

Mr. Andrea Enria
Secretary General
CEBS

Email

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Brussels, 18 April 2008

Subject: *EBF Comments on the CEBS Proposal for Standardisation of Remittance Dates and reporting Frequencies for Supervisory Reporting*

Dear Mr Enria,

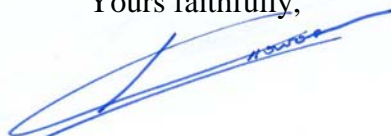
The EBF welcomes CEBS' proposal to harmonise remittance dates and reporting frequencies within the COREP framework. However, it expects the proposed harmonisation to be one piece of a more comprehensive and ambitious Roadmap aiming at achieving without delay substantial progress towards harmonising the COREP environment within the EU.

The EBF position paper – which you will find attached – emphasises, moreover, that the main focus of the harmonisation exercise should not be to improve the timeliness of COREP disclosures. Time-lines which are currently being imposed in a majority of Member States should, therefore, serve as a benchmark.

It also highlights that a prerequisite to harmonising remittances dates across the European Union would be to agree on the quality level of reported data because any harmonisation effort will otherwise fail to achieve a level playing field across Europe. This implies that an appropriate validation mechanism would need to be imposed at European level.

Finally, as industry representatives have already explained a number of times at meetings organised by CEBS, banks which have organised their risk management systems in a centralised way or which have a centralised reporting platform inevitably need to prepare data at a consolidated level first. This means that it would not be appropriate to distinguish between solo and consolidated reporting in the area of COREP.

Yours faithfully,



Guido RAVOET

Enclosure: D0804

a.i.s.b.l.

EBF COMMENTS ON THE CEBS PROPOSAL FOR STANDARDISATION OF REMITTANCE DATES AND REPORTING FREQUENCIES FOR SUPERVISORY REPORTING (COREP)

GENERAL COMMENTS

The EBF welcomes CEBS' proposal to harmonise remittance dates and reporting frequencies within the COREP framework. It believes such a strategy to be far more preferable than a solution according to which remittances dates and frequencies would be set by colleges of supervisors¹. Adopting such a strategy would result in remittance dates and their frequencies to differ from one banking group to another, which would create distortions of competition.

However, the EBF expects the proposed harmonisation to be one piece of a more comprehensive and ambitious Roadmap aiming at achieving substantial progress towards harmonising the COREP environment within the EU without delay. This would be essential as the many differences of the COREP reporting packages which the various Member States currently impose are a major hurdle to organising the reporting process within banking groups in an efficient and cost-effective way.

Such a Roadmap should set the priorities as follows:

- 1) Harmonisation of COREP and FINREP formats/definitions. The objective of this workstream should be in particular to reduce the number of COREP tables and to bring more consistency in the definitions of the cells in the various COREP tables.
- 2) Harmonising remittance dates and frequencies is indeed an issue that would need to be addressed as a matter of urgency.
- 3) Harmonisation of reporting processes. As reporting content and the IT-framework supporting it are highly interlinked, all events in the reporting chain - reporting content, validation rules and XBRL-taxonomy - must be brought in line as differences in this regard make it impossible for cross-border institutions to use a harmonised reporting framework in the way originally intended by CEBS. Changes in one of those events, inevitably affect the other and care should be taken that a lack of coordination amongst these would result in inefficiency and administrative burden for institutions as well as for regulators

We acknowledge that work which is currently being undertaken to remove national discretions as much as possible will be helpful.

a.i.s.b.l. ¹ The British Bankers' Association disagrees with the EBF views in relation to the role of supervisory colleges in setting remittance deadlines and will submit its own comments to CEBS.

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SPECIFIC QUESTIONS RAISED IN THE CONSULTATION PAPER

Question 1 - Do respondents consider that a future proposal on FINREP can follow the same approach as for COREP? If not, please indicate the reasons and explain alternative solutions?

The EBF welcomes the suggestion of harmonising FINREP remittance dates across the EU as well.

However, before exploring this, it would need to be closely examined if it would be appropriate to align the FINREP remittance dates and frequencies to those which will apply within the COREP framework as, *prima facie*, there are valid arguments in favour as well as against such an alignment. Moreover, the need to distinguish between the preparation of solo and consolidated data may need to be assessed in a differing way within the framework of FINREP.

Against this background, it appears too premature to consider harmonising FINREP remittance dates and frequencies together. The EBF intends to issue a reasoned opinion on FINREP remittance dates and frequencies at a later stage.

Question 2 - Do respondents consider that the current proposal creates an adequate balance between timeliness and quality of data? Please elaborate the reasons for your answer. Do respondents consider that CEBS should introduce the application of the proportionality principle in the proposal? Please elaborate the reasons for your answer.

- The main focus of the harmonisation exercise should NOT be to improve the timeliness of COREP disclosures.

Remittance dates and frequencies are being harmonised at the request of the industry which challenged differences in this area because they imply that cross-border banks are constrained to meet the most demanding national requirements. If ECOFIN has followed-up to this criticism by inviting CEBS to move towards single, EU-wide reporting dates, its pursued aim was clearly to reduce the administrative burden imposed on banks – and not to improve the timeliness of supervisory disclosures.

Time-lines which are currently being imposed in a majority of Member States should, therefore, serve as a benchmark.

- The number of business days that will be made available to institutions to prepare COREP data will inevitably have an impact on the quality of data.

