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Dear Sir /Madam

Lloyds Banking Group ("LBG") welcomes the opportunity to respond to **EBA Consultation Paper 50 on Draft Implementing Technical Standards on Supervisory Reporting requirements for institutions** ("CP 50" or "the CP").

Our principal comments are set out in this letter and we also attach appendices setting out our detailed response to the CP questions, as well as detailed remarks on individual templates. We were grateful for the opportunity to raise some of these matters at the EBA public hearing in London on 20 February. We have also contributed to the British Bankers Association response to CP50 and fully support the recommendations therein.

Our comments and observations are set out under the following headings

- Purpose, scope and expected use of data
- Implementation timelines
- Submission timelines & Frequency

Purpose, scope & expected use of data

LBG welcomes the EBA objective of harmonisation of risk based reporting and supports in particular its goal of enhancing financial stability. We have been and remain supportive of FSA initiatives in this respect, in particular we have undertaken significant development in our liquidity and capital adequacy reporting to FSA over the last 3 years and continue to develop monthly ad hoc reporting for the FSA covering capital adequacy and credit risk and providing them with indicative information relating to the evolving CRD IV requirements.

We note however that the proposals set out in CP50 represent a step change in the level of detailed granularity with many new templates that will need investment in time from key subject matter experts (SMEs) and, in many cases, potentially significant, lengthy and costly development of systems to enable effective extraction, reporting and governance. Additionally, at the time of writing we note that the underlying text in CRD IV remains subject to potentially significant revision through the parliamentary process.

We are concerned that the breadth and granularity of reporting requested, the complexity of the analysis, and the overall volume of reportable outputs is not mandated by CRD IV. FINREP in particular has very little relation to CRD IV requirements and we believe that, given the level of reporting that quoted banking groups such as LBG currently undertake on a quarterly, half yearly and annual basis, there is limited justification for a completely new suite of reporting that would be undertaken on a different basis than the current financial reporting.

We also understand that there is significant lobby from the UK supervisor that some significant elements of the COREP reporting be published external to LBG and EBA. This would represent a further step change for UK (and other EU) banks likely requiring different governance structures and additional MI to support Investor Relations to be able to deal with queries and requests for analysis from market analysts. Clearly, to some extent, the information that LBG will provide to EBA could be confidential either as regards our customers' banking activity or proprietary information as regards our own business.

RECOMMENDATIONS

We believe that FINREP should be reconsidered in its entirety in the light of comparisons with data that is currently available either in the public domain or in existing MI processes within banking groups. As a minimum we note and support the BBA proposal that FINREP is subject to a more fundamental consultation and the earliest implementation date is moved out to 2014.

Given the critically important use to which the data that we will provide is put we would request EBA to finalise the specification of its requirements for further comment, including taking account of the detailed feedback that we and other banks have provided, before establishing a final implementation schedule.

In order to facilitate such an approach and begin the implementation of new reporting requirements at the earliest time we propose that EBA prioritise the information that is likely to provide the maximum benefit and/or is more straightforwardly achievable and phase in other aspects of the proposals. In this regard the order which LBG believe the most achievable is noted in the BBA response (starting with Own funds and moving through to Credit Risk templates).

On the subject of a national interim solution, LBG believe that the regulatory reporting that is currently provided to our national regulator, including the monthly ad hoc reporting that we provide for capital adequacy and credit risk monitoring, would constitute sufficient information until full implementation of the final COREP requirements could be delivered. LBG would be concerned that any alternative national interim solution should be proportionate and should not require extensive IT and process change.

Implementation complexity and timescales

The implementation of COREP or FINREP has not previously been undertaken within the UK nor, we understand, have the COREP and FINREP requirements that were in existence prior to CP50 been fully implemented in many other EU countries. Implementation of detailed reporting requirements such as these will be a significant undertaking both end to end within LBG and outside to the extent that we will need to engage specialist suppliers to support our own development and we will also have to build and test appropriate interfaces with our national regulator.

In addition to our comments on scope above, the implementation timescales currently envisaged in CP50 therefore present very significant challenges for major banking groups such as LBG, in particular in the following areas.

Challenges for LBG - Group-wide we have a substantial number of heritage product platforms, risk models and reporting processes and systems serving our various regions, businesses and products. Each of these systems will need to be separately assessed for compatibility with new reporting requirements. Each system holds different levels of data granularity, in different data models and formats, meaning that potentially multiple system extracts may be required to deliver elements of the new reporting. This is a significant and challenging programme which will require significant time from regulatory and other SMEs to ensure we can deliver robust, regulatory compliant reporting solutions. Demand for these SMEs is high, not least due to the significant number of current regulatory initiatives such as recovery and resolution proposals, CP 51 proposals for LE reporting, etc.

Challenges for third party software suppliers and supervisors - Many firms, including LBG, will be relying on third party software suppliers to deliver some or all of the IT solutions necessary for COREP reporting, including to facilitate XBRL compliant data transmission. We currently have no guaranteed timescales as to when these suppliers will be able to deliver COREP/FINREP solutions: this is in turn dependent on the finalisation of the EBA's XBRL data model. Given the likely high demand for their solutions, it is unclear whether suppliers will be able to offer adequate levels of support during implementation. This could compromise our ability to deliver data to the FSA.

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Due to the untested nature of the XBRL transmission mechanism from firms to the FSA, and from the FSA to the EBA, it is essential to build in a testing period for both legs of this data transmission. To our knowledge no such testing period has been allowed for in implementation timelines. In system implementations of this scale such an approach would normally be deemed to be unacceptably risky.

