The Co-operative Banking Group

Appendix 1 Response to consultation questions

Number	Consultation question
	Explanatory text for consultation purposes The reporting shall be done on an individual basis and on a consolidated basis as defined in the CRD/CRR. Hence, this ITS takes into account any waivers granted by competent authorities in accordance with Article 6 of CRR. For financial information the reporting in this proposal includes only reporting on a consolidated level. CRR scope of consolidation is required to verify calculation of own funds requirements and enhance analytical abilities in the combined use of own funds figures and financial figures. For financial information the scope of consolidation shall therefore also follow the CRR scope of consolidation. The scope of consolidation used for annual accounts and publication may differ for some institutions, because insurance companies and non-financial corporations are excluded from the CRR scope of consolidation
1	How would you assess the cost impact of using only CRR scope of consolidation for supervisory reporting of financial information?
	There is no impact as the CRR scope of consolidation is the same as for accounting financial information.
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.
	CRR scope of consolidation is the same as accounting scope of consolidation, therefore no cost implications.
3	Explanatory text for consultation purposes The proposal enables institutions to use the applicable accounting year for supervisory reporting purposes. 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?
	The Co-operative Bank's year end is 31 December but the Co-operative Bank reporting cycle is based on 4-4-5 weekly cycle. This means reporting on a strict calendar quarter is not currently possible. Currently a waiver is in place for FSA reporting which allows us to report on a 4-4-5 week cycle. Reporting to FSA on this basis enables greater efficiency of data production as the Bank's accounting systems are set up to collect data at these dates and allows a more transparent reconciliation to the Bank's published annual and half-year accounts. The provision of financial reports, for regulatory reporting purposes, on a calendar basis would require a complete overhaul of our existing systems to facilitate general ledgers on a daily basis in order to enable us to differentiate between the position as at the end of a calendar quarter and that at an (internal) accounting quarter. This would require us to review each of the data feeds into the general ledger and identify the changes needed to allow for an update. We will also need to consider how we deal with accounting adjustments, such as accruals and prepayments, as these are currently done only at period end. Without having undertaken detailed costing, we envisage

Number	Consultation question
	the cost of the duplicated reporting approach is likely to be well into six figures. The production of financial reports would, of course, be a duplicated process in that one set would be required for internal (and in the case of statutory reporting public purposes and a second set for regulatory purposes. From a control viewpoint, we would consider it essential also to reconcile the two sets of reports which each other to ensure that the inevitable discrepancies could be explained, and we envisage that the regulator would need to do likewise since it is unlikely to feel comfortable relying solely on the reported financial position set out in regulatory reports when a different position is reported publicly. The move to 4-4-5 reporting by Co-operative Banking Group is an interim solution following the merger with Britannia Building Society and the Group is looking to move to monthly reporting in the long term. The time difference is not considered to be material. There is no significant reduction in the scope or quality of information provided to the regulator or the public. In particular, there is no reason to believe that prudential supervision of the firm would be compromised. Consideration should be given to provide waivers in transition period before the Bank can move to calendar monthly reporting.
4	Explanatory text for consultation purposes The proposed uniform remittance period is 30 business days for both reporting on an individual and a consolidated level. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?
	This is a significant change from current reporting, where consolidated reports remittance period are 45 days and are produced after the solo consolidated returns have been submitted. The process for completing individual and consolidated returns would need to be re-engineered so that they could be produced at the same stage. This would have cost implications for process and system development and take time to implement. As all reports would be due on the same day it would create bottlenecks in the sign off process as all returns would be due on the same day. The production of consolidated returns to a shortened remittance period also has implications for reporting figures that may not yet be finalised. These include increased resubmissions if adjustments are made post return submission. EBA will also have information before it is made available to the market. The production of consolidated returns on a quarterly basis is also a change from current half yearly submissions which would increase the reporting burden on firms. Consideration should be given to whether both solo and consolidated reporting is required on quarterly basis. The draft rules do not appear to take into account public holidays occurring in the remittance period.
5	How would you assess the impact if remittance dates were different on an

