrative burden? Please quantify the estimated impact of semi-annual reporting frequencies compared to quarterly. |

It is not possible at this moment of time to provide information of the possible impacts. The decrease in the reporting burden depends to what extent the reporting workflow involves manual or semi-manual activities. Generally, in small institutions considerable manual work is required for the supervisory reporting. Therefore less frequent reporting would mean less increase in the reporting burden.

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| 13. Is the calculation of the threshold sufficiently clear? |

No, the calculation of the threshold in Article 5 (2) c) is not clear. Is the use of the standardised approach to calculate the own funds requirement for credit risk capital requirement a criterion for the semi-annual reporting or not? What does the sum of individual balance sheet totals of all institutions under the competent authority's supervision mean? Is it the aggregated balance sheet total of the credit institutions and investment firms within the country or only the aggregated balance sheet of the credit institutions?

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| 14. Competent Authorities are obliged to disclose data on the national banking sector's total assets as part of the supervisory disclosure. Do you find these publications sufficient to calculate the proposed threshold? EBA is considering requiring information on own |

funds as included in Part 1 of Annex I (CA 1 to CA 5) with a monthly frequency. However, EBA is cognisant of potential cost implications and is very interested in specific feedback on this point.

As far as we know supervisory information on capital adequacy at present is required in some countries, but only on a standalone basis. In our knowledge no monthly information is required by the supervisors on a consolidated basis, as technically it would be very difficult and costly to provide information including all the companies under consolidated supervision. Own funds calculation on the consolidated level would require also the calculation of the capital requirements on a consolidated level, otherwise the minority interests to be included in the consolidated capital cannot be assessed.

Moreover, we do not understand when the market risk-related capital requirements are quite volatile, what could be the information content of own funds without knowing the size of the capital requirement.

In order to fill in the requirements within the given intervals, it would be necessary that all the solvency reporting processes run parallel to each month:

a. The complete RWA calculation.
b. The comparison of value adjustment (adjustment of the expected loss with adjustments).
c. The registration of new issues.
d. For companies with several subsidiaries, the delivery of the data would have to be adapted according to the data structure (centralized, decentralized).

Accordingly, the restriction of monthly reports to the CA-arms would not relieve the banks in any way. The monthly reports are also demanding a great precision of the data base and increase the monthly reporting requirements and process.

Beside the above mentioned, in most of the Member States the capital adequacy monitoring even on a stand-alone basis concentrates on the quarterly figures.

Therefore, we reject a monthly report of CA-sheets. We consider the additional value of a supervisory recognition of a monthly report on the own funds templates to be extremely low, while the cost increase for most of the industry participants would be high. It would increase human costs, because of the manual and sem-manual elements in the work-flow, control costs and in some institutions it would increase the IT costs as well.

An accurate cost estimate in the short time, was not possible. It should go without saying that the process would cost at least triple. In addition, beyond a certain amount of additional overhead costs, there would also be as various data such as accounting data from the households that are not automatically available.

The impact in terms of costs is thus more than 100% because the entire capital adequacy calculation process should be executed and the human costs would increase nearly linear with the reporting frequency. The evolutions in terms of systems and process are important, however, the relevance of information on own funds on a monthly consolidated basis is not proved.

15. What would be the cost implications if information on own funds as put forward in

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| Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions? |

This idea is contradicting Article 5(2) of the ITS, where semi-annual reporting is envisaged for small institutions. As we have described in the answer for the previous question the cost impact would be very high.

**CHAPTER 3, Section 2:**
**Format and frequency of reporting on financial information** (pp. 19)

- **Art. 9**

16. Are there specific situations where this approach (differentiating between institutions using IFRS and national accounting frameworks for supervisory reporting purposes) would not be applicable?

CEBS Guidelines on FINREP related only those institutions under consolidated supervision which had to provide their annual accounts by the IFRS. The 2006 CEBS Guidelines left for national discretion the scope of consolidation whether accounting or CRD and the reporting frequency. The revised Guidelines in 2009 defined the scope as that of the CRD and envisaged a quarterly reporting frequency from 2012. As it is known the implementation of the CEBS Guidelines have differed around the EU Member States. Some countries have implemented them full, some partially and some countries have not implemented them all. Where the FINREP have not been implemented supervisors required consolidated financial information by their own approach, either by the accounting scope or the CRD scope of consolidation. Thus the format and content of the consolidated financial information in Member States are very different.

