

MEMORANDUM
CEBS Consultative Panel – COREP Initiative

The Panel expert group would like to thank CEBS for arranging the joint meeting with the CEBS COREP group and the EBF on November, 22nd in Paris. As in the past, the Panel expert group – as well as the EBF – acknowledged COREP’s achievements in the field of standardization of reporting formats and definition of terms.

However, as the volume of information included in the COREP framework still remains excessive, a number of improvement and reduction opportunities have been identified and presented by the Panel expert group as well as EBF¹. From the Panel expert group perspective all of these opportunities should be considered, principally as they would focus the COREP framework on value-adding information and, at the same time, address practical hurdles which banks will not be able to remove without incurring significant additional cost.

When implementing the COREP framework, the Panel expert group would like to ask CEBS again to consider its own goals, in particular the goals of convergence and level playing field, as well as less administrative burden.

The Panel expert group appreciates the open discussion during the November, 22nd meeting, for example on the challenges banks are facing with regard to credit risk mitigation and exposure breakdowns by credit conversion factors which are included in the COREP framework. Here, the practical reporting hurdles detailed by several industry representatives which have already build IT systems well capable of calculating the Basel II capital requirements were insightful to all participants. Most notably, the CEBS COREP group itself acknowledged that at least a material number of banks will not be able to deliver the reporting information currently required by COREP without significant investment in the already build IT systems.

On this back-drop, the Panel expert group expects CEBS to strike a balance between supervisors need for information and the resulting cost to the industry (IT investment and running cost). To this end, the Panel highly welcomes CEBS commitment to a flexible implementation of the COREP framework and to a review clause. Most notably, and as discussed in the November, 22nd meeting, the concept of a temporary exemption of certain information¹, in particular relating to credit risk mitigation, should be especially considered.

Under the current COREP proposal banks will be required to report – on group level – all data elements of the COREP framework as defined by their consolidating supervisor. To reduce the burden of COREP on banks operating in more than one EU country, temporary reporting exemptions should be implemented so that the solvency reporting for stand-alone entities² of such cross border banks should not include data elements which are part of the temporary exemption discussed above.

The Panel expert group would like to draw CEBS attention to the EC White Paper on Financial Services Policy 2005-2010 which stipulates that “from 2009, institutions should be able to fulfil their reporting requirements by sending only one complete reporting package to the competent supervisor at consolidated level”. Therefore, CEBS should make a commitment to review the COREP framework within the next two years – and the temporary reporting exemptions discussed above should remain in force as long as the White Paper’s aim has not been achieved.

The introduction of temporary exemptions would give supervisors more time to reach convergence and define best practice, as well as allowing for further regular discussion and review with the industry, e.g. on credit risk mitigation and conversion factors. Equally, it would allow banks to target their investments, to further rely on their IT systems as currently being implemented and to put more focus on their group level implementation of COREP.

¹ See attachment for full list of (temporary) exemption proposals as per the November, 22nd meeting in Paris

² Stand-alone entities include branches, subsidiaries and consolidating entities in host countries

Appendix: Participating Banks

CP Member	Nominated Experts
Hugo Banziger, Deutsche Bank	Ralf Leiber, Deutsche Bank Joerg Hornischer, Deutsche Bank
Richard Gossage, RBS	Adrian Haines, RBS Jonathan Gray, RBS Glenn Woodcock, RBS
Carl-Johan Granvik, Nordea Klaus Willerslev Olsen, Danish Bankers Association	Johan Giertz, Nordea Hans Jaeger, Nordea
Herbert Pichler, FEC Austria	Gerhard Motlik, Erste Bank Helmut Starnbacher, RZB/RBG Austria
Freddy Van Den Spiegel, Fortis Bank	Alain de Brauwere, Fortis Bank