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**FBF RESPONSE TO THE CONSULTATION PAPER ON SUPERVISORY  
REPORTING REQUIREMENTS FOR INSTITUTIONS UNDER REGULATION  
(EU) NO 575/2013 (EBA-CP-2019-10)**

**I - General comments:**

*The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorised as banks and doing business in France, i.e. more than 340 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 340,000 people in France and around the world and serve 48 million customers.*

The French Banking Federation (FBF) welcomes the opportunity to comment on the consultative document on supervisory reporting requirements for institutions under Regulation (EU) No 575/2013.

The consultation paper proposes changes to different areas of supervisory reporting and existing templates, as well as introduction of many new templates. The large scope of the revision of the reporting framework has demanded banks some time to provide a detailed analysis of these changes that is still under process. Hence, in this context, please find our main comments below and our detailed feedback within our answers to the EBA's questions.

- Concerning the initiative of the EBA to integrate Pillar 3 disclosures with supervisory reporting, from our point of view, we would favour a streamlining of information provided instead of more formalized templates and tables. For example, in some instances, alignment regarding the remittance frequencies of templates on the scope of IRB and SA approaches should be updated.

Moreover, Pillar 3 disclosures are overloaded due to the high granularity of information already provided. Integration should not lead to additional information that would fall under the scope of the information provided to supervisors and that is not appropriate for investors due the detailed level of data that only regulatory experts will be able to interpret in a proper manner and due to the sensitiveness of data that will require appropriate confidentiality to be analysed that only competent authorities can guarantee.

Besides, disclosures templates that will be integrated with supervisory reporting will have to follow the validation processes and the restatement submissions according to Art. 3(4) of ITS on supervisory reporting. We believe that attention should be put on restatement submissions applied to disclosures, as supervisors and banks use these processes in different manners. While an adjustment to disclosures may be necessary when resulting from major adjustments to regulatory reporting, we believe that materiality limits below which a correction of disclosure can be omitted should be defined as minor adjustments to regulatory reporting applied to disclosures would not contribute to increase transparency for investors.

- We do not see the rational to require similar information but in a different way on stock of NPEs in COREP and FINREP. We advocate the EBA to maintain the requirements

in COREP and remove FINREP templates on that matter as, in our opinion, the breakdown by exposure classes and instruments will not provide accurate insight to supervisors

- Short names of COREP templates are very similar to the names of Pillar 3 disclosures templates but without matching with those and the related requirements. To avoid any confusion, we suggest changing short names.

## II – Answer to the questions related to the consultation

### Own funds

*Question 1: Are the instructions and templates clear to the respondents?*

C01.00 rows 335/365: Accounting revaluation of subsidiaries' goodwill derived from the consolidation of subsidiaries attributable to third persons and Accounting revaluation of subsidiaries' other intangible assets derived from the consolidation of subsidiaries attributable to third persons: Requirements are not that clear: Does EBA want to have the GW allocated to minority interest? Should it be, this information does not seem to be required by CRR2.

C01.00 row 514: Minimum value commitment shortfalls: Could EBA confirm that the shortfall of funds not treated under LTA is expected in that cell (meaning should the institution has not retained the RW ponderation up to 1250%).

C01.00 row 515: Other foreseeable tax charges: The requirements is not clear, which taxes EBA foresee to be deducted from CET1?

C03.00 row 220: Surplus (+)/Deficit (-) of CET1 capital considering the requirements of Article 92 CRR and 104a CRD: EBA seems to go beyond than CRR2 as the latter does not require to have total capital broken down into CET1, T1 and AT1

*Question 2: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

Please refer to question 1.