Even where the FINREP have been implemented the scope of application was not the same. ***On the one hand***, in the majority of the Member States supervisors in implementing the 2006 had opted for the accounting scope. For this reason a shift to the CRD scope of consolidation would incur high costs as banks in these Member States have separate reporting lines for COREP (risk related) reports and for FINREP (financial) reporting. The EBA draft ITS would require on transaction level for COREP information also financial (FINREP) input. For the majority of banks this results in a big additional effort to reconcile on this low level risk and financial information. Especially non-financial entities since they are not covered by the scope of the CRD, would have to be 'deconsolidated' from the FINREP formats for reporting of financial data. This would be a burdensome exercise. ***On the other hand*** in Member States where supervisors in implementing the 2006 had opted for the CRD scope of consolidation, a shift to the accounting scope of consolidation would equally incur high costs. It is worth noting that once a year many institutions prepare their annual accounts using the IFRS, too, but often that report is only for disclosure reasons and no intra-year reporting work-flow is developed on that basis.

We understand the EBA's goal to collect information on the groups under consolidated supervision, but which were outside the scope of the FINREP, nevertheless we think that standardization on the basis of the existing accounting directives and their national implementation, if possible, requires much more steps, more mapping and more detailed instructions. The information provided in the instructions are insufficient to provide a specification of the reporting requirement. Therefore we expect the impact assessment which EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and to include a range of possible alternative solutions and carry on working further on the details, or to ensure a much longer implementation period with the involvement of the national supervisors.

The European harmonization of the reporting must only concern the statements which are done on a consolidated basis. The 'new'[1] drafting of Article 95 of the CRR which defines the perimeter of the entities subject to the ITS reporting limits its application to the sole entities which are subject to the IFRS rules by virtue of the European regulation.

The financial reporting statements on a individual basis were developed from the local accounting standards to answer the needs of the national supervisors. They must thus be left to the option of the local supervisor. More specifically, the FINREP statements which were provided on a individual basis that are required in this consultation do not answer to the local financial standards (for example: the classification of securities)

> In the particular in France, this extension brings up the question of its interaction with the SURFI reporting, which is the framework for the reporting of financial information in French standards for entities which are non-IFRS

Finally, if the extension were to be applied, it constitutes a whole new project overhauling the existing reporting in non IFRS entities and cannot be set up in a couple of months.

> 17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?

It is not possible at this moment of time to provide information of the cost implications.

> 18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly.

It is not possible at this moment of time to provide information of the cost implications.

However, it must be taken into account that in smaller institutions, which are under consolidated supervision, the human costs are significant in the supervisory reporting work-flow. This is due to the manual or semi-manual working activities and controls (e.g. reconciliation). Therefore the decrease in the reporting frequency means less human costs and/or workload for the employees.

> 19. What is your general assessment of applying reporting standards regarding financial information on an individual level?

The consistent reference to individual data and not only to consolidated data will translate itself in an enormous and completely disproportionate and excessive amount of work for co-operative banks which have numerous local branches.

> 20. How would you assess costs and benefits of applying the ITS requirements regarding financial information on an individual level? (Please assess the impact for the two scenarios (i) application of parts 1 and 2 of Annex III and Annex IV on an individual level (ii) application of parts 1 to 4 of Annex III and Annex IV on an individual level (ii)) Would

[1] Council Danish Presidency Compromise text of 1 March 2012: http://register.consilium.europa.eu/pdf/en/12/st07/st07042.en12.pdf

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| there be obstacles for applying reporting on an individual level? |

There would not be any benefits for the time being. In our view this issue could be raised only after when financial reporting on a consolidated level is functioning well..

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| 21. If the proposal was to be extended, what implementation time would be needed? |

**CHAPTER 6: IT solutions** (pp. 21-22)

- **Art. 12**

22. What cost implications would arise if the use of XBRL taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?

It must be underlined that the potential obligation to use XBRL would imply technical impacts and trigger consequent costs for banks. Such costs, even where limited, should however be assessed in the perspective of a 'cost -opportunity against expected benefits' evaluation model, taking into account that such benefits have not be proven to exist.

On top of the merely technical issues, the necessary organizational reorganisation that banks need to undergo and procedural know-how (e.g. knowledge of taxonomy, etc.) they need to obtain is burdensome, time consuming and costly. The potential impact of implementing new procedures and instruments of the kind would certainly be remarkable and, most importantly, would affect especially smaller banks. Furthermore, we are worried that the IT company will not be able to communicate its specifications to the dedicated project management teams (MOE) within a reasonable amount of time.