Number	Consultation question
	individual level from those on a consolidated level?
	This would depend on remittance dates, but this is in line with current reporting. As long as sufficient time was provided to consolidate this would not necessarily be an issue. It is important to ensure that any requirements of EBA and national supervisor were co-ordinated to ensure the most beneficial approach. Remittance periods are in many cases tighter than pre existing deadlines and reducing them further would impact on ability to provide meaningful data.
6	When would be the earliest point in time to submit audited figures?
	Audited figures would only be available for year end position and this is likely to be 3m after the year end date, which is significantly after the remittance period. If audited figures are required separately as an additional submission this will lead to a massively increased reporting burden as an additional set of templates will need to be provided.
7	Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?
	There is a potential conflict with year end results publication; submitting numbers to the EBA before results are published could create conflicts. The reporting deadlines for statistical reporting and internal management accounts for the following month would conflict with the 30 day deadline. This would mean extra pressure on senior management review time and resource to produce and sign off reports with similar deadline dates. It is unclear how COREP and FINREP sit with other regulatory reporting requirements such as G-SIB and the Recovery and Resolution Planning work currently being undertaken.
8	Explanatory text for consultation purposes The threshold of 10 % implies that banks without significant foreign activities will not report the geographical breakdown. Conversely, an institution shall report the breakdown for all exposure classes if this materiality threshold is met, with reference to countries for which the 0.5% threshold is also triggered. The same conditions apply to the financial reporting threshold. Do the proposed criteria lead to a reduced reporting burden?
	Although the current overseas exposure is below the 10% threshold, monitoring will be required to check for the threshold being exceeded. Systems will still need to be developed in anticipation of reporting being required. Monitoring will also be required at a regional level to check when the 0.5% threshold is triggered.
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.
	Further clarification is needed on the rules for inclusion of countries. Should it be up to ten countries or 80% of total non domestic exposure?
10	What would be the cost implications if the second threshold of Article 5 point 1(c) ii) were deleted?
	The 0.5% threshold should be raised rather than removed. There would be little value in reporting numerous low value exposures.

Number	Consultation question
11	Is the calculation of the threshold sufficiently clear?
	Further clarification would be useful addressing the following points. • How is exposure being defined? • Should the threshold be based on all exposures or all exposures on IRB approach? • Clarity required around reporting rules if close to 10% threshold or move between threshold in quarter? Even if currently threshold is not reached would need to build solution to ensure able to report if non domestic exposures rose over 10% of total exposures.
12	Explanatory text for consultation purposes Do reduced reporting frequencies lead to significant reductions in administrative burden? Please quantity the estimated impact of semi-annual reporting frequencies compared to quarterly.
	Reporting on a semi annual basis instead of quarterly would reduce the reporting burden. There is an issue for banks that may be close to the threshold and may switch between from quarter to quarter. Therefore guidance is required for these firms. There is also a role for national supervisor in deciding reporting population. It is unclear whether threshold can only apply to firms on standardised approach and firms using foundation IRB approach would not be eligible for semi annual reporting.
13	Is the calculation of the threshold sufficiently clear?
	The calculation of the overall threshold is not sufficiently clear. Clarity is required around overall limit to use to calculate if over 1% and the role of competent authority in deciding the reporting population. It is not clear which year end figures should be used for determining whether the threshold has been exceeded for a particular reporting period. It is important that these sizing exercises are performed well in advance of the reporting period so that the firm has time to make the necessary arrangements. Also consideration of how much notice would be required to move from semi annual to quarterly is required.
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?
	We have not seen this data to date, but should be straightforward to apply the calculation. It is important that this is available sufficiently well in advance to ensure plans can be actioned for firms moving between thresholds.
15	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. What would be the cost implications if information on own funds as put forward in Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions?
	There would be additional reporting burden to report monthly especially for

Number	Consultation question
	consolidated. Reporting capital monthly to the FSA is currently on best endeavours basis. If this was formalised into regulatory returns there would be additional costs around compliance. Clarification in needed over what the remittance period would be for monthly reporting.
16	If a credit institution would prepare the financial statements under national GAAP but uses (either by choice or national requirement) IFRS as the basis for supervisory reporting purposes, they would be subject to Article 8. Similarly where a credit institution uses IFRS for publication of financial statements but is required to use national GAAP for supervisory reporting they would fall under Article 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? Article 95 encompasses all institutions, not allowing exemptions based on accounting frameworks used for prudential reporting. However, the EBA is mindful of differences in reporting systems and of the changes a new Article 95 would imply, therefore the EBA is very keen on receiving feedback on these proposals in terms of impact, benefits and costs. Templates for credit institutions applying national accounting frameworks follow the same structure as templates for IFRS institutions but have been adapted to accommodate national frameworks. Due to the differences in underlying frameworks the proposed set of templates is more limited than those proposed for IFRS reporting institutions. All templates will be part of the integrated data model. On Article 8(3) and 9(3) see questions 8 to 11 on point (c) of Article 5(1). The EBA acknowledges that the scope and level of application of the ITS follows the scope and level of application of the CRR. However, the requirements regarding financial information as put forward in this consultation paper are limited to credit institutions and only apply only on a consolidated level. The development of requirements regarding financial information on an individual level will need more time in order to overcome challenges stemming from the application of different underlying accounting standards as well as problems linked to the reconciliation with statistical, monetary and fiscal reporting requirements. The EBA will continue working on developing these uniform requirements taking into account the final provisions of Article 95 of CRR as approved by the Council and the European Parliament.
	The value of FINREP templates is limited due to some firms using IFRS and other firms using national GAAP leading to a lack of comparability between banks.
17	What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?
	The information requested is not currently produced. The required level of analysis is very detailed and in a format not familiar within firms. This will significantly add to the reporting burden. The detail and analysis required will mean significant development and investment in systems. It should also be noted that some of the analysis is by IAS 39 categories; this is due to be replaced by IFRS9 in 2015. The templates will need to change to reflect the updated categories soon after implementation which will add significant cost. It may be more advisable to wait until after IFRS9 is implemented to prevent a large revision to the templates so soon after they are implemented.

