BELGIAN FINANCIAL SECTOR FEDERATION

Febelfin

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Mrs Kerstin af Jochnick
Chair
CEBS
Committee of European Banking Supervisors
Floor 18, Tower 42
25, Old Broad Street
London EC2N 1HQ

Brussels, 29 April 2008

By e-mail: cp16@c-ebs.org

Dear Mrs af Jochnick,

CP04 Revised, Amendments to the guidelines on common reporting (COREP), confirmation of position

We refer to our letter of 16th April 2008 in which we commented on the CEBS consultation paper regarding COREP.

Our comments were transmitted with reservation to the decision of our Board. We are happy to inform you that we now are able to confirm our position, as it has been approved by our Board on 25th April last.

More specifically, we support the proposal of the European Banking Federation to set the remittance periods, both at solo and at consolidated level, at 45 business days for big institutions. For reasons of proportionality we advocate a specific treatment of small institutions as explained in our previous letter which we enclose herewith.

The members of our Board want to stress that the alignment of the remittance periods and the reporting frequencies should take into account the internal organisation of the institutions and should permit to deliver a qualitative reporting.

We hope this comment can be taken into account. Please feel free to contact us, if you want further information and comment.

Yours sincerely,

Michel Vermaerke
Chief Executive Officer

Daniel Mareels
Head of the Taxation, Accounting Standards and Prudential Regulations Department

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Mrs Kerstin af Jochnick
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Floor 18, Tower 42
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Brussels, 16 April 2008

By email: CP04rev@c-ebs.org

Dear Mrs af Jochnick,

CP04 Revised, Amendments to the guidelines on common reporting (COREP), comment of Febelfin

Febelfin, i.e. the Federation which regroups four trade associations from the Belgian financial industry[1], welcomes the opportunity to express its views on the consultation paper mentioned above. The following remarks are communicated subject to the final decision in this matter to be taken by our Board on 25th April 2008.

We highly appreciate the proposal to align the remittance periods and reporting frequencies of COREP. To us, this consultation paper is one of the positive results of the improved dialogue between supervisors and the industry. So, we confirm our commitment to continue taking part in this dialogue by providing constructive comment on supervision proposals.

First of all, we think it is important to bring back to mind the principles which, in our opinion, should be underpinning reporting. Institutions prefer a single reporting format being applied at the top consolidated level without goldplating, without national discretions, without diverging interpretations or implementations. Furthermore, one should keep in mind the link between the reporting content and the IT-framework supporting the reporting. Finally, interoperability between different reporting schemes can be used to reduce the overall reporting burden.

For the reasons mentioned in the enclosure to this letter, we are of the opinion that FINREP cannot be compared with COREP when it comes to remittance periods and frequencies. Consequently, we do not endorse a proposal aimed at adopting the same approach for both FINREP and COREP.

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[1] The following trade associations are part of Febelfin: the Belgian Bankers' and Stockbroking Firms'Association (ABB/BVB); the Professional Association of Credit Providers (UPC/BVK); the Belgian Asset Managers Association (BEAMA); the Belgian Leasing Association (BLA).

Although we support the alignment of the remittance periods and reporting frequencies as for COREP, we think it is of the utmost importance to give institutions enough time for preparing a qualitative reporting. One should keep in mind that, although some European countries are using very short remittance periods already now, these periods can be fully explained by differences in volume and quality of the reporting. We do not believe however, that taking figures from the previous reporting period or making use of estimates will provide supervisors with the adequate tools for duly fulfilling their task.

We advocate the use of a qualitative reporting content and format, which implies that institutions all over Europe should be given enough time for preparing these figures.

Given the centralised organisation which is common to most groups, we believe there should be no difference between the remittance periods at solo and at consolidated level and both periods could be set at 45 business days as for big institutions. Many groups have cross-border activities in several European countries and hence, we support the European Banking Federation's position in this respect.

For the sake of proportionality, we see no reason why small institutions should be obliged to comply with remittance periods that are more stringent than those for big institutions. Since the former usually lack a centralised organisation, we would like to make a difference, as for the remittance period, between solo and consolidated reporting.

- Small institutions, which do not have to consolidate, can report within the same time spans as those for large institutions.
- Small institutions, which are not mentioned on the list of the European Central Bank for fast statistical reporting, should be allowed to continue using the current national remittance periods on consolidated level.