In case XBRL is deemed a suitable international standard, however nothing requires EBA to adopt it. In proposing to do so, in fact, EBA should nevertheless keep the incumbent national level standards untouched and allow for a national discretion or application of the proportionality principle for smaller and merely national active banks; This is without any prejudice whatsoever to the necessary consistency and homogeneity of the contents which needs to be signaled by means of such standards.

There are examples where institutions may send in the supervisory reports in simple txt formats and the authority transforms it to XBRL for its own use. In our view if the XBRL would be very important for the co-operation among the EU supervisory authorities, institutions should have an option for the reporting language and the transformation to XBRL could be done by the authorities. This solution would be much more economic for the entire banking sector.

For example, in Italy the financial, statistical, prudential and accounting reporting of the supervised Italian institutions is founded on an integrated process (PUMA 2). Such structure, whose development and maintenance are coordinated by Bank of Italy, is per se intended to grant standardization, uniformity of conducts and regulation compliance. In the view of Italian Banks view this already fully meets the objective of having standardisation. They do not perceive the benefit from a potential switching to XBRL for national active banks except in case for cross-border operating banks.

**CHAPTER 7: Final Provisions** (pp. 22-23)

- **Art. 13**

23. How would you assess the cost implications of the following two options?
(1) Implement the ITS as of the first possible reference date (31/03/2013)
(2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2013

It is not possible at this moment of time to provide information of the cost implications. As it was expressed in the previous answers for the FINREP, where it has not been implemented at all or where the implementation related only to some templates, the reference date of 31/03/2013 is technically not viable and even the delay of 6 months is not sufficient.

24. What would be the minimum implementation period to adjust IT and reporting systems to meet the new ITS reporting requirements? Please elaborate on the challenges which could arise.

It is not possible at this moment of time to provide information what the minimum implementation would be. If FINREP is to be applied also for those institutions on a consolidated level which are not subject to the Regulation 1606/2002

For the use of XBRL EBA should allow for a national discretion or application of the proportionality principle for smaller and merely national active banks;

25. What would be the minimum implementation period required for institutions already subject to FINREP reporting to implement the financial reporting described in this consultation paper?

In general, the implementation period of the ITS in order to report by the first possible reference date of 31 March 2013 is much too short considering the substantial changes which are implied and proposed. This is regardless whether the institutions already have implemented FINREP Guidelines or not. The minimum implementation period would be at least 1 year. These ITS for supervisory reporting cause legal uncertainty and induce major changes for banks internal arrangements, regarding the data to be reported and the arrangements of submission.

- ***Non Feasible implementation of ITS by 1 January 2013***

The presented timeline is not feasible without doing concessions to the reporting requirements. Furthermore, EBA should take into account the state of implementation of CEBS Guidelines on COREP and FINREP in the Member States. We would therefore suggest to implement only basic own funds reports and risk reports from March 2013 onwards; and postponing other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP) until 1 January 2014.

*d) Realistic reporting requirements as of 1 January 2013*

First of all, we appreciate the choice of EBA to focus on the first reference reporting date of 31 March, resulting in submitting the reports by mid May 2013. However, we would like to point out that banks are required to adhere to the new CRDIV/CRRI already from 1 January 2012 and therefore their internal processes intend to be ready and are formally speaking also required by supervisors to be ready in order to control their business and meet all requirements from that date. The expectation is that new CRDIV and CRRI will be applicable as of January 1st. EBA can provide the final templates only after the European Parliament has made its final vote, which is expected to be around June 2012. Although banks are meanwhile analyzing proposals and repercussions, they can only start building IT solutions after the final templates are available. This limits the available time considerably, also keeping in mind that adequate testing is necessary to assure a reporting of good quality.

Furthermore, the majority of the ITS and templates do not complement the existing guidelines and templates, but actually bring about a completely new exercise/project. The proposed time of 9 months to realise such a new 'project' is unreasonable, unrealistic and not feasible in practice. Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications (e.g. aggregation) are performed by the National Supervisory Authorities.

Therefore, considering that the standards will maybe be ready only in Autumn 2012 and there is no legal certainty or precedent at that time what and how it should be reported, the data that should be provided by May 2013 cannot be realistically based on the requirements set out in the Draft ITS and templates. It is only possible to require reporting of 'core', essential data by 1 January 2013 based on existing and currently used COREP and FINREP CEBS Guidelines.

*e) Divergences in MS implementation of CEBS GL COREP and FINREP*

Secondly, drafting the ITS and new templates based on the current COREP and FINREP Guidelines with the assumption that these Guidelines have been implemented in various Member States is not a valid and a too general assumption (cf. p. 4 of CP50). There are nuances and differences (which is contradictory also underscored by EBA further in the consultation paper on p. 23) to the extent to which COREP templates are implemented and applied; and especially whether(!) and how FINREP guidelines are implemented.

