

A. Introduction

Deutsche Börse Group (DBG) welcomes the opportunity to comment on EBA's Consultation Paper “Draft Implementing Technical Standards on Supervisory reporting requirements for institutions (CP 50)” issued on 20 December 2011.

DBG is operating in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and as such mainly active through regulated Financial Market Infrastructure providers.

Among others, Clearstream Banking AG, Frankfurt/Main and Clearstream Banking S.A., Luxembourg, who act as (I)CSD¹, are classified as credit institutions and are therefore within the scope of the European Capital Requirements Directive (CRD). Clearstream Holding AG acts as a financial holding company under German banking law being recognized by BaFin as the superordinated company. The figures for the Clearstream Holding group follow the consolidation provisions set out in § 10a (6) German Banking Act (KWG) and the German GAAP rules based on the German Commercial Code. According to Article 7 of the Seventh Council Directive (83/349/EEC), Clearstream Holding group is exempted from the set up and publication of (sub-) consolidated accounts. Consequently, consolidated statutory accounts are currently not available on regulatory group level. Furthermore, Eurex Clearing AG as the leading European Central Counterparty (CCP) is also implicitly affected by the CRD as it is currently treated as a credit institution under German law and, as the future need for a banking license is currently also seen as being necessary in the context of EMIR, it will be within the full scope of CRD most likely also in the future.

Based on the specific business of the group's legal entities and its client basis (mainly financial institutions), just a part of the general banking business is executed and therefore some areas of the proposal do not apply to the group. On the other hand, the specific business leads to specific items and accounting treatment which need to fit into the reporting templates. Due to the specific business of the groups' companies in scope, their balance sheet volume is highly volatile and may be fluctuating from day to day massively.

We therefore have prepared our comments with particular focus on the effects on our companies in scope of the regulations which are – e.g. related to cost and effort considerations – not comparable to the majority of other banks.

¹ (International) Central Securities Depository.

Furthermore, we would like EBA to take into consideration that a variety of additional technical standards on reporting will have to follow (e.g. large exposures (CP 51), liquidity, leverage ratio). In this context, it would be highly desirable to be able to integrate all / most of them into the reporting systems together instead of being required to implement them step by step. Even those banks that are subject to today's COREP framework will need sufficient time to prepare their IT systems, taking into account that the consultation paper proposes a range of new, challenging requirements that will require time to be interlinked with banks' internal reporting systems.

This paper consists of a management summary / general comments (part B), a part which contains our responses to the questions for consultation (part C) and specific parts for the reporting on own funds requirements (COREP – part D) and on financial information (FINREP – part E).

B. Management summary / general comments

In the course of the financial crises many regulatory initiatives have been started. Currently a couple of legislative procedures on different levels are on the way and in discussion with nearly synchronous time schedules. These are for example (1) on EU level: CRD IV, EMIR, CSD-Regulation and MiFID-review; (2) on international level: CPSS-IOSCO principles for Financial Market Infrastructures and additional BCBS consultations; (3) technical standards (ITS and RTS) from EBA and ESMA; (4) on national level: adjustments to the regulatory and statistical reporting and implementation of the above mentioned changes. Due to these parallel activities and implementation efforts from our point of view the proposed time schedule of the proposed ITS on reporting is unrealistic.

The proposed first reporting in May is only one part of the overall adjusted requirements, the other part is that the requirements have to be met in general as of first January 2013. Moreover the proposed time schedule does not take into account the individual release cycles for changes in the operative (primary) IT-systems for master data, transaction data etc. as well as the time necessary for testing and test transmissions with the home regulator. Furthermore the effective date and implementation period does not take into account other efforts like preparation of statutory accounts for 2012 and as well as involved time constraints and resource conflicts (e.g. staff).

In view of the above mentioned overall activities and taking into account that the underlying legal framework (CRD and CRR) is still a moving target, the implementation time schedule is more than unrealistic.

