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Summary on the Open Hearing on Future Developments on Supervisory Reporting

CEBS held an Open Hearing on 26 October to discuss the present situation and to gather input for the future developments on supervisory reporting. The event was chaired by Arnoud Vossen and Ludger Hanenberg, chairs of the Expert Group on Financial Information and of the Subgroup on Reporting, respectively.

A large number of market participants including individual commercial banks and banking associations from different Member States contributed to the constructive discussion held.

Assessment study of convergence on supervisory reporting

The assessment was presented to the participants in the hearing. The study concludes that the CEBS Guidelines on Reporting are first comprehensive steps towards harmonising reporting requirements on an EU-wide basis. Both frameworks show significant levels of commonality on the core layer, whereas the use of detailed information shows less positive results, especially in the Guidelines on Financial Reporting. As a conclusion, the need for further refinements was stressed together with the need for evaluating the real use of the data in COREP, while it was perceived that further streamlining of FINREP was deemed as necessary to increase the commonality of the framework.

Participants agreed with in general the main findings of the study. They expressed that the implementation of COREP became quite burdensome and that the current product does not meet the evolving expectation from part of the cross-border industry; on the other hand, it was considered to be very useful for domestically operating institutions, although the participants also expressed that the implementation was also quite burdensome for these institutions.

Issues raised by the Operational Network Platform

The participants discussed the main concerns raised by the cross-border operating groups included in the so-called Operational Network Platform. This platform consists of a sample of ten cross-border groups that primarily operate on a European scale. They have flagged that the differences in the reporting procedures (remittance date and frequency), in data definitions, in the national implementations of the Guidelines on Reporting, in the IT mechanism used for collecting COREP and FINREP-data and in the accounting standards used to calculate the exposures are creating major problems when using centralised databases for meeting the reporting requirements of the different supervisory authorities within Europe. They mentioned that groups which use advanced

methodologies for calculating the capital requirements for credit and operational risk, more often tend to develop systems at a centralised group wide level. This is different compared to the previous regulatory framework which was based on Basel I which made possible a more decentralised system that was more aligned to the respective accounting systems in the different countries the group operated. Some of these groups are now aiming for a future uniform reporting framework that can meet the reporting requirements of both the home and host supervisory authorities of that group.

CEBS concluded that it intends to undertake a number of projects in the near future on the items mentioned in the discussion, although there are some issues which are out of its scope of competence (e.g. differences in data definitions due to the use of national discretions included in the CRD). In this context, some participants favoured for the short term a divergent approach for on the one hand the reporting of cross-border groups that use internal models and on the other hand the institutions using the less complex regulatory rules for calculating the capital requirements. Still other participants consider proposed to focus on the short term on a limited number of issues which are more pressing to deal with them. This could be organised by means of a joint working group of the industry that liaise with the experts within CEBS.

CEBS actions for 2008 on supervisory reporting

Mr. Vossen introduced the tentative actions which CEBS would undertake in 2008. A first action dealt with the current differences in reporting procedures. It was proposed to develop standardised remittance dates for the COREP reporting framework as well as standardised frequencies for COREP and FINREP reporting. On remittance dates, the way forward could be the use of a corridor for the maximum remittance dates which will be narrowed on a yearly basis until 2011, targeted on standardised remittance dates for all supervisory reports of 30 and 15 business days for consolidated and solo data respectively. The reactions from participants were mixed. Some participants from cross-border operating banks advocated longer remittance periods and they wanted to drop the proposed difference between remittances periods for consolidated and solo data. Domestically operating institutions preferred a status quo of the current situation in the different jurisdictions, thereby accepting the current differences.

Regarding the proposed frequency of the supervisory reporting towards a quarterly cycle, the participants generally favoured this approach. A generic remarks in this instance was that CEBS has to examine carefully the rationale of possible deviations from this rule for some specific situations (e.g. monthly reporting for market risk information and yearly reporting for some templates linked with the notes to the financial statements)

Furthermore the participants were positive about the tentative proposal to converge on the data definitions used in COREP and FINREP by intensifying and making more transparent the current Q&A mechanism set up by CEBS, by which every interested party can post questions towards CEBS which are being dealt with by an EU-wide virtual network of reporting experts. To further facilitate this process, the industry proposed to develop a priority list of terms

and definitions that need to be interpreted in a standardised way and are considered to be important in preparing COREP reports.

Another way forward presented by CEBS in streamlining the current supervisory reports, was to perform user tests in 2008 to more precisely determine the added value of the information received. The participants generally favoured this approach and expressed their interest in participating on these exercises. The participants also supported a possible project to analyze potential alternatives to simplify reporting procedures for cross-border institutions, e.g. by creating one entry point for all reported information for a cross-border group. Finally, CEBS presented its ideas for the versioning of COREP and FINREP. CEBS policy is to have changes being realised at a maximum once a year, which received a positive feedback from participants.

A tentative timeline of these possible actions was presented to the participants. This timeline implies that one major change to the reporting frameworks would occur in the future, and that this change would be implemented by 2011. Participants generally were positive on this approach, but also argued that a number of pressing issues needed attention for the short term. More specifically, some cross-border banking groups asked CEBS to develop a practical solution for the problems they encountered with their implementation of COREP (e.g. the use of the COREP templates and/or definitions used by the consolidating supervisor). CEBS point of view was that these short term issues could be handled with on a case-by-case basis and was open to discuss this further in future.

Future developments on supervisory reporting

Participants were presented a number of areas which may be relevant in the future of supervisory reporting. The type of framework for the future received a number of comments from the audience, since participants asked for more reliance on the use of internal systems of the institutions to comply with the information requirements of the supervisory authorities, although this would not imply that some standardised information would not be needed. Furthermore, it was perceived that this way forward would especially be of interest for institutions using the more advanced approaches for managing their risks, while the less complex and mostly domestically operating institutions may find it useful to have more standardised reporting.

Another issue which was discussed was the link between the information requirements from bank supervisory authorities and other authorities like the ECB, requesting for data on a periodic basis. Participants concluded that a need for coordination with other data collection is positive, since it would reduce the reporting burden for the institutions as a whole. However, they did not feel that this would imply incorporating new data requirements to the frameworks, but to aim for as much compatibility as possible.

Finally, participants expressed mixed views on the usefulness of XBRL. Some participants positioned XBRL as just an IT tool, since they did not see it as a top priority; other attendants considered that XBRL might be an important driver to create gains in the efficiency of the reporting process.