While most of the Member States have implemented COREP, in certain Member States only parts of COREP are used. These great nuances and differences need to be taken into account.

For FINREP many Member States have not even implemented the Guidelines as they use prudential reporting based on national GAAP. Some of these Members States have not implemented FINREP given that it was not possible to provide consolidated data based on the IFRS' definition of consolidation. Furthermore, other Member States are implementing FINREP gradually and have not finalized their process yet. It should be taken into account that Member States have different starting positions. Those that have already implemented FINREP will already be faced with a challenging task if these draft ITS need to be implemented by 1 January 2013. For those that have not implemented FINREP a 'double' implementation will be required which takes even more time and is more costly.

Moreover, for these Member States further guidance would be required how to transform the system from local GAAP to IFRS. In such cases at least 12 months if not longer is required for the transformation from local GAAP to IFRS let alone the implementation of these standards after finalisation. Therefore, the Requirements for financial reporting can only be applied at the earliest from of 1 January 2014 onwards

Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications e.g. aggregation are done by the National Supervisory Authorities.

f) *Phasing in arrangements suggested*

We suggest looking into an EU–wide phasing-in solution from 1 January 2014 onward. The EACB proposes to start with the basic own funds reports and risk reports and decide over time to add additional templates for prudential reporting (COREP). As of 1 January 2013 still the current COREP and FINREP frameworks should be used. As of 1 January 2014 a first phase of the phasing-in arrangement can take place for other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP). The first reporting reference date should start on March 2014.

In order to meet certain objectives, we would like to bring to your attention the 'streamlining exercise' for prudential reporting conducted in 2009. This major exercise resulted in 'core' and 'non-core' templates. For COREP The core templates were harmonized over all EU jurisdictions and were mandatory to submit. In choosing these core templates the relevant supervisors have had apparently extensive discussions to find a focus on the most basic information required to supervise banks. This means that for the non-core templates more time for dialogue between the supervisors is definitely needed. For example, it is necessary to change the COREP capital templates and EBA should publish guidelines or the national authorities should inform how the new info should be introduced and how the capital templates should be changed.

26. What would be the minimum implementation period required for institutions NOT subject to FINREP reporting at the moment to implement the financial reporting described in this consultation paper?

In general, the implementation period of the ITS in order to report by the first possible reference date of 31 March 2013 is much too short considering the substantial changes which are implied and proposed. This is regardless whether the institutions already have implemented FINREP Guidelines or not. The minimum implementation period for those who have not implemented FINREP would be at least 1 year. These ITS for supervisory reporting cause legal uncertainty and induce major changes for banks internal arrangements, regarding the data to be reported and the arrangements of submission.

- ***Non Feasible implementation of ITS by 1 January 2013***

The presented timeline is not feasible without doing concessions to the reporting requirements. Furthermore, EBA should take into account the state of implementation of CEBS Guidelines on COREP and FINREP in the Member States. We would therefore suggest to implement only basic own funds reports and risk reports from March 2013 onwards; and postponing other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP) until 1 January 2014.

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First of all, we appreciate the choice of EBA to focus on the first reference reporting date of 31 March, resulting in submitting the reports by mid May 2013. However, we would like to point out that banks are required to adhere to the new CRDIV/CRRI already from 1 January 2012 and therefore their internal processes intend to be ready and are formally speaking also required by supervisors to be ready in order to control their business and meet all requirements from that date. The expectation is that new CRDIV and CRRI will be applicable as of January 1st. EBA can provide the final templates only after the European Parliament has made its final vote, which is expected to be around June 2012. Although banks are meanwhile analyzing proposals and repercussions, they can only start building IT solutions after the final templates are available. This limits the available time considerably, also keeping in mind that adequate testing is necessary to assure a reporting of good quality.

Furthermore, the majority of the ITS and templates do not complement the existing guidelines and templates, but actually bring about a completely new exercise/project. The proposed time of 9 months to realise such a new 'project' is unreasonable, unrealistic and not feasible in practice. Furthermore, any change in the present templates which seem simplification (e.g. simply aggregating the information of two present templates) will imply more costs to the industry then no change at all. In such cases, it would be much cheaper if such kind of simplifications (e.g. aggregation) is performed by the National Supervisory Authorities.

Therefore, considering that the standards will maybe be ready only in Autumn 2012 and there is no legal certainty or precedent at that time what and how it should be reported, the data that should be provided by May 2013 cannot be realistically based on the requirements set out in the Draft ITS and templates. It is only possible to require reporting of 'core', essential data by 1 January 2013 based on existing and currently used COREP and FINREP CEBS Guidelines.