Aside from this general criticism, we nevertheless welcome EBA's approach of an early consultation on the proposed ITS. However, knowing the political pressure on the intended implementation date for the Basel III rules, we disagree to technical implementations with unrealistic time schedules. We highly appreciate to get clarity on the reporting requirements as soon as possible but also request to get sufficient flexible rules for an interim / transposition time. The shorter the time frame for mandatory implementation is, the higher is the risk for not being able to report at all, report with costly interim and work around solutions with doubtful content and quality as well as constant expensive adjustments in the upcoming periods. Furthermore, the later the final legal text of CRD/CRR is passed, the shorter the timeframe for additional changes to the final ITS will be. Finally, the legal uncertainty especially regarding the scope of application and level of granularity leads to high implementation risk and potentially unnecessary substantial expenses. Taking into account the pressure on banks to increase capitalisation and the need to produce sufficient profitability for the sake of stable financial markets, this seems to be the wrong approach.

Even considering the history of COREP and FINREP, it needs to be noted that a uniform regulatory reporting within the EU is so far just at the beginning. On top of that, underlying accounting differences (even based on the same EU directive) and different supervisory cultures play a decisive role. It can therefore not be taken for granted, that the former CEBS guidelines on COREP and FINREP are implemented uniformly throughout the EU and that the current CP 50 proposals are just slight amendments which can be implemented easily. Furthermore, it needs to be noted that with the single rulebook there will also be substantial changes with regard to contents, which need to be analysed, understood and implemented.

Based on that, we strongly support a shift of a mandatory common reporting landscape to 1 January 2014 – even for COREP.
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During the transitional period, from 1 January 2013 to 31 December 2013, we support the idea of implementing national interim solutions. However, these interim solutions can only cover the reporting on own funds and only those obligatory amendments directly linked to the regulation (e.g. structure of own funds, changes in risk weights). Any other amendments should only come into force as of 1 January 2014. In regard to the reporting on financial information, we do not see the necessity of any national interim solution. This would just be

unduly burdensome for institutions, meaning an implementation of an interim solution for 2013 and at the same time already an implementation of a “final” solution for 2014. We are currently also raising the latter point as a change request for Article 95 CRR and the respective transitional provisions of the regulation into the political process as reporting of financial information is not coming from the Basel III agreement.

Additionally, any efforts to create a consistent, binding regulatory reporting framework across member states are counteracted by the introduction of recitals 4 and 5. These allow for further uncoordinated national initiatives. The ITS should instead encourage the national competent authorities to limit any additional requirement and use the common reporting as defined in the ITS as the sole basis to the extent possible. Regarding financial information on a stand-alone basis or for groups not reporting under IFRS this of course is a different matter. On top of that, the competent authorities should be encouraged to interlink their reporting obligations with statistical data collections done e.g. for ECB / macroprudential supervision purpose (which is partially indicated in recital 3) to the extent possible.

Although we are aware of the fact that the final provisions of Article 95 CRR are not yet fixed, we already want to point out that the legal basis for the ITS needs to be sharpened. In this context, we see a special need for clarification regarding the scope of the ITS, especially regarding FINREP. An appropriate solution could be that only those institutions – and only on a consolidated level – are subject to FINREP obligations, that are forced to publish consolidated accounts under IFRS (publicly traded companies according to Article 4 (EC) 1606/2002) or – as an alternative, publish consolidated accounts – whether mandatory or not – under IFRS (Options in respect of annual accounts and of non publicly traded companies according to Article 5 (EC) 1606/2002). In addition, it needs to be clarified, if and how this applies to financial holding groups. We see good reasons to limit the FINREP obligation to institution groups only as financial holding groups will publish their statutory accounts most likely not in a “banking format” (not existing under IFRS anyway) and might have material non-banking activities which would not properly be covered by FINREP standards. We will further discuss the scope of FINREP in the sections below.

<p>In summary, we strongly request to limit a mandatory FINREP implementation to IFRS groups only, shift the implementation to 2014 and give competent authorities the possibility to even delay mandatory implementation to 2015.</p>
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Due to the limited and special activity and structure of Deutsche Börse Group, we do not comment on questions 31 and 45 as they do not apply to us. However, we have answered to questions related to IRB and FINREP with some limited comments although these topics might not be relevant for our group in the current status.

