



*Set up in 1990, the Czech Banking Association (CBA) is the voice of the Czech banking sector. The CBA represents the interests of 38 banks operating in the Czech Republic: large and small, wholesale and retail institutions. The CBA is committed to supporting quality regulation and supervision and consequently the stability of the banking sector. It advocates free and fair competition and supports the banks' efforts to increase their efficiency and competitiveness.*

We appreciate the opportunity to comment on EBA Consultation Paper **DRAFT IMPLEMENTING TECHNICAL STANDARDS ON DISCLOSURE FOR OWN FUNDS BY INSTITUTIONS (EBA/CP/2012/04)**. Our response is divided into three clusters – general comments, specific comments and responses to EBA questions for consultation.

### **General comments**

The document introduces and requires inclusion of at least 7 other tables into regular reporting. Thus altogether with the two tables of COREP reporting (CP 50 Annex I - tables Own Funds and Transitional provisions) banks should fill out at least 9 tables only about the capital.

- We are of the opinion that such arrangements pose a rather heavy burden on banks with only a very limited added value. Reporting as well as verification will be overly complicated, costly, time-consuming and prone to the operational risks.
- We assume that some tables of this ITS duplicate tables stipulated in COREP report CP 50. The tables are large, complex and instructions for completing them are not clearly set.
- We are also convinced that duplication of tables or/and number and extensiveness of tables cannot contribute to the transparency or quality of Own Funds disclosure. On the contrary, we think that the reporting setup should be simpler.

From the draft proposal it is also not clear

- What will be the frequency of submitting these tables;
- Whether these tables will constitute a part of regulatory reporting (COREP, FINREP); and
- What (if any) relations the tables in the EBA document will have with the COREP reporting CP 50.



## **Specific comments**

### ***ANNEX I- BALANCE SHEET RECONCILIATION***

#### ***ANNEX A: EXAMPLE ON THE USE OF THE RECONCILIATION METHODOLOGY***

The document gives us an impression that the reconciliation will be comprised of four tables dealing with:

1. Extended regulatory balance sheet filled with accounting figures
  2. Relations between FINREP balance sheet and regulatory balance sheet
  3. Extended balance sheet items with references to the “Own Funds” disclosure table or “Transitional Own Funds” table
  4. Own funds items with links to the balance sheet items (see table in Annex A).
- We are of the opinion that the proposed text should be refined as it is not clear whether our understanding (the four mentioned tables) is what the EBA intended to introduce.
  - We consider such approach as overcomplicated and we believe a more simple way would be more effective.
  - We think that some Own Funds items in the “Extended Regulatory Balance Sheet” table are not comprised in the accounting books and thus in the balance sheet – e.g. rows 12, 13, 22, 23, 25, 27, 42 of “Own Funds Disclosure Template”. Therefore it is not clear how to manage the reconciliation of these items.

#### ***ANNEX II- CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE***

#### ***ANNEX III- INSTRUCTIONS FOR COMPLETING MAIN FEATURES TEMPLATE***

- From the proposed document it is not clear what shall be the reporting frequency of those tables. The items concerned are usually long-term ones, which do not change much over time.
- Consequently, we are of the opinion that there is no need for a frequent regular reporting. Such information would be more appropriate to be shown for instance as a part of the notes in the Annual Report.

- The structure is not exactly the same as BCBS 221 document published on 26th June 2012. For example, the following rows are not in these EBA tables :
  - 3 - Governing law(s) of the instrument
  - 8 - Amount recognised in regulatory capital
  - 9 - Par value of instrument
  - 17 - Fixed or floating dividend/coupon
  - 18 - Coupon rate and any related index
  - 19 - Existence of a dividend stopperWill EBA update its table or is it OK for consistency?

***ANNEX IV- OWN FUNDS DISCLOSURE TEMPLATE***

***ANNEX V- INSTRUCTIONS FOR COMPLETING THE OWN FUNDS DISCLOSURE TEMPLATE***

This table in the EBA document is slightly different from the „Post 1 January 2018 Disclosure Template “published in BCBS 221 document of 26th June 2012.

- It is not clear to us why EBA has the intention to solve the structure of reporting layout / requirements from 2018. According to the historic experience, the rules (COREP, FINREP, general rules) usually change several times within such period.
- We are not sure what (if any) is the connection of this table with the COREP table “Own Funds” (CP50, table 1.2 CA1). It should be made clear whether this disclosure table will replace the COREP table from 1. 1. 2018.
- The reason of this table is described by the EBA as follows: „This template has been designed to be consistent with the BCBS “Post 1 January 2018 disclosure template...” Does it mean that COREP table 1.2 CA1 is not consistent?
- The EBA disclosure template does not include all rows that are in the COREP “Own Funds” report – e.g. Other reserves (COREP row 200), Deferred tax liabilities associated to other intangible assets – row 330, Excess of deduction from AT1 items over AT1 Capital (deducted in CET1) – row 740, Excess of deduction from T2 items over T2 Capital (deducted in AT1) – row 970.
- We are of the opinion that only one table of this kind shall be kept for future – either the similar COREP table (and cancelling the EBA table) or vice versa. Anyway, it will be helpful for understanding to add link (references) to the particular rows of COREP “Own Funds” report.



***ANNEX VI – TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE***

***ANNEX VII- INSTRUCTIONS FOR COMPLETING THE TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE***

***ANNEX B: EXAMPLE ON THE USE OF THE TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE (ONLY FOR CONSULTATION PURPOSES) (PAGE 59)***

- The table, mainly columns and the instructions for completing are unclear and unintelligible and thus calling for better description. For example, the COREP table 1.6 CA5 “Transitional Provisions” from CP50 document is clearer.
- The reason for the “Transitional Own Funds” table in the EBA document is cited “This template has been designed to be consistent with the BCBS disclosure template during the transition phase“. Does it mean that COREP table 1.6 CA5 is not consistent?
- Therefore we are of the opinion that only one transitional table, which is simple, clear, understandable, and consistent over the Europe and worldwide shall be set.

**Questions for consultation**

**Q01: Are the provisions included in this draft ITS sufficiently clear?**

Not really.

**Are there aspects which need to be elaborated further?**

We recommend cancel it completely or do it again and in a different way which would be consistent with other similar requirements.

**Q02: Are the provisions provided for the balance sheet reconciliation methodology sufficiently clear?**

No

**Q03: Are the instructions provided in the template on the main features of capital instruments, in the general own funds disclosure template and in the transitional disclosure template sufficiently clear?**

No



**Should the instructions for some rows be clarified?**

Yes

**Which ones in particular?**

See our comments above.

**Are some rows missing?**

See our comments above.

**Q04: Our analysis shows no impacts incremental to those included in the text of the Level 1 text are likely to materialise. Do you agree with our assessment?**

No

**If not please explain why and provide estimates of such impacts whenever possible.**

We hope that our response to EBA Consultation Paper is sufficiently clear and our views are helpful for preparing implementing technical standards.