Number	Consultation question
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.
	Reporting quarterly will increase the reporting burden. The cost of producing quarterly will largely be on resource as a system will still require building if required semi annually. The high level of granularity and detail required means significant development work and a reporting system would need to be built, therefore there will be a significant cost to reporting semi annually. The guidance is not clear regarding the application of the 10% threshold, whether it applies on a table by table or if calculated on total exposure basis. It would be preferable to report a lesser level of detail on quarterly basis.
19	What is your general assessment of applying reporting standards regarding financial information on an individual level?
	This will create an extra reporting burden. Clarification is required over what individual reporting is, for example, solo reporting or solo consolidated reporting. The level of complexity of data required is not readily available and not required in a bank's day to day running. Further clarity is required on what is being requested.
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 there be obstacles for applying reporting on an individual level?
	The level of analysis required and the particular requirements are for data that is not accessible and not analysed/required in the normal course of business. This amounts to a significant development to be completed in the limited time available Clarity is required over what is required by individual reporting: is this solo entity or does this include solo consolidated reporting? Reporting at an individual level increases the reporting burden and will increase the costs of development. Of the two options suggested (i) is the least onerous and most preferable in terms of development.
21	If the proposal was to be extended, what implementation time would be needed?
	Ideally 18-24 month would be required for such a significant implementation, after clarification via another consultation paper. It would also useful to align FINREP implementation with the introduction of IFRS9 (Jan 2015).
22	Explanatory text for consultation purposes Institutions that will use the XBRL taxonomies published by EBA will automatically comply with the specifications. Using XBRL taxonomies as the data exchange format, however, is no requirement. Institutions can also comply by using another data exchange format or alternative means of data transmission but need to make sure that all validation rules, precision rules and other specifications which are included in the XBRL taxonomies and related standards are fulfilled. In this context the definition of the data exchange formats is at the discretion of the competent authorities. Question for respondents

Number	Consultation question
	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?
	Full cost implications not yet known, but costs implications relate to building a new reporting system. The cost implications depend on granularity of data required. The cost of tagging may be significant because of the level of detail required. There is also concern that XBRL taxonomies will not be available until later in the year which will reduce the time available for implementation.
23	According to the European Commission proposals, institutions are envisaged to be required to comply with new CRR requirements as of 1.1.2013. Competent authorities will have to check institutions compliance with new CRR requirements as of the CRR application date. Therefore, the first regular reporting period thereafter is expected to be Q1 2013 with the first reporting reference date being 31.3.2013. Competent authorities rely on regular prudential reports from institutions in their daily supervision and in order to perform compliance checks and regular risk assessments. Hence it is crucial NSAs receive data calculated according to the new CRD requirements from the first possible reporting date onwards. The first reference date of 31 March 2013 is proposed in order to avoid national temporary solutions for reporting own funds requirements and financial information which is needed by all competent authorities in order to check compliance with new capital requirements included in the CRR. 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 Regarding prudential reporting some institutions in Europe have already been subject to reporting requirements based on the guidelines for common reporting (COREP) developed by EBA predecessor CEBS.
	The short time frame from finalising requirements to first reporting date gives a very short time frame for implementation. The increased data requirements and granularity of data will put significant pressure on the implementation. There will be limited time to implement and test the system development which is likely to impact on data quality. A 6m delay would be of great benefit, but consideration of interim solution is required. The interim solution should not increase the development burden so would only really work if existing reports continued to be submitted in the interim. Consideration should also be given to phasing in of the templates.
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. Regarding prudential reporting several institutions in Europe have already been subject to reporting requirements based on the guidelines for common reporting (COREP) and financial reporting (FINREP) as developed by EBA predecessor CEBS. Due to the inconsistent implementation of the above guidelines in Europe, the extent of new reporting requirements varies significantly between institutions.
	The minimum implementation period would be 18-24 months to meet the new