Challenge for European supervisor – technical guidance - Inevitably as reporting changes of this scale are implemented and practical issues for reporting are encountered, technical queries will increase regarding proper completion of reports. We request that EBA put in place dedicated resource to ensure such queries can be quickly and comprehensively dealt with and answers published to ensure maximum comparability of data.

With unduly short timelines this there is a real risk that the quality of solutions delivered and that the delivery of other important regulatory and business developments will be compromised. This in turn will have the potential to undermine the quality of data which will be reported and used for supervisory purposes.

RECOMMENDATIONS

In light of the above we strongly recommend that there is a minimum period of 12 months between finalisation of the ITS (in which final CRD IV text is incorporated) and first reporting period.

LBG accept that we are able to undertake some analysis and planning work on the current version of the COREP templates and can assure EBA that this work has commenced. However we have many detailed queries on templates that we believe cannot remain as they are currently established and some proposals for templates that we believe should be revised, or are unnecessarily duplicative and should be removed. We therefore believe that we are not able to complete a data model build until substantially final requirements are confirmed and fully understood.

We also propose there should be proper testing of new data submission processes from firms to the FSA and from the FSA to EBA, with adequate time allowed for all parties to build and test their system capabilities.

Submission timelines and frequency

CP 50 recommends that all COREP and FINREP data should be submitted within 30 business days of the end of the reporting period, for all solo and group entities. The vast majority of reports are to be submitted quarterly. Current practice in the UK is for solo reporting to be completed within 20 working days and Group reporting within 45 working days, with Group reporting primarily prepared on a half yearly basis.

The current UK approach therefore allows some opportunity to schedule preparation work and review/governance processes alongside internal and external financial reporting deadlines, which typically occupy many of the same individuals.

We believe this proposal, which represents a lower level of granularity, fails to take into account the fact that the preparation and governance processes in large groups often involve the same individuals and the reduction in available time, together with the significant increase in information to be processed and reviewed and approved, would represent a significant burden particularly in the initial implementation phase. There would also be conflicts at financial year ends when it is likely that the Group's regulatory returns would need to be reported, and possibly ultimately published, in advance of planned external results announcements.

RECOMMENDATIONS

We recommend that on initial implementation of COREP, firms are given 45 days for submissions and, to the extent that EBA require this timescale to be shortened, then a reduction of the order of 5 business days each year for 2 or 3 years is introduced to allow for the move towards 30 days to be built into preparation and governance processes appropriately.

We also propose that any Solo reporting is required no more frequently than semi-annually where solo reporters are part of a consolidation group.

Summary and key recommendations

LBG has significant concerns in the following areas:

- The complexity and volume of data to be reported in certain of the templates (Group Solvency template, CR IRB Total template, CR IRB GB template and CR SEC Details) which we believe are disproportionate and/or impossible to deliver as currently specified
- The short implementation timescales for COREP/ FINREP
- Delivering the CP50 proposals concurrently with the detailed implementation of CRDIV rules, recovery and resolution proposals, Large Exposures changes (CP51) and the EBA's upcoming liquidity and leverage ratio consultations could mean that resources are simply not sufficient to achieve all requirements over the next couple of years. This will place substantial demands on specialist resources, including external suppliers, with no certainty that design, build and test activities can be achieved in the required timelines.
- The lack of clear supervisory justification or requirement in CRD IV for the substantial quantity of data requested for FINREP
- The requirement for quarterly COREP reporting for many solo and all consolidated reporters
- The proposed single submission period of 30 business days for all reporting is too short.

Our principal recommendations are:

- EBA should consider the detailed feedback from this consultation exercise,, finalise the specification of its detailed requirements based on final CRD IV text, and consult further, prior to establishing a final implementation schedule.
- FINREP should be the subject of a separate consultation, implementation should be delayed to 2014 at the earliest, and initial FINREP requirements limited to primary financial statements only
- There should be a minimum period of 12 months from finalisation of ITS (including final CRD IV text) to first COREP reporting
- COREP reporting should be phased in, starting with Own Funds reporting
- Solo and sub-group reporting requirements should be limited to Own Funds reporting only, where there is a higher level consolidation group reporting in the same national jurisdiction
- Due consideration should be given to the need for proper testing of transmission systems from the firm to national supervisor and from the national supervisor to EBA

- An extended remittance period of at least 45 days for all COREP reporting should be set for the early years of reporting, and consideration given to staggering submission dates, with a phased approach towards an eventual remittance period of 30 days
- All Solo reporting should be required no more frequently than semi-annually where Solo reporters are part of a consolidation group

We trust that our very real concerns will be understood, and our proposals given due consideration by the EBA.

We will be happy to discuss our comments further.

Yours faithfully,

**Sue Harris,
Finance Director Group Finance, Lloyds Banking Group**

APPENDIX 1 RESPONSES TO CONSULTATION QUESTIONS

CHAPTER 1

Subject matter, Scope and Definitions

1. How would you assess the cost impact of using only CRR scope of consolidation for supervisory reporting of financial information?

Answer: Applying FINREP requirements to any scope of consolidation, whether CRR or financial, is a significant incremental cost to firms. The choice of consolidated entity to report on is of less significance (but please see our answer to question 2 below).

2. Please specify cost implications if parts 1 and 2 of Annex III and of Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation?

Answer: As noted in our answer to question 1, the principal costs will relate to the initial set up of reporting systems and processes to capture FINREP data. The incremental costs of reporting on both the CRR scope of consolidation and the financial scope of consolidation will relate to additional staffing requirements to consolidate, reconcile and review the different sets of information. However we do not understand why supervisors would need both sets of data, and would strongly object to any such proposal.