Due to the parallel activities (see above) we feel that the time for the consultation was not sufficient to evaluate and express properly all our concerns. Based on our request to limit FINREP to IFRS groups only, this is in particular true for FINREP. The following comments therefore might not be comprehensive and some topics might call for further explanation. We are happy to continue the discussion and willing to contribute in the upcoming phases of the ITS preparation. We strongly demand to an additional consultation for FINREP in case the scope is extended beyond IFRS groups.

C. Responses to the questions for consultation

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?

As already mentioned in the introduction, we are currently not obliged to set up consolidated accounts on regulatory group level (Clearstream Holding group). The new requirements could lead to the situation that we would have to set up consolidated accounts on Clearstream Holding group level, exclusively for the purpose of FINREP.

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?

As there are no consolidated accounts for the statutory sub-groups in question, we cannot give an estimate to this and refer to question 1. We assume the cost would be substantial as not only reporting but also statutory consolidation would have to be set up.

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?

In all our group companies the accounting year corresponds with the calendar year. Therefore, the matter in question does not apply.

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

No. The reporting on individual and consolidated level follows different processes and deadlines, also in combination with other (statistical) reporting (see question 7). Besides different reporting obligations according to national law on the different levels, there are also differences in content to some extent (e.g. handling of plan assets, book value of intangibles during the year, market versus book value, different accounting standards (partially IFRS / non German GAAP on stand-alone, German GAAP on consolidated level)). Furthermore, for reporting the group solvency template as proposed, stand-alone figures have to be available in advance (see our answer to question 15 below). For the reasons stated, we currently perform the stand-alone preparation first. This is also due to the fact that consolidation requires additional time especially if done for regulatory purposes only. Finally, the new FINREP requirements in its over exhaustive approach will apply most likely on consolidated level only (see below for our answer to question 16).

We are well aware of the fact that other credit institutions with different business and structure follow the “consolidated reporting first” approach and will therefore have to deal with other problems. We nevertheless feel that delivering the stand-alone figures for COREP within 30 business days is a reasonable period but consolidated FINREP figures at the level of granularity requested will be hard to deliver in that time frame.

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

As stated above, we are clearly in favour of differentiating the remittance dates in order to align with other reporting requirements on stand-alone level (see question 7) and to give sufficient time for additional preparation and quality assurance on

consolidated level. This might go in line with reduced scope for stand-alone COREP details as a matter of proportionality.

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

We doubt that the delivery of audited figures has an added value per se. Audit differences to reported figures – especially if the submission deadlines for reporting are more than one month – should be very limited if at all. Usually such differences – if existing at all – are small and taken as unadjusted audit differences (they are not corrected and as being immaterial do not lead to a qualified audit opinion, i.e. the unaudited and audited figures are the same). The reporting of audited figures several months after reporting date does not really bring useful information, especially if the adjustments are minor.

We therefore propose to request the resending of any report limited to the impacted report to material mistakes / corrections regardless of the reason for discovering the mistake. This is not a general obligation to report “audited” figures but a general obligation to redeliver those reports with material correction needs. Furthermore, we propose to limit such corrections to three month and put in the immediate obligation to contact the competent authority for agreement on the process of correction in case it is detected at a later point in time.

Audited figures are usually available for all banks within 5 months (at least under German law). For publicly traded companies published audited figures need to be available even within three months. But, as stated above, the timing of the audit approval is not related to any deviance of the figures. The figures are usually checked by the auditors within the first month.