*h) Divergences in MS implementation of CEBS GL COREP and FINREP*

Secondly, drafting the ITS and new templates based on the current COREP and FINREP Guidelines with the assumption that these Guidelines have been implemented in various Member States is not a valid and a too general assumption (cf. p; 4)There are nuances and differences (which is contradictory also underscored by EBA further in the consultation paper on p. 23) to the extent to which COREP templates are implemented and applied; and especially whether(!) and how FINREP guidelines are implemented.

While most of the Member States have implemented COREP, in certain Member States only parts of COREP are used. These great nuances and differences need to be taken into account.

For FINREP many Member States have not even implemented the Guidelines as they use prudential reporting based on national GAAP. Some of these Members States have not implemented FINREP given that it was not possible to provide consolidated data based on the IFRS' definition of consolidation. Furthermore, other Member States are implementing FINREP gradually and have not finalized their process yet. It should be taken into account that Member States have different starting positions. Those that have already implemented FINREP will already be faced with a challenging task if these draft ITS need to be implemented by 1 January 2013. For those that have not implemented FINREP a 'double' implementation will be required which takes even more time and is more costly. Moreover, for these Member States further guidance would be required how to transform the system from local GAAP to IFRS. In such cases at least 12 months if not longer is required for the transformation from local GAAP to IFRS let alone the implementation of these standards after finalisation. Therefore, the Requirements for financial reporting can only be applied at the earliest from of 1 January 2014 onwards

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*i) Phasing in arrangements suggested*

We suggest looking into an EU–wide phasing-in solution from 1 January 2014 onward. The EACB proposes to start with the basic own funds reports and risk reports and decide over time to add additional templates for prudential reporting (COREP). As of 1 January 2013 still the current COREP and FINREP frameworks should be used. As of 1 January 2014 a first phase of the phasing-in arrangement can take place for other changes in prudential reporting (COREP) and the requirements for financial reporting (FINREP). The first reporting reference date should start on March 2014.

In order to meet certain objectives, we would like to bring to your attention the 'streamlining exercise' for prudential reporting conducted in 2009. This major exercise resulted in 'core' and 'non-core' templates. For COREP The core templates were harmonized over all EU jurisdictions and were mandatory to submit. In choosing these core templates the relevant supervisors have had apparently extensive discussions to find a focus on the most basic information required to supervise banks. This means that for the non-core templates more time for dialogue between the supervisors is definitely needed. For example, it is necessary to change the COREP capital templates and EBA should publish guidelines or the national authorities should inform how the new info should be introduced and how the capital templates should be changed.

27. Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?

**Annex I: templates for reporting own funds requirements**
**Annex II: instructions for reporting own funds requirements**

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors - displayed in the COREP templates as grey/blocked cells) reduce the reporting burden?

Restrictions which reduce the reporting burden are welcomed. Nevertheless, it needs to be noted, however, that the relief which is being provided is rather limited taking into account that, to some extent, institutions must nevertheless to calculate figures for restricted cells to be able to report in non-restricted cells.

29. Compared to previous versions of the COREP templates are there additional reporting requirements which, cause disproportionate costs?

There is a considerable increase in the amount of information which needs to be communicated. There are approximately 1000 cells which require an input compared to 123 today.

Furthermore, lots of issues are still being discussed at the European Parliament (Danish Compromise, the final amendments have not yet been implemented) which means that not everything is stabilized and there is no legal certainty.

The following examples illustrate the disproportionate costs which will follow from the proposed new framework:

- The new COREP CR SA templates considerably increases the number of reporting fields and, therefore, will increase accordingly reporting costs for firms which report according to SA.

- Also the geographical and currency breakdowns will result in significant increases in costs and complexities.

- The synthesis for the calculation of own funds (CA1) and for the calculation of ratios (CA3) brings in an additional 100 lines. The impact on the IT system will imply changes in the system and moreover due to the Basel eligibility criteria's, a great number of cells will have to be manually entered.

- For the tab CA 4 (additional information), more than a hundred cells have been added and most of them will need to be manually entered.

For the transitional period (Tab CA5), more than 11 tables require an input which corresponds to more or less 860 cells. These information requirements are substantial and cannot be easily automated (calculus and manual entry are

- Concerning the credit risk templates, there is a multiplication of lines entitled " of which" which will require substantial modifications to the IT system.