*Question 3: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

Agree but with some overlapping as above mentioned

### NPL backstop

*Question 4: The definitions of NPEs and Forbearance are now included in the CRR. So, FINREP instructions on templates 18 and 19 have been reviewed, wherever appropriate, to refer to the CRR. The review of the instructions considers that the basis for reporting in FINREP are the accounting values and consistency across FINREP templates have to be kept. In addition, the request of information of NPEs and Forbearance in FINREP is relevant for supervisory purposes other than monitoring the prudential backstop calculation.*

*Do respondents agree with the review of instructions on the definitions of NPEs and Forbearance?*

Agree

*Question 5: The template F39 requests information on the stock of NPEs and related loss allowances/provisions broken-down by the same time buckets as introduced in Article 47c of the CRR and used in the new NPE LC templates of COREP as well. These data allow supervisors to monitor institutions' NPE coverage strategies more effectively and capture their risk profiles more accurately. They complement, from an accounting perspective, the information provided in COREP on prudential backstop calculation.*

*Which benefit and challenges with regard to the compilation and reporting of this information do you envisage?*

No benefits are expected on that matter taking into consideration high challenges to report both this information in the two sets of reporting COREP and FINREP in a different way. As NPL backstop is prudential focused, this requirement should be left in the COREP framework and it should be removed from FINREP as the breakdown by exposure classes and instruments does not bring any highlights for the supervisors to have an accurate monitoring.

*Question 6: Are the instructions and templates C35.01 to C35.03 clear to the respondents?*

They are.

*Question 7: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

No discrepancies are identified.

*Question 8: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

Agree but the inclusion into FINREP framework is not relevant as above mentioned.

### **Credit risk**

*Question 9: Do respondents consider that the new proposed supervisory reporting templates reflect correctly the disclosure requirements, new templates which introduced considerable change? Given that the integration aims at improving consistency, including a standardization in formats and definitions, do respondents agree that this objective is achieved?*

C08.05 and C08.05b: columns 20, 30 and 40 are not appropriate according to a regulatory approach (neither PD nor exposure class). This will not help to benchmark with pairs and not for risk identification. TRIM already fulfills this function. It will be more appropriate.

Internal modeling is based on an approach to risk management. Showing this information according to a regulatory approach can lead to confusion over the reading of the model.

For example, in the context of modeling, insurance is part of banks unlike to the regulatory approach. Sometimes the perimeters is different between regulatory approach and risk management approach (i.e.: large corporation).

the costs of development will be burdensome and not representative of risk management.

The regulatory exposure classes are not representative of how the risks are monitored by the banks.

Finally, the EBA's review of the IRB approach (IRB repair) coincides with the global reforms reflected in the final Basel III framework. It will be appropriate to wait the new framework (CRR3) to design new reporting.

C08.07: Credit and counterparty credit risks and free deliveries: IRB approach to capital requirements: scope of use of IRB and SA approaches (CR IRB 7) : We question the relevance of this new template as the information is already computed through C07 and C08.

C09.01: Methodologies to computed Additional Valuation Adjustment as described in the regulation EU 2016/101 prescribe the rule of computation to be performed on the basis of Valuation Exposure (§6) which are based on financial instruments or portfolio of financial instruments.

For those purposes, financial instruments may be combined to portfolio when, for market price uncertainty and close out cost AVA, the instruments are valued on the basis of the same risk factor or when for model risk AVAs they are valued on the basis of the same pricing model. Reporting in the C09.01 is only related to financial instruments, and the AVA hold in funds reduction cannot be split using this granularity since the computation is performed accordingly to the article 6 of the regulation.

Furthermore, the scope of the template C09.01 is Credit Risk and Counterparty Risk made of both receivable in Amortized Cost or in Fair Value. This scope is not compatible and comparable to the scope of the regulation EU 2016/101 which define the scope of the core approach in article 8.1: For fair-valued assets and liabilities for which a change in accounting valuation has a partial or zero impact on CET1 capital, AVAs shall only be calculated based on the proportion of the accounting valuation change that impacts CET1 capital.

The COREP Templates 32.01/32.02/32.03/32.04 have already defined precise information on Prudent Valuation reporting, which respect the way the prudent value is computed, by type of AVA (Close-out Cost, Market Price Uncertainty etc...) and even requiring the largest Valuation Exposure in the context of Model Risk AVA and Concentrated Position AVA.

We encourage EBA to remove C09.01.

*Question 10: Are the instructions and templates clear to the respondents?*

They are.