CHAPTER 2

Reporting reference and remittance dates

3. Financial information will also be used on a cross-border and on European level, requiring adjustments to enable comparability. How would you assess the impact if the last sentence of point 2 of Article 3 referred to the calendar year instead of the accounting year?

Answer: as LBG's accounting year is the same as the calendar year this would not have any impact on us.

4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?

Answer: aligning remittance dates may streamline the reporting process, but only if adequate time is given for the production of both sets of reports. We believe 30 business days is too short a period, and are particularly concerned that this would require us to submit information to supervisors at year ends before finalisation of the year end financial statements. Accordingly as set out in our letter, we propose remittance periods of 35- 40 days; and in addition propose that extended remittance periods of 45 days are given for all reporting in the initial years of reporting.

5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?

Answer: the impact would depend on the remittance dates selected, noting our concerns above regarding submission of information prior to finalisation of the year end financial statements. We reiterate our comment that we believe a remittance period of 30 days, particularly at year end, is too short.

6. When would be the earliest point in time to submit audited figures?

Answer: We assume that the EBA does not expect FINREP / COREP data itself to be audited. As such, we do not believe there is any added value from submitting data based on audited figures subsequent to original submission of data, except where there is a material difference between original submission and data based on audited figures. Resubmission under these circumstances is something which firms would do in any case.

Accordingly we recommend that there is no specific requirement for resubmission based on audited figures.

7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?

Answer: Yes. We are particularly concerned about the conflict between COREP/FINREP remittance dates and the quarterly / year end financial reporting to the market. We strongly recommend that COREP/FINREP remittance dates are extended such that we have submitted results to the market prior to COREP/FINREP submission.

CHAPTER 3

Format and frequency of reporting on own funds requirements

8. Do the proposed criteria lead to a reduced reporting burden?

Answer: Yes. The proposed thresholds for geographical reporting will lead to a reduction in the reporting burden for entities with no significant foreign activities. For entities which do have significant foreign activities the individual exposure class thresholds will result in a small reduction in the reporting burden.

9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold as well as the total number of countries per exposure class.

Answer: this data is not readily available. Systems developments are required to extract the data. We note additionally that some of our more significant foreign exposures are risk weighted using the standardised approach. As such they will not be included in the analysis in any case as it applies only to IRB exposures.

10. What would be the cost implications if the second threshold of Article 5 (1) (c) (ii) were deleted?

Answer: Data has to be collated in respect of all IRB exposures in order to assess which ones exceed the threshold, therefore arguably there would be minimal additional cost from including the data in the reports. However from a process perspective we have a strong preference for limiting the number of countries reported. The size of the CR IRB reports could become excessive/unwieldy if no threshold is set, yet the additional information reported would by definition be immaterial. We recommend that a maximum of 10 countries are included in any one CR IRB report.

11. Is the calculation of the threshold sufficiently clear?

Answer: No it is not. (1) More clarity is needed – particularly for entities which are very close to the overall 10% threshold - regarding how frequently the 10% threshold should be calculated and whether it should be calculated based on prior quarter or current quarter data. To facilitate the reporting process we recommend that the calculation is based on prior quarter data.

(2) We understand from Annex II that a Top 10 should be reported on each IRB template, however it is not clear how this works with the proposed thresholds. i.e. should no more than 10 countries be reported, even if there are more countries exceeding the 0.5% threshold? Similarly, if less than 10 countries exceed the threshold we assume the number of countries to be reported is limited to those exceeding 0.5% (i.e. may be less than 10)?

We recommend that a maximum of 10 countries is reported on each template, with fewer than 10 reported if relevant thresholds are not met.

12. Do the provisions of Article 5 (2) lead to a reduced reporting burden for small domestic institutions?

Answer: Yes: semi-annual reporting in place of quarterly reporting will lead to a reduced reporting burden for small domestic institutions.

However, we note that the provisions of Article 5 (2) (a) mean that all regulated firms in cross-border groups will have to submit quarterly reports, regardless of their individual size, and regardless of whether their own activities are exclusively domestic. We believe this is disproportionate.

It is unclear from Article 5 (2) (c') whether the threshold can only apply to firms using the standardised approach to calculating credit risk. Does this mean that any firm using foundation / advanced approaches to credit risk will not be eligible for semi-annual reporting?

We recommend that both of these points are clarified, with semi-annual reporting also made possible for small firms in cross-border groups and irrespective of whether they use the standardised or advanced approach to calculating credit risk.

13. Is the calculation of the threshold sufficiently clear?

Answer: No – an example would be helpful to clarify. It is not clear which year end figures should be used for determining whether the threshold has been exceeded for a particular reporting period. .

For effective control, supervisory authorities will need to conduct 'sizing' exercises each year to determine which firms have exceeded the threshold and will therefore be required to report quarterly rather than half yearly in the following year. For reporting firms and the supervisory authority it is important that this exercise is conducted, and reporting obligations clarified, well in advance of actual reporting periods.

14. Competent Authorities are obliged to disclose data on the national banking sector's total assets as part of the supervisory disclosure. Do you find these publications sufficient to calculate the proposed threshold?

Answer: We have not seen this data but assume it will be relatively straightforward to use in the calculation. However as noted above, on an ongoing basis the onus may be on the national supervisor to undertake or validate these calculations, in order to clarify which entities have semi-annual rather than quarterly reporting obligations.

15. What would be the cost implications if information on own funds as put forward in Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions?

Answer: Additional resources would be required to support the production of this information on a monthly basis. However potentially more significant would be the additional demands it would place on senior executive time to review and approve the reporting, particularly given the size of the templates in question. There has to be a balance struck between time spent on reporting and time spent on actually managing the business and its risks. We are concerned that this proposal fails to strike that balance.