- Concerning the "Group Solvency", the frequency was annual and is now moving toward a semi- annual frequency and on an individual and consolidated basis. This will bring about serious operational concerns as everything will have to be set up manually. One can wonder what the relevance is to have it on an individual basis.

- The statement entitled "CR SEC Details", which is actually done on an annual basis will now have to be done on a quarterly basis. The investors have to publish as much information as the originators. This will bring about a very heavy operational burden. Moreover, what it the relevance of the information coming from the investors for the regulators since they (the regulators) will have received it from the originators. We ask that the annual frequency be maintained.

- Concerning the statement entitled "CR IRB GB", the breakdown by geographical areas must be done on a quarterly basis. This will have impacts on the IT system, there should be a harmonization with FINREP. It will be very difficult to set up on a quarterly basis as from 2013. The materiality thresholds can be put into question as they are extremely low.

- Concerning the statement entitled "CR IP Losses" which asks for the quarterly publication of the losses generated by the loans guaranteed by real estate (residential and commercial), the banking industry questions what the relevance is of this information in COREP, since it is information which is very detailed on the flows., Would it not be more relevant information from an accounting point of view (FINREP). This has a very heavy impact on the IT systems and also in terms of organization.

- Concerning the statement entitled "COREP-CR SEC Details"; the scope was expanded to the securitization auto-subscribed. The required information has little micro prudential interest. The frequency has been changed to a quarterly frequency. It is asked for an annual remittance on a comparable basis.

- Institutions using the standardised approach for operational risk should enter data into the statement entitled "OPR Details". But this statement refers only to articles of the advanced measurement approaches. Institutions using the standardised approach should be exempted from entering data into this statement.

- Concerning the statement entitled "MKR IM" there have to be entered short and long positions in columns 020/021. As short and long positions are part of the standardised approach for market risk, but not necessarily part of internal models, we ask that these columns be deleted.

Finally, more clarification on the definition of loss and lending value is needed. There is a risk that the data reported will not be comparable due to different interpretations in member states.

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| 30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you. |

No, there are parts of the instructions that are not sufficiently clear. Below follow some examples where the instructions are insufficient or even missing;

- Group Solvency column 100 – reference is not correct
- Group Solvency column 180 – reference is not correct
- CA1, row 120 ID 1.1.4.2.3 - no reference to any article

- CA1, row 180 ID 1.1.3 Accumulated other comprehensive income - not crystal clear what to include in this cell, especially in relation to ID 1.1.9.2 Cash flow hedge reserve
- CR SA column 510 - definition of how to calculate number of counterparties in SA (individual, group) is needed.
- CR IRB - If reporting both in FIRB and AIRB, shall there be one "CR IRB - Total" for FIRB and one for AIRB?
- CR IRB - definition of how to calculate number of counterparties in IRB (individual, group) is needed.
- CR IRB GB - confirmation needed from the authorities if it is the country of the exposure (e.g. host country of the accounting unit) or country of the customer.
- CR IRB GB - confirmation needed from the authorities regarding country how to treat exposures against a customer's foreign branches?
- CR IRB GB: The exposure classes in this report are not the same as in the CR IRB report. The reference list mentions that these are FINREP breakdowns;

  Is it correct that the exposure classes in this report are FINREP and not COREP breakdowns? From IT perspective this means that for this report we will need to build a new exposure classification.

- CR IP LOSSES: Consultation paper does not provide a definition for the 'loss. This needs clarification. The definition has a large impact on IT implementation.
- MKR SA EQU - Authorities need to define what they mean with markets when reporting equity risk.

31. CR IRB – What is your assessment of cost implications of the new lines for "large regulated financial entities and to unregulated financial entities"? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

We would like to suggest that EBA would provide an updated list of such entities in real-time.

Moreover, it is not possible at this moment of time to provide information of the cost implications.

32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

It is not possible at this moment of time to provide information of the cost implications. Nevertheless, to gather such information is associated with very high costs.

**Annex III: Templates for reporting financial information according to IFRS**
**Annex IV: Templates for reporting financial information according to national accounting frameworks**
**Annex V: Instructions for reporting financial information**

- ***Annex III, p. 2***

33. Are the templates included in Annex III and Annex IV and the related instructions included in Annex V sufficiently clear?

Please provide concrete examples where the implementation instructions are not clear to you.

We strongly believe that financial information should be drawn up in accordance with IFRS as endorsed in the EU. Thus, the terminology in FINREP should be consistent with IFRS. In some instances, non-endorsed standards are used as a reference (e.g. IFRS 13) in other cases references are not up to date (e.g. reference to IAS 19 before 2011 revision or in reference to equity or to non-controlling interest or minority interest).