Ideally, COREP data would need to be delivered once all appropriate verifications have been completed amongst others as this would enhance the integrity of the reports and avoid a constant stream of subsequent corrections. This would imply, amongst others, deriving end-of-year COREP basic reporting data from those used within the FINREP framework, which would bring as an advantage that figures disclosed to supervisors would correspond to those which are being disclosed to the market.

Clearly, the target dates which the Consultation Document proposes concerning the delivery of data will not allow institutions to prepare COREP data which are of the highest quality. Institutions will only be in a position to observe them by making use of provisional/incomplete data which will need to be updated and, where need be, corrected afterwards. This will create inefficiencies and increase the administrative reporting burden for both supervisors and institutions.

- If the supervisory community would nevertheless feel satisfied with receiving COREP data of a less than optimal quality, it would be essential that the required level of quality be determined at EU level because any harmonisation effort will otherwise fail to achieve a level playing field across Europe. This means that an appropriate validation mechanism would need to be agreed upon and imposed at European level.
- We wonder if it would indeed be appropriate to make use of the principle of proportionality in this area. Applying the principle of proportionality should in any event not result in smaller institutions being required to deliver COREP data on a more frequent basis, in particular if those institutions are included in a group report.

Question 3 - *The proposal on common remittance dates will be applied to all reporting institutions, but making a distinction between solo and consolidated reports. Do respondents agree with this decision? If not, please elaborate your answer (e.g. circumstances in which this distinction is not valid).*

The CEBS proposals seem to start from the presumption that, as under Basel I, solo reporting is being prepared first and that reporting on a consolidated level is prepared subsequently by adding up solo data. This may still be true for some banks which apply the standardised approach under Basel II. However, banks which have organised their risk management systems in a centralised way or which have a centralised reporting platform inevitably need to proceed exactly the other way around: subsidiaries send their rough data to the parent which computes them in a centralised way to prepare consolidated figures. Solo figures are ultimately derived from the consolidated figures. Therefore, it is essential that institutions would not be required to deliver data on a solo level before those on a consolidated level.

This means that it would not be appropriate to distinguish between solo and consolidated reporting in this area. This was also the main message which cross-border banks conveyed at the COREP Workshop which CEBS organised on 29 June 2007.

Question 4 - *Do respondents consider the proposal as feasible? If not, please indicate the reasons, the costs associated with the changes and the minimum time that would be needed to produce the data. Please distinguish between solo and consolidated reports.*

The industry's expectation is that CEBS will seek to bring convergence by aligning the European standard to practices prevailing in a majority of Member States. We do not believe that aligning practices on the basis of requirements prevailing in more demanding

Member States – as proposed in the Consultation Document - would correspond to the request made by ECOFIN as this would increase banks' reporting burden instead of reducing it.

In any event, the core issue at stake is not so much feasibility but rather efficiency and reliability:

- efficiency: setting tight timelines will require institutions to make use of data which are not of an optimal quality and, therefore, create inefficiencies and increase the administrative reporting burden for both supervisors and institutions;
- reliability: the supervisory community will in any event need to agree at European level on the level of the quality of data which they would wish to receive from banks.

Moreover, as explained above, it would not be appropriate to have a reduced remittance period concerning solo data.

The feasibility of the timelines which the Consultative Document proposes is influenced, amongst others, by the following circumstances:

- The main obstacle preventing cross-border banks from delivering COREP data within a time-frame which the supervisory community may consider more appropriate is due to the fact that the objective of one single European-wide common reporting framework has not yet been achieved. This situation will not have changed by 2011, i.e. the date at which the Consultation Document proposes the harmonised remittance date and frequencies to go live. If supervisors would wish to improve the timeliness of COREP data, they should therefore focus on improving the COREP framework first.
- Some banking groups may need to include data from subsidiaries which are established in non-EU countries which are not under Basel II.
- The scarcity of available human resources during the summer holiday should be considered when determining the remittance data concerning semi-annual data.
- It would be appropriate to provide an extended timeline for the preparation of reports covering end-year figures.

In general, we believe that the minimum time to produce and deliver data of a sufficient quality level would be 45 business days – which is in line with practises prevailing in a majority of Member States. Furthermore, we do not see any cogent need to harmonise the remittance period on the basis of calendar days instead of business days.

Question 5 - *The proposal includes a transitional arrangement for EU parent institutions. Do you agree with this proposal? If not, please indicate the reasons and suggest alternative proposals.*

The Consultation Document seems to consider transitional arrangements which would provide for the possibility of relaxing remittance periods regarding consolidated data. This proposal is not helpful as it relies on the assumption that solo data are prepared first and consolidated figures subsequently. Moreover, it would imply introducing a national

discretion in this area, which is a strategy that the EBF does not support as a matter of principle

The full corridor should be made available to all EU institutions. Member States should not be authorised to reduce the number of available dates.

***Question 6** - Do respondents agree with the harmonisation of maximum reporting frequency, subject to the exception stated? If not, please indicate the reasons and suggest alternative proposals.*

- The EBF supports the proposal that COREP data would need to be provided on a quarterly basis. Our understanding is that this does not necessarily mean that the full COREP package needs to be reported every quarter.
 - The Consultation Document proposes that regulators would still be allowed to require banks to provide them on a monthly basis with summarised information of the capital ratio on a solo basis. We oppose such a proposal as, within institutions, solo capital information needs to be derived from consolidated data.
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