We are concerned that implementation of this proposal from 1 January 2013 would effectively bring forward first COREP reporting to January month end from March month end, putting even more pressure on our capacity to deliver robust IT solutions in time.

The question does not consider what submission timeline would be required for monthly Own funds reporting.

We recommend therefore that the maximum reporting frequency for own funds remains at the proposed quarterly level.

Format and frequency of reporting on financial information

16. Are there specific situations where this approach (differentiating between institutions using IFRS and national accounting frameworks for supervisory reporting purposes) would not be applicable?

Answer: The more relevant issue is that by having both IFRS and national GAAP reporting, comparability of data between firms is lost.

17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?

Answer: Costs are related to the level of granularity asked for, with more granularity generally leading to more cost. More pertinently however, we believe that very little justification has been provided for the level of granularity requested, and no detailed commentary provided regarding how supervisors intend to use much of the information. We strongly recommend that the FINREP proposals in total are revisited, with data requested initially restricted to primary financial statements only; any additional analyses requested should be justified on a table by table basis.

18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly.

Answer: Reporting semi-annually does reduce reporting burden compared to quarterly reporting, although initial set up costs regarding systems etc are the same regardless of reporting frequency. The reporting burden could be more substantially reduced by decreasing the overall quantity of information requested. As noted above we strongly recommend that the FINREP proposals in total are revisited.

19. What is your general assessment of applying reporting standards regarding financial information on an individual level?

Answer: The granularity of detail requested is not generally collected or used on a day to day basis within the bank and therefore would be collected for supervisory purposes only.

20. How would you assess costs and benefits of applying the ITS requirements regarding financial information on an individual level? (Please assess the impact for the two scenarios (i) application of parts 1 and 2 of Annex III and Annex IV on an individual level (ii) application of parts 1 to 4 of Annex III and Annex IV on an individual level (iii) Would there be obstacles for applying reporting on an individual level?

Answer: We do not believe supervisory justification has been made for extending the requirements as currently set out to reporting on an individual level and therefore would object to any proposal to do so. We also note that individual entities in cross-border groups may have to report on one basis (e.g. local GAAP) to their national supervisor, but on a different basis (e.g. IFRS) for inclusion in the consolidated group. This would represent a significant duplication of effort, and additional cost, for minimal supervisory benefit.

21. If the proposal was to be extended, what implementation time would be needed?

Answer: As noted in our general response, the implementation of an initiative of this size normally takes 24 months or more, particularly if adequate time is allowed for testing of IT solutions at all levels (firms, national supervisors and EBA).

CHAPTER 6

IT solutions

22. What cost implications would arise if the use of XBRL taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?

Answer: As we do not currently use XBRL its imposition represents an incremental cost for LBG. We are currently assessing possible solutions and do not yet have a clear view on cost.

We understand that the UK supervisor intends to mandate XBRL in order to meet its own obligations to the EBA. Accordingly UK firms will be required to implement XBRL solutions whether or not the EBA directly mandates it.

We note that the cost implications of mandating XBRL may be significant for smaller firms in particular, and also note our concerns around the capacity of software suppliers to deliver the necessary software to an appropriate quality in the timescales required.

CHAPTER 7

Final provisions

23. How would you assess the cost implications of the following two options?

(1) Implement the ITS as of the first possible reference date (31/03/2013)

2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2013.

Answer: as outlined in the main body of our letter, we believe that implementation as of the first possible reference date is a high risk approach which does not give sufficient time for all of the necessary system and procedural changes, both within firms and potentially by national supervisors and the EBA itself. Our preference and recommendation therefore would be for a phased implementation of COREP (reporting Own Funds only in the first instance), or alternatively implement proportionate national interim solutions which do not of themselves require any additional systems or process development work.

A phased approach (or proportionate national interim solution) would allow more of the implementation work to be carried out by permanent employees, rather than contractors, thereby reducing cost and improving quality.

There may be significant demand for external software suppliers delivering COREP compliant solutions. With a short period from finalisation of ITS to implementation, they will have to recruit additional resource to be able to provide support to all of the firms buying their products. This will in turn drive up price and potentially put pressure on quality.

24. What would be the minimum implementation period to adjust IT and reporting systems to meet the new ITS reporting requirements? Please elaborate on the challenges which could arise.

Answer: as answered in the main body of our letter we believe a minimum period of 12 months from finalisation of the ITS (including the final requirements of CRD4) and first reporting reference period are required.

25. What would be the minimum implementation period required for institutions already subject to FINREP reporting to implement the financial reporting described in this consultation paper?

Answer: LBG is not currently subject to FINREP reporting.

26. What would be the minimum implementation period required for institutions NOT subject to FINREP reporting at the moment to implement the financial reporting described in this consultation paper?

Answer: As set out in the main body of our letter we believe a minimum period of 12 months from finalisation of the ITS and the first reporting reference period is required. However given the lack of clear supervisory justification for FINREP, and the substantial quantity of data requested, we strongly recommend that FINREP implementation is delayed to 2014, and in the first instance is restricted to primary financial statements only. The supervisory justification for any additional analysis should be given on a table by table basis.

27. Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?

Answer: Yes we believe it would be. Systems developments take substantial amounts of time and are relatively blind to the quantity of data that is being fed into them.

Annex I and Annex II

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors - displayed in the COREP templates as grey/blocked cells) reduce the reporting burden?