We hope this comment can be taken into account. Please feel free to contact us, if you want further information and comment.

Yours sincerely,

Michel Vermaerke
Chief Executive Officer

Daniel Mareels
Head of the Taxation, Accounting Standards and Prudential Regulations Department

Enc.

CP04 Revised, Amendments to the guidelines on common reporting (COREP), comments of Febelfin

Febelfin, i.e. the Federation which regroups four trade associations from the Belgian financial industry[1], welcomes the opportunity to express its views on the consultation paper mentioned above.

1. General comments

Appreciation

We highly appreciate the proposal to align the remittance dates and reporting frequencies of COREP. To us, this consultation paper is one of the positive results of the enhanced dialogue between supervisors and the industry. We therefore confirm our commitment to continue to feed in to this dialogue by providing constructive comments on the supervisory proposals.

How reporting should look like

Institutions prefer a single reporting format to be applied at the top consolidated level without goldplating, without national discretions, no different interpretations or implementations.

Secondly, we note that the reporting content as well as the IT-framework which supports the reporting, are highly interlinked. All the events in this reporting chain must be put into line: reporting content, validation rules, XBRL-taxonomy. Changes in one of those events, inevitably affect the others and this may lead to inefficiency and administrative burden for institutions as well as for regulators.

Finally, one should look for interoperability of the different reportings in order to reduce the overall reporting burden. Information which must be provided in one reporting format, should not be asked again elsewhere.

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[1] The following trade associations are part of Febelfin: the Belgian Bankers' and Stockbroking Firms'Association (ABB/BVB); the Professional Union of Credit Providers (UPC/BVK); the Belgian Asset Managers Association (BEAMA); the Belgian Leasing Association (BLA).

2. Detailed comments

Q1. 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.

We are of the opinion that FINREP cannot be compared with COREP regarding remittance dates and frequencies. So we do not subscribe to a proposal which would apply the same approach for FINREP as for COREP.

As rightfully mentioned in §7 of the consultation document the establishment of FINREP is in institutions highly interlinked with the establishment of the public financial statements as well as the statistical reporting for the ECB.

Concerning the latter, it seems appropriate to indicate important differences with the FINREP and COREP framework, in order to understand the difference in remittance dates.

- **Territorial information**: no intercos needed to establish ECB-reporting, this reduces the time needed to establish the reporting;
- **Nominal values are used**: compared to FINREP, there is no use of fair values. This has important consequences: there is no need for additional calculations eg. on impairments, depreciations. There is also no need to look for appropriate fair values in the market. For calculating the derivative values under FINREP no straight through processing can be used. All those processes are time consuming and explain why the short remittance period for ECB-reporting cannot be extended to FINREP or COREP.
- **No reconciliation needed between different data bases for ECB-reporting**: for COREP one needs to reconciliate data coming from four different data bases, this adds to the complexity of the reporting.

Given the links with the public financial statements the proposed maximum remittance date on consolidated level of 35 business days is much too short for FINREP; the same is true for the maximum remittance date of 15 days on solo level.

The reason for this is due to the internal organisation of the institutions. In centralised organisations the same teams prepare and produce the market reporting as well as the FINREP-reporting. The latter is however more detailed. The delivery of the data by the subsidiaries as well as the production of the reporting data are for this reason phased. First the data necessary for the market reporting are delivered and processed, in a second phase the more detailed data for FINREP follow.

Speeding up the remittance period for FINREP would therefore create a bottleneck which can only be solved through the effort of more personnel. This would substantially raise the reporting costs, not only for the head office but also for several subsidiaries. Given the very specialised nature of the FINREP and market reporting this requires highly qualified personnel which cannot be found through the use of temporary jobs.

The year end closing creates additional problems as also the templates with a frequency of one year need to be produced. Some of these are not integrated in the consolidation software but are produced manually in Excel (related party disclosures, defined benefit plans, information about the subsidiaries,….). On top of that the year reports of the different entities within a group need to be prepared timely with a view to their approval by the audit committee and the board.

The half year report is first of all penalized by the holiday period. Additionally, listed institutions need to incorporate a supplementary workload to produce an interimreport based on the requirements of the transparency directive and this starting from 2008.