We appreciate the EBA's effort to develop standardized templates for those institutions which use the national accounting standards, however we must underline that the EU accounting directives have left considerable freedom for the Member States. Fair valuation of financial assets is not mandatory for national standards for the time being and will probably not become so. Several terms e.g. trading portfolio, assets held for trading are not defined in the EU accounting directives. The language of the templates is much more similar to the IFRS than to the national accounting terms in some Member States. Therefore we think that in the first stage the FINREP should concentrate on IFRS reporting institutions

If FINREP approach differs from the IFRS, this would not only generate considerable extra costs for firms but would also lead to differences between the figures presented in the prudential reports of financial statements and those shown in the financial statements themselves. Moreover, it will imply a significant additional burden which comes in addition to the implementation costs. Moreover, we think that new templates should be required only where it is absolutely necessary.

For FINREP the consultation brings about 69 quarterly FINREP tables while currently actually there are 35 tables which are used on a yearly basis in some Member States, whereas in other countries FINREP is not implemented at all. The new proposed 69 quarterly FINREP tables increasingly resort to non-accounting data:

- by type of counterparty but which are different than those in COREP on liabilities or on the results
- by business areas, geographical zones, a matrix analysis combining a number of these elements
- by breakdowns which do not correspond to day to day management and even to the IFRS standards (i.e: economic coverage)

For example, under IFRS 7 disclosures related to financial instruments are provided by classes. However, quantitative disclosures by classes are only relevant in the following areas:

- reconciliation of changes in the allowance account
- impairment loss
- disclosures of fair value
- disclosures for day one gains /losses
- disclosures for credit risk
- disclosures for financial assets that are not derecognised

When it comes to disclosures by classes the bank decides what constitutes the classes and how detailed the breakdown is based on the nature of the information disclosed.

From this perspective breakdowns required by FINREP cannot be considered as IFRS compliant in the area of disclosures for financial instruments because

a) classes are determined by the bank but FINREP prescribes the exact breakdown or

b) FINREP requires breakdown of items even when IFRS requires just a simple amount without further split or no disclosures at all

As regards b) we point out that following information concerning financial instruments is not required by IFRS:

- breakdown of interest income and expenses (Table 17.1)
- breakdown of net gains and losses on trading and FVO assets and liabilities (Tables 17.2, 17.3, 17.4, 17.5, 29.2)
- breakdown of fee income and expenses (Table 18)
- breakdowns for balance sheet items
  - held for held-for-trading financial assets and liabilities
  - FVO financial assets and liabilities
  - loans and advances
  - debt securities, equity instruments, deposits, derivatives, short positions, debt securities issued

In some cases IFRS gives an option of applying different accounting policies. We fail to understand why FINREP does not respect this choice when determining specific policy to be applied (e.g. in the areas of dirty/clean price reporting for gains/losses on financial instruments at FV through P&L, Interest costs/expected return on post-employment benefits or Presentation of tax effects of OCI items) We strongly believe it should be left to the entity to decide which of the options it uses. This is also clearly underpinned by CRR Article 94 which states that the valuation of assets and off-balance-sheet items shall be effected in accordance with the applicable accounting framework. We understand that CRR gives no power to EBA to decide on the use of options granted by the applicable accounting framework. Use of options should be left to the institution as this is the only way reporting can be brought in line with firms' accounting systems.

Validation rules are not part of the tables. As a result it is often difficult to understand the structure of the tables. Especially it is not clear what the lines like "Total" relate to. We recommend adding the check sums and aggregated lines where these are missing.

The structure of the tables is not uniform regarding the lines for totals and the detailed lines which contribute to the totals. Sometimes the totals are below the detailed lines, sometimes above.

Different breakdowns are requested for similar items which makes data collection even more complicated. For example, table 3.5 (Available-for-sale financial assets) and table

3.8 (loans and receivables and held-to-maturity investments) both require a breakdown of loans and advances but in different detail. Details required in different breakdowns should be similar and limited to a feasible number.

Moreover, the proposed FINREP requirement in Table 4.1 'column 140: past due, impaired and defaulted assets' there is a reference to IFRS 7.37 (c) but IFRS 7.37 (c) has been deleted by the IFRS. So the requirement in column 140 cannot be linked to current rules by the IFRS. That is the IRFS requirement to provide information on "collateral and other credit enhancements received as security for the related impaired and past due assets" does not exist anymore. Moreover, in several places a reference to IFRS 13 is made, however IFRS 13 has not been approved by the EU yet. So, in some areas the requirements are not up to date and in other the information requirements cannot be met as these are not yet used at EU level.