Answer: yes, in some but not all cases. We are comfortable with the approach to blocking out cells adopted in the templates. Please also refer to Appendix II in which we make some specific recommendations for further deletions / greying out in relation to rows 020/030 of the CR IRB, CR SA Totals and CR SA Details templates.

29. Compared to previous versions of the COREP templates are there additional reporting requirements which, cause disproportionate costs?

Answer: Yes. There are four particular areas which we believe will cause disproportionate costs for limited added supervisory value. These are:

- (1) The introduction of the Credit Risk Geographical Breakdown templates. This template seeks to 'cut' IRB credit risk data according to FINREP classifications. IRB credit risk data is not managed or held according to FINREP asset classes, so would have to be recut into these classes on a best endeavours basis. The resultant PD and LGD figures would be at best unreliable and at worst misleading. Finally, the data will not be comparable or reconcilable to FINREP geographical breakdowns as the CR IRB GB templates will capture only IRB data, not standardised data.

The detailed CR IRB templates are already set up to capture a substantial quantity of geographical data per IRB asset class. We believe this should be more than sufficient for supervisory purposes and strongly recommend that the additional CR IRB GB template is deleted.

- (2) The Group Solvency template aims to collect very detailed information on individual legal entities within consolidation groups – the granularity of data requested has increased substantially compared to the previous version.

LBG has approximately 1400 legal entities in its consolidation group, all of which potentially need to be considered to determine whether they meet the criteria for inclusion in the GS template. However this pre-supposes that all of the potentially reportable data (including Risk Weighted Assets) is calculated and available for every individual legal entity (whether regulated or unregulated) – which it is not. It is not possible with current systems to accurately calculate RWAs for each subsidiary unregulated entity, and the IT development needed to do this would be enormous, and ongoing (there are frequent changes to the companies in the group). There is a practical difficulty to address also which is that the return asks for every reportable entity to be given a unique code identifier. It is unclear how this will be managed in practice and maintained on an ongoing basis by the EBA.

We do not believe this data is a requirement of the CRR, or indeed is of particular relevance at the aggregated European level. It is likely to be of more relevance to national supervisors. Accordingly we strongly recommend that national supervisors be given discretion to develop their own proportionate responses to this perceived data gap which they can develop in consultation with the industry in their country.

- (3) The introduction of a CR IRB Total template (see Annex II 3.3.3 paragraph 82 (1)). This is a new requirement – a total IRB template was explicitly excluded previously.

A CR IRB template is already required for every IRB exposure class (and some sub-classes e.g. breakdowns between SME and non-SME) except non-credit obligation assets. It is not possible to meaningfully aggregate some of the data in the CR IRB templates across exposure classes - notably the analyses in rows 140-01 to 140-nn. (Indeed the use by LBG of different rating scales for Retail and other IRB exposure classes would make this even more difficult to achieve in practice). Furthermore it is not clear how the geographical analysis parameters should be interpreted in the case of a Total IRB template.

As the aggregated data will not be meaningful in some cases, and as all IRB exposure classes are reported in detailed templates anyway, we believe there is no supervisory need for a CR IRB Total template and strongly recommend it is deleted.

(4) The requirement for the CR SEC Details template to include data where "firm takes role of investor" in the submission. We believe this means that this report should include securitisation positions held in other institution's vehicles. This requirement could conceivably increase the data load to hundreds of pages, with each data item being relatively immaterial but requiring a disproportionate work load to produce, review and validate. Additionally, most of the required data fields in the template do not apply to a firm where it has the role of investor only, or the data would not be readily available to an investor.

We recommend that the CR SEC Details submission only include information relating to originators and sponsors.

30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

Answer: No they are not. Our detailed queries are listed in Appendix II.

31. CR IRB – What is your assessment of cost implications of the new lines for “large regulated financial entities and to unregulated financial entities”? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

The cost implications are unclear as we do not yet have clarity as to which institutions should be captured under this particular CRD4 requirement. However we expect that we will need to make changes to multiple product systems and underlying processes, which will not only be costly but also time consuming. There will also be ongoing maintenance required to keep an up to date listing of the financial entities captured under this requirement.

We understand that supervisors wish to satisfy themselves that potential new requirements, such as this, are properly implemented by firms. However we question whether the information requested – Original exposure, EAD and RWA, for IRB reporters only – will of itself demonstrate proper application of the rules.

32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

Answer: We do not believe these lines will result in significant additional costs for our organisation, but cannot validate this view until the CRD4 requirements are finalised.

Annex III, Annex IV, and Annex V

33. Are the templates included in Annex III and Annex IV and the related instructions included in Annex V sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

Answer: The data requested is a significant extension of our existing reporting. On initial review we have noted that the language of the templates is not always clear and appears to use a mix of IFRS, regulatory and other descriptions which make it difficult in many cases to identify the nature of the data required and the purpose of many of the tables. We believe it would be appropriate for the EBA to issue a further FINREP specific consultation, which sets out clearly the supervisory justification for any tables requested.

Template 10 (Annex III and Annex IV)

34. Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden?

Answer: Article 8(3) sets out certain thresholds for reporting geographical breakdowns of financial information. These proposed thresholds will lead to a reduction in the reporting burden for entities with no significant foreign activities. It will not lead to any reduced reporting burden for LBG.

35. What are the cost implications of introducing a breakdown by individual countries and counterparties?

Answer: Our reporting systems are not currently configured to capture this data and both systems and reporting processes would require significant modification. We do not believe there is a clear supervisory justification for requesting this breakdown.

36. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?

Answer: Our reporting systems and reporting processes would require to be modified. We do not believe there is a clear supervisory justification for requesting this breakdown.