*Question 11: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

Please refer to question 9.

*Question 12: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

They do but some overlapping is raised (please refer to question 9).

### **Counterparty credit risk**

*Question 13: The template C 34.08 contains information on the collateral used in derivatives and SFTs transactions at fair value. It is relevant to understand, on one hand, the part of the collateral that is either segregated or unsegregated and on the other hand, whether it is initial margin, variation margin or the SFT security. Therefore, the unsegregated collateral have been*

*split between initial margin, variation margin and SFT security. However, the segregated collateral has not been split as it is considered that all segregated collateral is initial margin.*

*Do respondents agree that the segregated collateral is only initial margin? I.e. variation margin and the STF security are only unsegregated collateral?*

The relevance of IM/VM reporting is questioned as it is not required so far for Pillar3 purposes nor required by CRR2. Implementation of such requirement is very burdensome.

*Question 14: The template C 34.06 provides information on the 20 counterparties with higher counterparty credit risk exposure, including CCPs. The template should be provided by all institution with counterparty credit risk on quarterly frequency.*

*Question 14.1: If further proportionality would introduced for these templates, would a threshold be an appropriate way? If yes, which thresholds would respondents recommend distinguishing between institutions that should report on quarterly basis and those that should report with lower frequency? Should it be based on the size of the reporting institution, the size of the derivative business, the total amount of CCR exposure or something else?*

No comments.

*Question 14.2: Would a semi-annual frequency for small and non-complex institutions be adequate to capture the volatility of these exposures?*

It would be.

*Question 15: Do respondents consider that the supervisory reporting templates reflect correctly the disclosure requirements, in particular new templates which introduced considerable change? Given that the integration aims at improving consistency, including a standardization in formats and definitions, do respondents agree that this objective is achieved?*

C34.01 seems to be very complex to implement especially for GSIIB where part of SACCR would not be so much significant. We would encourage EBA to remove this template from the ITS.

*Question 16: Are the instructions and templates clear to the respondents?*

They are so far apart from the following clarifications needed: .

- There are discrepancies related to reporting frequencies between C.08.06 and C.0807 COREP Templates and CR6A and CR10 Pillar 3 templates. The formers are on a half-yearly basis whereas the latter are on an annual basis. We would suggest alignment of frequencies between COREP templates and Pillar 3 templates.

*Question 17: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

Subsidiaries sub consolidated of the Group seem to stick to the whole requirement on COREP templates (especially C08.06 and C34.08) even those related to Pillar3 alignment whereas these entities are not required to provide the whole information through their Pillar 3 as mentioned in article 13 of CRR (respectively CR6 and CCR5 in Pillar 3 framework). We would encourage EBA to align the COREP Templates submission for these sub-consolidated entities with Pillar 3 requirements.

*Question 18: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

Refer to answer to question 17.

### **Leverage ratio**

*Question 19: Article 429a(1)(d) and (e) of the CRR states that "1.By way of derogation from Article 429(4), an institution may exclude any of the following exposures from its total exposure measure: (d) where the institution is a public development credit institution, the exposures arising from assets that constitute claims on central governments, regional governments, local authorities or public sector entities in relation to public sector investments and promotional loans; (e) where the institution is not a public development credit institution, the parts of exposures arising from passing-through promotional loans to other credit institutions".*

*Question 19.1: Are the structures presented in Section 5.1.2 complete? If not, could respondents provide detailed information on other structures in which a credit institution may have exposures exempted in accordance with Article 429a(1)(d) or (e) of the CRR?*

Structures presented are complete.

*Question 19.2: Do the proposed amendments provide for an adequate reporting on exposures of credit institutions that are involved in these structures?*

They do.