We would like to suggest creation of a joint workshop with EBA and industry representatives to review the tables in detail from the perspective of IFRS, technical perspective as well as in the context of relevance of the requested data. The industry is ready to contribute to such analysis, which in our view is necessary before any conclusions are drawn.

- ***Template 10 (Annex III and Annex IV) , p. 17***

| 34. Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden? |
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We propose to reduce the number of FINREP-templates and delete the following templates:

- Part 1 of the ITS (FINREP) quarterly
- Part 2-4 of the ITS (FINREP) semi-annually Part 5: delete

For FINREP the consultation brings about 69 quarterly FINREP tables while currently actually there are 35 tables which are used on a yearly basis in some Member States, whereas in other countries FINREP is not implemented at all. The new proposed 69 quarterly FINREP tables increasingly resort to non-accounting data:

- by type of counterparty but which are different than those in COREP on liabilities or on the results
- by business areas, geographical zones, a matrix analysis combining a number of these elements
- by breakdowns which do not correspond to day to day management and even to the IFRS standards (i.e.: economic coverage)

For example the proposed FINREP requirement in Table 4.1 column 140 is not an IFRS requirement (cf. para c) is no longer in force; the proposed EBA requirement: 'collateral per category. Data on risk and counterparties in great detail' is not required IFRS information).

From the above, it can be concluded that this requirement will imply a significant additional burden which comes in addition to the implementation costs. Moreover, we think that new templates should be required only where it is absolutely necessary.

35. What are the cost implications of introducing a breakdown by individual countries and counterparties?

In general, the geographical breakdowns are very burdensome as they are not part of the normal accounting information flow. In addition, template 10 includes breakdowns on the basis of NACE codes, which is not part of the accounting information either. The combination of these two requirements is very challenging for the reporting firms and will result in considerable IT-costs for the firms.

We do not believe the benefits to exceed the additional costs for this information, especially considering there already is a geographical breakdown in Annex I, template 3.3b. We, therefore, expect the impact assessment which EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and, in particular, to undertake a cost/benefit analysis of using, respectively, data that is available in accounting systems versus the proposed requirement.

36. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?

In general, the geographical breakdowns are very burdensome as they are not part of the normal accounting information flow. In addition, template 10 includes breakdowns on the basis of NACE codes, which is not part of the accounting information either. The combination of these two requirements is very challenging for the reporting firms and will result in considerable IT-costs for the firms.

We do not believe the benefits to exceed the additional costs for this information, especially considering there already is a geographical breakdown in Annex I, template 3.3b. We, therefore, expect the impact assessment which EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and, in particular, to undertake a cost/benefit analysis of using, respectively, data that is available in accounting systems versus the proposed requirement..

37. Would other classification be more suitable or cost efficient?

We would prefer that no geographical breakdown would be required. However, if it were nevertheless to be introduced, we would propose to base it on the country in which the entity is incorporated as such information is available in the accounting flow.

Some of the counterparty information in Annex III and IV are based on breakdowns required in COREP/CRD like NACE codes. Such breakdowns are not available in the existing accounting information. Mixing COREP/CRD breakdowns with accounting information will create significant challenges for firms as these are separate information flows based on different sources and not stored in common systems. Annex III has to some extent been adapted to the accounting terminology of IFRS, which we support. We would however encourage EBA to go further down this route and try to eliminate the COPREP/CRD terminology and requirements in Annex III and instead focus more on the IFRS requirements that listed firms already have in their accounting information flow. The NACE codes are one example of information that should be deleted from Annex III.

It should rather be investigated if EBA could use MFI or BIS information and skip this very burdensome reporting.

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| 38. What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown? |

No comment

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| 39. What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio? |

- ***Template 14 (Annex III and Annex IV) p. 22***

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| 40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world? |

No comment

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| 41. Would application of a materiality threshold similar to Article 8 (3) and 11 (3) (reporting the breakdown only if foreign exposures exceed 10 % of the total exposures) reduce reporting burden? |

No comment

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| 42. What would be difference in cost implications if breakdown would be requested only with differentiation between domestic/ foreign or alternatively country by country with similar threshold than in Article 8 (3) and 11 (3) compared to the proposal in the Consultation Paper? |

- ***Templates for reporting financial information according to national accounting frameworks, pp. 35***

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| 43. Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates? |

No comment

- ***Instructions in Annex V, p. 62***

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| 44. Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in held for trading portfolio? |

No comment

- ***Income statement Annex V, p. 64***

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| 45. How do you assess the impact of reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss always under interest income and interest expense? |

No comment