37. Would other classification be more suitable or cost efficient?

Answer: we do not believe any clear supervisory justification has been made for requesting this granular analysis and therefore do not believe an alternative would be any more suitable.

38. What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown?

Answer: this would potentially require less modification of systems and as such be less costly to implement. .

39. What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?

Answer: Both reporting systems and reporting processes would require some modification, potentially at significant cost.

Template 14 (Annex III and Annex IV)

40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world?

Answer: Our reporting systems and processes would have to be modified.

41. Would application of a materiality threshold similar to Article 8 (3) and 11 (3) (reporting the breakdown only if foreign exposures exceed 10 % of the total exposures) reduce reporting burden?

Answer: These proposed thresholds will lead to a reduction in the reporting burden for entities with no significant foreign activities. It will not lead to any reduced reporting burden for LBG.

42. What would be difference in cost implications if breakdown would be requested only with differentiation between domestic/ foreign or alternatively country by country with similar threshold than in Article 8 (3) and 11 (3) compared to the proposal in the Consultation Paper?

Answer: Analysis only between domestic and foreign would potentially require less modification of systems and as such be less costly to implement.

Templates for reporting financial information according to national accounting frameworks

43. Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates?

Answer: as LBG is an IFRS reporter this question is not directly relevant to our organisation.

Instructions in Annex V

44. Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in held for trading portfolio?

Answer: LBG follows the IAS 7 definition of cash equivalents, the reported balance does not include any held for trading assets per IAS 39.

45 How do you assess the impact of reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss always under interest income and interest expense?

Answer: Such assets and liabilities are carried in the balance sheet at their fair value and gains and losses arising from changes in fair value together with interest coupons and dividend income are recognised in the income statement within net trading income in the period in which they occur.

APPENDIX 2 DETAILED COMMENTS ON TEMPLATES

Appendix II – detailed comments on templates and guidance (Consultation Question 30)

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
All templates			Currency and unit	We assume the reporting currency and unit (i.e. '000's, millions, % to 1, 2, 3 decimal places etc) to be used for each template will be specified in the XBRL data model? For data capture purposes and clarity it would be helpful to have this set out in the guidance for the templates themselves. We recommend that entities be allowed to report in their home reporting currency.
CREDIT RISK TEMPLATES				
CR IRB	CR IRB Template - TOTAL	Annex II 3.3.3 Breakdown of the CR IRB template para. 82 (1)	CR IRB Total template	<p>A new requirement has been put into CP50 which is to report a CR IRB "Total" template.</p> <p>The format of the CR IRB template is wholly unsuited to production of a Total template: much of the data would be meaningless - e.g. rows 140-01 to 140-nn do not lend themselves to being prepared at a total level and much of the data included therein would be meaningless. Furthermore different rating scales are in place in LBG for Retail compared to other IRB classes. Accordingly it would not be possible to combine the data in these rows across the different exposures classes. Columns 020 (PD) and 220 (LGD) are difficult to complete, and would result in meaningless data, for all rows in the template.</p> <p>We note that the CR SA Total template collates data not collated in any other details templates. However the only additional data included in a CR IRB Total template would be data created through the forced combination of PD, LGD etc data already reported in the individual templates, to give meaningless weighted average totals.</p> <p>We recommend that the CR IRB Total template requirement is removed.</p>

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
CR IRB	IRB template - all	Annex II 3.3.2 Scope of the CR IRB template	Counterparty credit risk	<p>The inclusion of both Credit and Counterparty Credit Risk in the same template (per IRB exposure class) will make some of the data difficult to analyse and potentially jeopardise the meaningfulness of some of the data, notably in rows 140-01 to 140-n.</p> <p>We recommend that separate IRB templates are created for CCR reporting. We note that this would be consistent with current FSA reporting, where we report separate PD tables for credit and counterparty credit risk.</p>
CR IRB	IRB template - rows 020 On balance sheet items subject to credit risk and 030 Off balance sheet items subject to credit risk		Granular analysis of off balance sheet items reporting in CR IRB	<p>From a data capture perspective, the granular analysis of off balance sheet credit risk items that is required for row 030, when taken in addition to the PD grade analysis in rows 140-01 to 140-nn, is very challenging. We do not believe that the detailed analysis requested in row 030 will be of any significant additional supervisory benefit.</p> <p>We recommend that the requirement to split Credit Risk exposures between On and off balance sheet in rows 020 and 030 is deleted, and that in its place a new row for Total (ie on and off balance sheet items subject to credit risk) is added. This should be supplemented by two additional columns, namely:</p> <ul style="list-style-type: none"> (1) new column "Original exposure: of which off balance sheet items" (2) new column "Risk weighted exposure amount: of which off balance sheet items" <p>We believe this would be a more proportionate way of capturing information on off balance sheet items under the IRB approach and would require substantially less time and resource to implement.</p>