*Question 20: Regarding the proposals to include averaging for some components of the leverage ratio in accordance with Article 430(2) and (7) of the CRR, to develop the standards the EBA shall take into account the how susceptible a component is to significant temporary reductions in transaction volumes that could result in an underrepresentation of the risk of excessive leverage at the reporting reference date.*

*Question 20.3: What leverage ratio components do respondent consider most and least susceptible to temporary reductions in transaction volumes?*

Most susceptible: Securities Finance Transactions;

We agree with the BCBS conclusions (d468 Revisions to leverage ratio disclosure requirements – June 2019) that only SFT exposures are susceptible to face temporary reductions in transaction volumes,

However, the reporting of daily exposure is excessive and would lead to disproportionate operational complexity and costs. From our understanding, a calculation for SFTs based on weighted month end average exposure values would provide the same information as an operationally excessive reporting of daily actuals.

In any case, the computation of an average of daily calculations for SFTs should only be done with management data on a best effort basis, as evidenced by UK and US banks Daily Values to be used for the calculation of leverage ratios should not be based on accounting values, but they should be based on management data and on a best effort basis.

Best estimates should be considered as acceptable provided that they are measured consistently (within the quarter and with the accounting-based end of quarter figures) and prudently. As there might be difficulties in valuing the assets, applying the leverage ratio netting

rules and even eliminating intra group transactions (for the group consolidated ratio) at the end of each day, the best way is to adopt a pragmatic approach.

It should also be noted that the calculation of leverage exposure for SFTs based on daily values would impose significant one-off and ongoing costs on banks, as internal processes and IT systems would need to be adjusted to the new disclosure requirements.

Lastly, in order to reduce excessive burden LR6.2 (C48.01) should be deleted, as LR6.1 (C48.02) already shows the average result of LR6.2.

*Question 21: Regarding the clarification of the reporting in template C43.00 on whether the breakdown of the RWA should take into account potential substitution effects due to credit risk mitigation, i.e. whether to perform the exposure type categorisation of RWEA by original obligor or guarantor, and bearing in mind that in any case the RWEA reported in C 43.00 is after the RWEA reducing effect of CRM, the respondents are requested to provide the information below considering the importance of consistency as well as reporting costs.*

*Question 21.1: Would respondents agree to align the information reported by requiring the RWEA in this template without taking into account potential substitution effects due to credit risk mitigation?*

We would prefer to report both RWEA and LRE figures after potential substitution effects due to credit risk mitigation.

*Question 21.2: Would respondents strong reasons based on costs to prefer instead the reporting of both values, the RWA as well as the leverage ratio exposure, after substitution effects? What would be the reasons?*

Reporting RWA without taking into account risk reduction techniques would imply that current outcomes of the IRB and STD tools could no longer be used and that new computation processes would have to be developed leading to increased complexity and costs.

*Question 22: Are the instructions and templates clear to the respondents?*

C 47.00 - LEVERAGE RATIO CALCULATION (LRCalc): row 251 IPS exposures exempted in accordance with Article 429a(1)(c) of the CRR: Instructions shall be more explained on IPS exposures.

C 40.00 - ALTERNATIVE TREATMENT OF THE EXPOSURE MEASURE (LR1):

Row 350. Large institutions that are not G-SIIs shall report total of financial assets on an annual frequency whereas they are required to report the same amount on a semi-annual frequency in the template LR1/LSUM. We would suggest alignment of frequencies between COREP templates and Pillar 3 templates.

Paragraph 20 of the instructions on reporting on leverage (Annex XI) refers to “derivatives, SFTs off-balance sheet”, whereas detailed instructions to fulfill the template cells exclude SFTs from off-balance sheet items (Row 095). Accordingly, it should be noted in paragraph 20 “derivatives, SFTs **and** off-balance sheet”:

*Question 23: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

C48.01: Daily values for SFTs for the reporting period should be aligned with Pillar 3 on an annual basis.

Question 24: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

Agree.

## Large Exposures

Question 25: Are the instructions and templates clear to the respondents?

They are.

Question 26: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies identified

Question 27: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

Agree

## NSFR

Question 28: Paragraph 4 of Article 428d in the CRR2 states: "all derivative contracts referred to in points (a) to (e) of paragraph 2 of Annex II that involve a full exchange of principal amounts on the same date shall be calculated on a net basis across currencies, including for the purpose of reporting in a currency that is subject to a separate reporting in accordance with Article 415(2), even where those transactions are not included in the same netting set that fulfils the requirements set out in Article 429c(1)."