Number	Consultation question
	ITS reporting requirements. The short time line from finalising requirements to first reporting date gives a very short time frame for implementation which is the most significant challenge. The increased data requirements and granularity of data will put significant pressure on the implementation. There will be limited time to implement and test the system development which is likely to impact on data quality. Third party software suppliers may struggle to provide solutions in time to meet the requirements of FINREP and given the size of the implementation provide the adequate support to customers. It should also be noted that national supervisors may struggle to implement reporting systems to capture the data in time and allow any time for testing.
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?
	Not applicable
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?
	An implementation period of 24 months would be realistic given the size and scale and granularity and specialist data that is required for FINREP.
27	Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?
	Individual reporting is likely to be quicker to implement but it wouldn't really have a large impact due to the scale of development and implementation.
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?
	The greyed out boxes have a small impact on reporting burden.
29	Compared to previous versions of the COREP templates are there additional reporting requirements which, cause disproportionate costs?
	Group solvency- this template collects very detailed information for individual entities within the consolidated group. CR IRB GB template – this template requires IRB credit risk data analysed according to FINREP asset classifications, which are not clearly defined. Credit risk data is not held with these classifications and cannot be easily repackaged into these classifications. The CR IRB template is already set up to capture detailed information on IRB asset class and this should be more than sufficient for supervisory purposes and suggest that the CR IRB GB template is deleted. CR IRB template – the CR IRB template effectively reports information already collected for individual asset classes. This represents a duplication of data already collected. Also some of the data cannot be meaningfully aggregated for example PD and LGD. Therefore this template should be revised.
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.

Number	Consultation question
	When referring to individual reporting does this relate to solo reporting only or cover solo consolidation reporting also? For firms which currently have a solo consolidation waiver would they continue reporting at solo consolidation level rather than at individual entity level?
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?
	Currently greyed out in the template. This will be an additional requirement which will add to the cost of implementation.
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?
	The analysis of exposures without a rating or have inferred rating should not be too onerous. It is one additional requirement in the overall solution build which is a significant piece of work. Therefore it will add to the cost of development.
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.
	The key areas relate to the detail and complexity of information. Template 13 FV hierarchy requires information in excess of IFRS 7 requirements. Specifically IFRS7 requires a 3 tier hierarchy for balance sheet information, but only tier 3 for P&L information, whereas FINREP required 3 levels of information for FINREP P&L. PL information should only be requested for Level 3 instruments as this is where the most subjectivity may be used in the valuation methodology.
34	*Template 10 (Annex III and Annex IV)* Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden?
	Some clarification is required over application of proportionality, but should lead to reduction in reporting burden for firms with minimal overseas activities.
35	What are the cost implications of introducing a breakdown by individual countries and counterparties?
	Some additional clarification is required, for example, is analysis required by counterparty or issuer? The nature of this information is not readily available and will require significant development of a new system to report. In addition to the cost of development there will be ongoing cost relating to the extra burden of reporting.
36	What are the cost implications of introducing a breakdown by economic sector by using NACE codes?
	NACE codes are not currently used by the business. Therefore if required these will need to be implemented, with associated cost of development and ongoing maintenance costs.
37	Would other classification be more suitable or cost efficient?
	Currently Corporate customers have assigned SIC codes and BOE industrial

Number	Consultation question
	codes. Reporting using either of these would reduce the cost of development.
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?
	There would be reduced cost as there would be less data points that would require reporting. The data would still need to be captured so still a significant cost to the implementation. The term domestic and foreign would require clarification.
39	What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?
	There would be an increased reporting burden but this is monitored internally so information is available though not necessarily automated. There would be a cost to developing this reporting.
40	*Template 14 (Annex III and Annex IV)* 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?
	There would be reduced cost as there would be less data points that would require reporting. The data would still need to be captured so still contributes to overall cost of development.
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?
	Some clarification is required over application of proportionality, but should lead to reduction in reporting burden for firms with minimal overseas activities. Yes, a similar threshold should be applied.
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?
	There would be reduced cost as there would be less data points that would require reporting. The data would still need to be captured so still a significant cost to the implementation.
43	*Templates for reporting financial information according to national accounting frameworks* Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates?
	The FINREP templates will not be comparable due to the reporting population using a mixture of IFRS and national GAAP.
44	*Instructions in Annex V* 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?
	Yes, the IAS 7 definition of cash and cash equivalents is used in the financial statements and assets in held for trading portfolio would be classified as cash or cash equivalents.
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?
	Reporting these items in interest income and interest expense should not be a problem.