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
CR IRB	CR IRB template - Corporate SME and Corporate -Other	Annex II 3.3.3 paragraph 82 point 4.1) and 4.3)	Corporate IRB exposure classes to be separately reported	Annex II 3.3.3 point 4.1) requires the reporting of exposure class "Corporate-SME (Article 142 (2) point (c) CRR". The article referred to - Art 142 (2) (c) of CRR - is "Claims or contingent claims on corporates" Annex II 3.3.3 point 4.3) requires the reporting of exposure class "Corporates - other (all corporates according to Article 142 (2) point (c) excluding those which have been reported according to 3.1 and 3.2 of this document" * Should the references to 3.1 and 3.2 in this definition be replaced with references to 4.1 and 4.2? * The definition for "Corporate - SME" needs to be further expanded as currently it refers to the whole exposure class "Claims or contingent claims on corporates" when we presume it is intended to refer to a subset of this class?
CR IRB	Column 280 NUMBER OF OBLIGORS (Retail IRB)	3.3.5 CR IRB Ref list	Number of obligors	The guidance states "Within the exposure class retail the institution shall report the number of exposures which were separately assigned to a certain rating grade or pool. In case Article 169(1) point e) of CRR applies, an obligor may be considered in more than one grade". We do not fully understand this guidance. More pertinently, we do not believe, for all of the Retail exposure classes, that this information will necessarily be meaningful. We recommend that this column is not a requirement for any of Retail IRB exposure classes.
CR IRB	Column 290 TOTAL NUMBER OF COUNTERPARTIES	Column 290 does not appear on Ref 3.3a CR IRB Ref list	Missing guidance	For completeness guidance should be included for column 290 of CR IRB template.
CR IRB	Column 290 TOTAL NUMBER OF COUNTERPARTIES Row 041 of which: subject to CVA charge	3.2 CR SA Ref list for Row 041.	"Greyed out" cell	Within column 290 data is required for Row 041. This row is an "of which:" row and yet data is not required for the immediate "parent" row above (Row 040). Is the "greying out" of Col 290/Row 040 deliberate?
CR IRB	Columns 31, 131 and 241 "Of which: Large Regulated financial entities and to unregulated financial entities"	3.3.5 CR IRB Instructions concerning specific positions	Proposal to remove reporting requirement	Please refer to our response to Question 31 in Appendix I. We recommend that these columns are deleted.

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
CR IRB	Rows 080 to 125 (1.1*01 to 1.1*10)	3.3.4 CR IRB 3.3.5 CR IRB Instructions concerning specific positions	Application of thresholds for geographical analysis	Assuming the first threshold is met, are the remaining "foreign" countries to be reported on to be <u>the same</u> for all IRB exposure classes, or may/should they be different for each exposure class by applying the second threshold exclusively to each class?
CR IRB	Rows 080 to 125 (1.1*01 to 1.1*10)	3.3.5 CR IRB Instructions concerning specific positions	Geographical analysis - row naming convention	The naming convention used for these rows presumes that exposures originated in the domestic country will be the largest group of exposures in an asset class. The "foreign" exposures are to be reported as " <u>second</u> most", " <u>third</u> most" etc. Where domestic exposures are <u>not</u> the single largest group for an asset class then as a matter of fact the "topmost" foreign country will be the largest, not the "second most" etc etc. We recommend the guidance should be updated to reflect this possibility.
CR IRB	Row 140-01, Row 140-02 etc OBLIGOR GRADE OR POOL(a):1	3.3a CR IRB Ref list	Parameters of obligor grades	The guidance states "Institutions should note that a master scale is not used. Instead, institutions should determine the scale to be used themselves." There is no capacity in the template for institutions to report the scale's parameters (i.e. the minimum and maximum PD for each obligor grade). On a practical level therefore, how will the national supervisor (and EBA) interpret this information? Should a new column be inserted to allow reporting of the parameters of each obligor grade?
CR IRB	Row 130 ("of which non-defaulted positions")		Reporting total non-defaulted positions	The instructions for this row state " For the calculation of this line, all exposure which were assigned to the last rating grade or pool with PD = 1 must be disentangled." As this data could be calculated from data included in rows 140-01 140-nn (excluding the final PD grade) why is it necessary for firms to include the calculation in their templates? We believe this is unnecessarily duplicative and should be removed.
CR SA	Credit Risk Mitigation techniques affecting the amount of the exposure: Columns 120-140		Over-collateralisation	We assume that we should restrict the value of collateral reported to the amount of the exposure, in cases where collateral held exceeds the value of the exposure. However this gives rise to some uncertainties regarding population of columns 120-140. Please provide additional guidance on the correct approach to take in reporting in cases of over-collateralisation.

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
CR SA Total and CR SA Details	SA Total and SA Details templates - rows 020 On balance sheet items subject to credit risk and 030 Off balance sheet items subject to credit risk		Granular analysis of off balance sheet items reporting in CR SA	<p>As noted for CR IRB template, from a data capture perspective, some of the granular analysis of off balance sheet credit risk items that is required for row 030 will be challenging to deliver. We do not believe that all of the detailed analysis requested in row 030 is necessary for supervision.</p> <p>We therefore recommend that there is further "greying out" of cells in row 030.</p> <p>Specifically, we recommend that only the following columns remain open (<u>not</u> greyed out) for row 030:</p> <p>Columns 010 Original Exposure pre conversion factors Column 150 Fully adjusted exposure value Columns 160-190 Breakdown of the fully adjusted exposure of off balance sheet items Column 200 Exposure value column 500 RWEA</p> <p>We believe this would be a more proportionate way of capturing information on off balance sheet items under the SA approach and would require substantially less time and resource to implement.</p>