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

Yes. A harmonization of remittance dates for supervisory and banking statistical purposes would be highly welcomed (as well as a common framework of terminology). On a stand-alone basis there is a variety of monthly and quarterly reports for statistical purposes to the central bank / ECB in place. The data used is in principle the same as for prudential reporting and processes are currently also highly integrated. In Germany, the monthly balance sheet statistics to the Bundesbank / ECB is due on the 6th business day. As a consequence, preliminary month end data is used to produce these reports (as accounting is open until the 10th working day at a maximum). Related to liquidity reporting (at least monthly

according to CRR), conflicts of report preparations for LCR will also occur and occur with respect to national rules at least during 2013 and 2014.

Format and frequency of reporting on own funds requirements

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

We currently do not use the IRB approach. Therefore questions 8 – 11 do in principle not apply to us. However, as we cannot exclude a potential change of the applied approach in the future, we want to raise the following concerns.

While we agree to some extent on potential information increase for supervisors, we doubt that a breakdown by country on a non-standardised basis is useful. In that context, we in principle support the idea of introducing thresholds to exempt institutions without significant foreign activities from reporting the geographical distribution of their exposures. However, we want to point out, that most likely the majority of IRB institutions will have material cross border activities. Furthermore, a simple approach for exemption as well as clear and stable (non-dynamic) reporting for some countries (potentially reviewed and updated on a regular basis with a notice period of 6 month or so) or even the grouping into some country groups (e.g. “EMU”, “other EU”, “remaining EEA”, “(USA, CAN, AUS, NZL, JP, SG, CH)”, “remaining Europe”, “other Americas”, “other Asia / Pacific”, “Africa”) should be considered. In any case, any threshold intended should be simple (e.g. not binding for all institutions with a balance sheet total of less than 10 bn EUR and not for institutions with a domestic portion of more than 50 % on average over the last three years (regardless of business volume)).

Our current understanding of the calculation method is as follows: In a first step, it has to be determined whether non-domestic exposures exceed 10% of total exposures. In order to clarify the understanding even further, we propose to align the wording “original exposure” with the wording in the CRR or to define the term “original exposure” in the ITS instructions. We furthermore ask for a more precise wording in Article 2 (3) a) of the ITS proposal. The term “located” is indicating country of operations. But, we have the understanding, that instead of “located” the term “country in which the institution is incorporated” should be used.

For the second step (determination, which country is to be reported per exposure class), the wording is unclear. Article 5 (1) (c) third paragraph states that information on the geographical distribution of exposures shall be submitted for each country with total exposures of equal or higher than 0.5% of total exposures.

At the same time the second sentence of the same paragraph seems to contradict this statement by saying that the calculation shall be done for each exposure class individually. This is not clear to us– also in comparison with the second paragraph of that Article. Our current reading is, that the 0.5 % threshold is to be calculated as follows: Exposures per exposure class towards counterparties in a particular country divided by total exposures (total of all exposure classes). Example:

There are two exposure classes with an exposure of 100 each.

The exposure to counterparties in country A in exposure class 1 is 1.1 and in exposure class 2 it is 0.6.

Result:

For exposure class 1 = $1.1 / (100 + 100) = 1.1 / 200 = 0.55 \%$

à Reporting obligation

For exposure class 2 = $0.6 / (100 + 100) = 0.6 / 200 = 0.30 \%$

à No Reporting obligation.

If this is intended, sentence 2 should be integrated in the first half of sentence 1, e.g. “... shall be submitted per exposure class for each country with a total exposure in that exposure class of ...”

The wording “each” in the above mentioned regulation is also conflicting with the number “10” in Annex II. We therefore recommend an alignment.

Out of the resulting combination of countries and exposures classes, the ten largest countries (including the home country) shall be reported. However, this calculation may not lead to a definite result, as the ten largest countries could be quite different across the different exposure classes. Without a definite allocation methodology at this stage, the allocation must be determined by an individual assessment. For this reason, we consider the calculation of the second threshold to be inappropriate.

Finally, we want to raise doubts that a dynamic allocation for regulatory reporting purposes, which is inevitably introduced by the proposed threshold, is really appropriate. The main difficulty with the determination of the threshold is that it is dynamic – meaning that the outcome depends on calculations that need to be made on every reporting date (in contrast to a static approach, under which it is known in advance how many countries will need to be included and, moreover, which specific countries precisely). Compared to the existing static format of regulatory reporting, this would increase implementation costs as well as ongoing process costs significantly.