For all the reasons mentioned above we are of the opinion that it is currently inappropriate to extend the proposals on reducing the delivery dates for COREP to FINREP. Before one can think of that, we feel it is necessary that several other steps are taken. In line with our letters of 28th June 2005 on the original CP06 and of 16th May 2007 on CP06 Revised, we continue to believe that a further harmonisation of the reporting content and the IT-framework supporting the reporting is needed. All the events in this reporting chain must be put into line: reporting content, validation rules, XBRL-taxonomy. Changes in one of those events, inevitably affect the others and this may lead to inefficiency and administrative burden for institutions as well as for regulators.

This implies the following:

- **No national interpretations**: national regulators should not interprete IFRS-rules;
- **No national discretions or goldplating**: national regulators should not add information which is inconsistent with IFRS-rules or ask information outside the FINREP-format. They should neither introduce changes and breakdowns which are not compatible with the FINREP-framework;
- **Consistency in XBRL-taxonomy**: national changes in reporting content have an influence on the XBRL-taxonomy making it impossible to re-use the CEBS-taxonomy.

As a conclusion we strongly advocate to keep the current national remittance dates for FINREP as long as the above mentioned issues are not solved in an appropriate way. However, we note that the current proposals for reducing the remittance dates are in any case too ambitious for FINREP. We propose to make a distinction between the core part and the non-core part of the information asked in FINREP for setting remittance dates.

Given an appropriate solution for the relation between reporting content and the IT-framework supporting the FINREP-reporting, we propose a remittance period of 35 business days for the solo level and 2, 5 months on consolidated level.

Q2. Do respondents consider that the current proposal creates an adequate balance between timeliness and quality of data? Please elaborate the reasons for your answer.

Definitely not. The current proposal of 15 business days is, certainly for the solo-level, not realistic. This implies that the quality of the reporting will decline if those deadlines need to be respected.

We have looked at the European comparison of national remittance dates for COREP with great interest. However, we fear that CEBS' proposal is too much based on the quantative aspect and does not take into account the qualitative aspect behind these dates. The sole number of remittance days does indeed not tell the complete story. One should additionally look at the following:

Are the data which are reported really the data at the end of the reporting period? In other words: sometimes figures are reported based upon the previous reporting period. In other cases the figures of a previous reporting period are prorata adapted and are only an estimate of the end of period figures and not the real figures.

In still other cases the data need to be adjusted several times before becoming final.

While we support the objective of harmonising and reducing the remittance dates in Europe for COREP, we feel it is of the utmost importance not to loose sight of the quality of the reporting. Institutions should therefore be allowed sufficient time to prepare the reporting. Just as for FINREP there are a number of reasons why it is not possible to reduce infinitely the timing for deliverance of the reporting.

- The internal organisation of the institutions. In centrally managed institutions a top down approach is used for credit risk data. The subsidiaries deliver the data to the mother company which will validate the data and send it back to the subsidiary which has to put it into the appropriate reporting format (we refer to our answer on Q1 for problems caused by different national reporting formats). Putting forward a shorter deadline for the solo level than for the consolidating level is at odds with such an approach.

- The information delivered internally is phased. The group information has priority and is delivered first to the mother company. This information is consolidated and solo figures are deducted from this.

- Within a top down approach time cannot be squeezed eternally. First all data needs to be available before the central calculator can start processing. In a group the number of perimeters to be calculated can amount to almost 30. If one knows that the calculation of one perimeter alone does take around 30 hours, the figures speak for themselves.

- Format of home regulator refused, absence of mutual recognition of the calculation rules. Some of different COREPS of a group can be reported through the format defined by the home regulator, but a majority of them need additional work to be finalised and this requires additional time (local COREP-templates are imposed, only manual mapping is allowed (risk for mistakes)). Besides that local calculations of capital are imposed next to the capital calculations which are already done on central level.

- Quality of the reporting data: there is a trade-off to be done between speed and quality of the reporting figures. As it is not possible to reduce infinitely the running of the internal chains, there is a risk that the time taken for the internal sign off process needs to be cut down, having an impact on the quality of the figures.

- In some countries COREP is based upon audited figures, in other countries not. This has an impact on the remittance period.

- Approximative, extrapolated or real data: it is necessary to define the nature of the data to be provided. Can the data be extrapolated from previous reporting periods? Can the data be calculated in an approximative way or need the data to be real figures at the end of the reporting period?