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
CR SA Total and CR SA Details	Row 060	3.2 CR SA Ref list	Various incorrect references	<p>The detailed guidance in Annex II, and the templates themselves in Annex I, appear to have a number of incorrect references or label names attached to them. Some examples are given below. We recommend that the CR SA Total and Details templates and related guidance are closely reviewed to ensure all referencing and labelling is appropriately updated.</p> <p>(1) Rows 120, 150, 170 et al of CR SA Details template state " of which: <u>without</u> credit assessment by a nominated ECAI". The CR SA Totals equivalent lines, and the Annex II guidance, state "<u>with</u> credit assessment by a.....". CR SA Details template should be changed</p> <p>(2) The guidance for columns 120-140 collectively (last paragraph last sentence) states: "These figures have to be reported in columns 101 to 130 of CR SA." There is no column 101 in CR SA - this referencing needs to be amended.</p> <p>(3) Column states 110 = 090 + 040 + 1000. This last reference should be <u>100</u></p> <p>(4) The Annex II guidance for column 470 of CR SA TOTAL refers to "Other items in row 410" Other items is in fact in row 550 of CR SA TOTAL. The referencing in Annex II should be amended.</p> <p>(5) Annex II guidance row 040 states that SFT which are included in a Cross Product Netting and therefore reported in row <u>060</u> shall not be reported in this row. Cross Product Netting is now reported in row <u>100</u> .<u>Annex II guidance for row 040 should be updated</u></p>
CR IRB Geography	Whole template	3.3b CR IRB GB Ref list	Geographical analysis - use of FINREP asset classes	<p>Please refer to our detailed response to Question 29 in Appendix I.</p> <p>For the reasons set out in that response, we recommend that the CR IRB GB template should be deleted as we are unable to compile the data according to the FINREP exposure classes requested, and believe no clear justification has been given for this data request in addition to the already detailed geographical analysis to be provided in the CR IRB templates.</p>
CR SEC TEMPLATES				

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
CR SEC SA & IRB	CR SEC SA - Column 280-300 CR SEC IRB - Column 350-360	3.6 CR SEC SA & 3.7 CR SEC IRB	Reporting of 'funding véhicules'	The securitisation templates exclude those vehicles that have failed significant risk transfer and, hence, yield no change in capital. The approach in this instance is to look-through to the underlying assets of the securitisation vehicle. The templates have a column "Look-through" but this applies to a different type of look-through treatment and this would confuse the validations. Does the EBA intend to exclude the reporting of 'funding vehicles' i.e. securitisation vehicles without any capital benefit?
CR SEC SA & IRB	Whole templates	3.6 CR SEC SA & 3.7 CR SEC IRB	Traditional and synthetic vehicles	How should vehicles which are both traditional and synthetic be reported?
CR SEC IRB	Rows 430-540	3.7 CR SEC IRB	Proposed "greying out" of cells	Rows 430-540 do not have any relevance to columns 350/360 Look-through. We recommend these should be greyed out.
CR SEC IRB	Column 390	3.7 CR SEC IRB	CQS allocation	For sake of simplicity it would be preferable to have the CQS allocation <u>after</u> the application of all haircuts i.e. maturity or currency mismatches.
CR SEC Details	Whole template	3.8 CR SEC Details	Inclusion of invested positions potentially disproportionate	With the inclusion of 'firm takes role of investor' in the submission, this implies that the report should include securitisation positions held in other institution's vehicles. This requirement could conceivably increase the data load to hundreds of pages, with each data item being immaterial and requiring a disproportionate work load. Additionally, most of the required data fields do not apply to a firm where it has the role of investor only or the data is not available. We recommend that the Details submission only include originators and sponsors; alternatively, a suitably high threshold should be set for reporting individual invested positions, to reduce the reporting burden.
CR SEC Details	Columns 230-280 (On-balance/Off-balance sheet items) Columns 420-440 (Exposure value deducted from own funds/Total own funds requirement)	3.8 CR SEC Details	Potential duplication of data	There is considerable cross-over in the 2 reports (IRB & Details). For example: why repeat the data in columns 230-280; 420-440 and so on? Most of the required data is contained in the IRB reports.
GROUP SOLVENCY TEMPLATE	Whole template	Annex II	Template disproportionate	Please refer to our detailed response to Question 29 in Appendix I. For the reasons set out in that response, we recommend that the Group Solvency template is deleted as a COREP requirement and that national supervisors instead define

Template	Detailed reference	Implementation guidelines reference	Subject matter	Comment
				<p>what additional data regarding individual legal entities within consolidation groups is required for supervisory purposes. We believe this is likely to result in a more proportionate response to the perceived data requirement than this template purports to deliver.</p> <p>Should the GS template be retained within COREP (even in significantly amended form) we suggest its frequency should be annual rather than half yearly.</p>
CREDIT RISK IMMOVEABLE PROPERTY LOSSES TEMPLATES	Whole template	Annex VI and VII	Definitions unclear and irrelevant; redrafting required	<p>The CR IP Losses template is unclearly defined and therefore subject to varying interpretations which could seriously compromise the quality and comparability of data collected. In particular we note the lack of a definition for "losses", which is fundamental to this template. Additionally there is a requirement to report data on "reference percentages" for both IRB and Standardised exposures, although the concept is only of relevance to Standardised exposures. We are not able to derive this data for IRB exposures.</p> <p>We have drafted proposed changes to both the template and the associated definitions which we attach as Appendix 3 to our letter.</p> <p>We also recommend that the CR IP Losses template is collated annually, rather than quarterly, as its principal purpose is data analysis rather than supervision. This would be in keeping with Article 96 of CRR which states that data should be collated in respect of "losses stemming from [].....in any given year". Furthermore annual frequency would give firms more time to prepare for collation of this data which would ease the significant implementation pressures noted in the main body of our letter.</p>
OPERATIONAL RISK TEMPLATES	OPR Details: Gross losses by business line (whole template)		Report at Group level only	In order to avoid potential double counting of operational risk losses, and to remove difficulties in allocating some losses between regulated entities, should this template be completed at the consolidated Group level only?

**APPENDIX 3 SPECIFIC RECOMMENDATIONS FOR THE CR IP LOSSES TEMPLATE
(ANNEX VI AND VII OF CP50)**



CR IP Losses
proposed revised tem