Reporting by currency subject to separate reporting is required to be made on a net basis across different netting sets. This might envisage a situation of derivatives across various counterparties with different settlement currencies. There is a need to provide further instructions on which specific currency subject to separate reporting report should capture the net value in these cases. The implication is that the CRR2 requires consistency between ASF and RSF by currency subject to separate reporting on which specific requirements can be set by CAs.

It is proposed to look at each netting set and calculate the fair value for each of them in its settlement currency. For all netting sets with matching settlement currencies a net amount shall be calculated in accordance with Article 428k(3) and 428ag(3), and reported in the relevant currency subject to separate reporting.

Do respondents agree with this proposal? Would respondents consider it more adequate to look at all payables and receivables related to derivatives and calculate a net amount?

We agree on looking at each netting set and calculating the fair value for each of them in its settlement currency. This treatment participates to create consistency in all separate reporting by currency between, on the one hand, derivative liabilities and assets amounts and, on the other hand, margin calls amounts to be reported.

However, with regard to FX derivatives with exchange of notional amounts, this treatment is not sufficient, as it will lead to structural imbalance between ASF and RSF in separate currency reporting as the MtM of foreign exchange derivatives are observed on a net basis.

Indeed, principal amounts exchanged in each currency will be neutralized, which will result in an incomplete overview of the liquidity profile in significant currencies, leading to an ASF and RSF imbalance.



For instance, assets in a given currency (say USD) that are funded by liabilities in another currency (say EUR) hedged by a CCIRS in USD/EUR would generate RSF in the reporting in USD and ASF in the reporting in EUR, and those RSF/ASF would not be compensated by the hedging instrument impact as this impact is circumscribed to the MtM (without taking the notional amounts exchanged into account).

Such imbalance creates a bias in the NSFR reporting in significant currencies.

We thus request to have the possibility to take the notional amounts of FX derivatives with exchange of notional amounts into account in the NSFR in significant currencies otherwise, it will be useful to understand the requested treatment.

*Question 29: Do respondents consider that the “NSFR calculation tool” appropriately translates the use of the different templates for informative purposes?*

No comments

*Question 30: Are the instructions and templates clear to the respondents?*

For reporting consistencies, willingness to have the vocabulary aligned with LCR delegated regulation (HQLA indeed is a Basel wording).

*Question 31: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

No

*Question 32: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

We do not agree on the 100% RSF applied to the non performing OBS items (whatever the maturity):

- This is not in line with the regulation that refer to the non performing balance sheet exposures (even in Basel III, there is no reference to non performing OBS items)
- It does not make sense when we compare to the RSF applied to the performing OBS items (5%).

We would be grateful if this part would be removed for the updated ITS”.

## **FINREP**

*Question 33: Under Appendix A (IFRS 9), purchased or originated financial assets (POCIs) correspond to purchased or originated financial assets that are credit-impaired on initial recognition.*

*IFRS 9 sets out specific rules to measure the expected credit losses (ECL) for POCIs, outside the general approach to impairment by Stage. In order to have a presentation of POCIs more consistent with their measurement criteria, in the following templates F04.03.1; F04.04.1; F07.01; F12.01; F18.00, POCIs are included in separate columns outside the Impairment Stages.*

*In the template F18, POCIs are also split between non-performing and performing, to take into account any cases where, after the initial recognition, POCIs do not meet the definition of “credit impaired” of Appendix A (IFRS 9) anymore.*

*Question 33.1: Do respondents agree with the separate presentation of POCs outside the IFRS 9 Impairment stages?*

Agree

*Question 33.2: Are the criteria to distinguish between “non-performing” and “performing” POCs clear? Which challenges with regard to the practical application of these criteria do you envisage?*

Clear without specific challenges.