- Internal control of the reporting data: sufficient time is needed in the deliverance period to run an internal control process on the data reported.

- Different accounting formats: the calculation of exposures values is based upon or reconciliated with the accounting standards used. For institutions using IFRS on consolidated level and local gaap on solo level this creates serious additional delays (creation of additional value chains).

- Taking into account the existence of different national discretions, national interpretations and goldplating adds to the delays needed for completing the reporting.

- XBRL-taxonomy: mutatis mutandis as for FINREP we note that national changes in the COREP-model make it impossible to re-use the CEBS taxonomy which causes additional delays.

- Speeding up the reporting process also creates a bottleneck which can only be solved through the effort of more personnel. Similar to FINREP this would substantially raise the reporting costs.

- Quality of market reporting. Shortening the remittance dates for COREP too much will have an influence on the quality of the prudential reporting. One should however take into account that prudential information is also to be published to the market (Pillar 3). Even when regulators would be satisfied with less qualitative data, and as there should be coherence between the prudential en market information, we are of the opinion that the publication of less qualitative data to the market should in any case be avoided.

For all the reasons mentioned above, we believe there should be no difference between the remittance periods for the solo and the consolidated level and both could be set at 45 business days for large institutions.

Q3.Do respondents consider that CEBS should introduce the application of the proportionality principle in the proposal? Please elaborate the reasons for your answer.

Febelfin defends and supports the proportionality principle. However, we feel the principle is here applied in a very inappropriate way, whereby smaller institutions could be forced to follow stricter remittance periods than larger institutions (= inverted proportionality). We do not support such an interpretation of the proportionality principle.

Smaller institutions do encounter the same problems as larger institutions:

- Small teams need to do the follow up of all reportings. Similar as to our answer to Q1, speeding up the remittance period for COREP, would create a bottleneck which can only be resolved through the effort of more personnel, which would substantially raise the reporting costs.
- Given the fact that one small team needs to follow all reportings, the problems related to the year end closing and the half year report are similar to our answer to Q1 on FINREP and are extrapolated to the COREP-reporting.
- Smaller institutions, <u>which do not have to consolidate</u>, are able to report within the same delays as large banks.
- However, <u>smaller institutions which are consolidating</u>, encounter the same problems as large institutions, but do not have the same IT-possibilities at their disposal (eg. a central calculator). This means that, mutatis mutandis, more time is needed to solve problems such as:
  - Calculation of intercos;
  - Need for additional calculations on fair value;
  - Reconciliations between different data bases for COREP-reporting;
  - The use of different accounting standards for calculating exposures values.
- For this reason we propose that smaller institutions can benefit from a longer remittance period for COREP on consolidated level.
  We advocate that institutions which do not figure on the list of the ECB for the fast statistical reporting can continue to use the actual national remittance periods on consolidated level.

Q4.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).

No, we are of the opinion that the proportionality principle should be applied.

Referring to our answer on Q3, we do not agree to make a distinction between solo and consolidated reports for large institutions.

Referring to our answer on Q3, we advocate that institutions which do not figure on the list of the ECB for the fast statistical reporting can continue to use the actual national remittance periods on consolidated level (two months and 15 days).

Q5.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.

Referring to our answer on Q3, we do not agree with the proposal concerning the remittance period for the solo and the consolidated data.

However, we welcome the corridor approach during the transitional period. Institutions will need time to improve the internal chains and processes for production and controlling of the figures.

Q6.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.

In line with our general approach we do not support national discretions, even if they are temporary.

Although we support the corridor approach during the transitional period, one should evaluate if the corridor is comfortable enough to cover all situations in Europe. If this is not the case, the corridor should be widened for all European institutions, not only for some happy few.

Q7.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.

We support the use of a maximum reporting frequency on a quarterly basis, although some templates should only be reported on a yearly basis.

We can agree with the exception foreseen in paragraph 22.a for investment firms.

However, we do reject the proposal to introduce a national discretion for the CA-template on a solo basis.

The reasons for this are twofold:

- In line with our longstanding position on the structure of the CRD, we do not support the inclusion of national discretions in the field of supervision;
- The summarizing of information does not exempt institutions to calculate the underlying information giving rise to all the problems mentioned under Q3.