*Question 34: The information on cash balances at central banks and other demand deposits has been included in template F12.01. Although the amount of impairment for cash balances at central banks and other demand deposits should not be relevant in general, these assets are subject to impairment as the other financial assets included in the accounting portfolios of “financial assets at cost or amortized cost” and “financial assets through equity subject to impairment or at fair value through other comprehensive income”. The inclusion of these data is also consistent with data reported in templates F18 and F19.*

*Question 34.1: Which challenges with regard to reporting of this information do respondents envisage?*

We see no major challenges.

However, we would appreciate that the EBA clarifies the following point related to the item "Cash balances at central banks and other demand deposits" included in the scope of the template FIN 12 that is currently unclear:

- FIN 12.01. the item « Cash balances at central banks and other demand deposits" is shown in specific rows (Rows 035; 185; 365) and related explanation is given in the ITS instructions.
- FIN 12.02. no specific rows related to the item and no explanation in the ITS instructions.

*Question 34.2: Do you see any inconsistencies between this data and the data collected in other FINREP templates?*

Consistency check within F18 templates should be amended accordingly as impairments on cash balances at central banks and other demand deposits are currently mapped with exposures instead of impairments.

*Question 35: In template F12.02, additional columns have been added to report the direct transfers between Stage 1 and Stage 3, without considering any intermediate passage through Stage 2. This information is useful in the context of monitoring IFRS 9 post-implementation initiatives and supervisory activities.*

*Which challenges with regard to reporting of this information do respondents envisage?*

We see no major challenges, but the relevance of the information required is questioned on that matter.

While the information on direct transfers between Stage 1 and Stage 3 exists in the Datawarehouse, it can be expected that exposures concerned are not material and transfers occur infrequently. Accordingly, collecting direct stage 1-3 transfers would require important changes in technical systems and establishment of new reporting processes creating

implementation burden that would outweigh the benefits of the information reported. Indeed, this information would require identifying intermediate changes of impairment stage, what is in contradiction with ITS 2.169 that requests to report information by comparing impairment stage “at the opening of the financial year or initial recognition” and at “the reporting reference date.”

*Question 36: In template F18.00, the information on loss allowances for more than 30 days-past due exposures has been added. This information is already reported in template F23.04 by institutions which fulfil both of the conditions referred to in points (i) and (ii) of Article 9(2)(h) of the current ITS on reporting. Since this information is relevant for monitoring IFRS 9 post implementation initiatives and supervisory activities, it has been included in template F18.00 for all institutions, although it may create some overlaps with F23.04.*

*Which challenges with regard to reporting of this information do respondents envisage?*

No major challenges but according to IFRS9 the 30 dpd as a backstop to stage2 is refutable, hence the relevance of these amendments is questioned.

### **Other amendments**

*Question 37: Are the instructions and templates clear to the respondents?*

#### Asset encumbrance:

- ABS replaced by securitisations not in all ITS templates (remains in the F36.02) and not in the disclosure templates
- A clear definition of “immovable property” is essential (is it confirmed that it corresponds to RW ≤ 35%)?

#### FIN 2 - Row 320 and FIN 20.3 – Row 120 « Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net »

- The rows are presented as existing rows but with "amendments in their content / definition" (yellow color code). In our opinion, as these rows do not exist in the current FINREP models (including FINREP 2.9) at least for IFRS models since 2014, they should be considered as new.
- We would appreciate that the EBA clarifies the point and confirms the status of these rows, i.e. new or not applicable for IFRS models.

*Question 38: Do respondents agree with the proposal to harmonise templates and instructions with regard to the reporting of the information of LEI codes?*

While we agree, clarification is need on the various codes in template 40.

- The "LEI code" columns have been replaced by a "code" column (column 010) where the LEI code shall be reported or, if not available, the national code of the entity. A "type of code" column (column 015) is added as well as a "National Code" column (column 025) to be completed when the code indicated in column 010 is a LEI code.
- We would appreciate the EBA to confirm that the column "National Code" (column 025) will be 0 if a National Code is filled in the "Code" column (column 10).

*Question 39: The integration between disclosure and reporting aims at improving consistency, including a standardization in formats and definitions. Do respondents agree that this objective is achieved?*

We agree.