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.

We are currently not using the IRB, however due to our specific business we would concentrate the majority of our business in a few countries. Placements are predominantly done in the following EU countries Germany, UK, France, Spain, Italy, Luxembourg, Belgium, and the Netherlands as well as in Switzerland and the US. Client overdraft and other positions (outside these countries) are not material. Due to a very volatile balance sheet, we cannot even deliver estimates for any numbers. In any case the implementation of the rules will be burdensome (in case we would swap to IRB some point in time).

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

We refer to our answer to question 8. Dynamic allocations (different for each exposure class (which in fact is not to be reported separately) and different for each reporting date) are firstly burdensome and require high IT-implementation efforts. Secondly quality is difficult to check and secure. In line with our general comments in question 8, we strongly recommend to have unique and stable country lists across all exposure classes.

11. Is the calculation of the threshold sufficiently clear?

With regard to the threshold and its inherent complexity we refer to our answer to question 8 and the exemplary proposals made there.

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

Due to proper valuation of collateral and quality checks, we estimate the cost impact for creating two reports a year for the one institution of our statutory group, which would potentially fall in the scope of the reduced reporting frequency, to be 50 – 100 k € per annum. The exact amount (which can be even higher) is also depending on whether other reporting obligations (large exposure, liquidity and / or leverage ratio) have the same frequency or not. If all other reports with more or less the same data sources and same requirements regarding quality are still to be delivered quarterly or even monthly, the savings will be close to nothing.

However, we have doubts on the concept as such. The reporting scope and level of detail for COREP and FINREP have been increased quite substantially with the proposal. This is also true for additional obligations from large exposure and liquidity reporting (and of course statistical reporting). Furthermore, the ratios are to be kept at all times which implies that a kind of daily check is performed in any case. Depending on the size of a country, its level of banking concentration and the size and structure of its banking industry, the application of Article 5 (2) and its limitations of Article 5 (3) will vary heavily. Instead of referring to relative size (Article 5 (2) lit c) we are strongly in favour of referring to cross border activities of that institution (activities in a foreign country via a branch or subsidiary; but: the country of incorporation of any mother company should not be a criterion. This is reflected by Article 6 and consolidated reporting) and absolute size fixed by the competent authority for its particular country and targeted to be 0.5 – 2 per cent of the aggregated balance sheet total at the time of exemption.

There needs to be a clear rule, what happens, if an exemption is withdrawn and how this can be done. If at a later point in time the competent authority concludes that an exemption is not appropriate any longer, the exemption is to be withdrawn and an adequate period to shift reporting frequencies is to be set which in principle should not be shorter than three month.

13. Is the calculation of the threshold sufficiently clear?

At first glance, the calculation seems to be clear. However, its application in practice shows substantial deficits. For any particular institution the balance sheet total of all institutions is known if at all with some time offset. Furthermore, changes in the own balance sheet volume (remember, ours are highly volatile) and the balance sheet volume of all other institutions might lead to an “in and out” movement from year to year. In consequence the relative importance of an institution and therewith its qualification for an exemption can only be determined very late and is volatile over time in case the proposal is implemented.

We therefore favour a more practical solution with absolute thresholds (not more than 50 billion €) combined with a qualitative element (and not systematically important or being important for the relevant national market. See also criterions as already listed in Article 5 (3) of the proposed ITS).

We recommend to better link the wording of paragraph 3 and 2 of that Article [“The decision process under paragraph 2 ...”].

Moreover, the final balance sheet data of any institution is only known once the accounts are approved which might be by the end of the first or even the second

quarter of the fiscal year. This leads to the fact that it will take a substantial amount of time to find out if at some point in the past a reporting obligation existed.

Alternative proposal as in our answer to question 12 should be considered instead.

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?

No, see our answer above on question 13.

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?

As the preparation time for COREP reporting currently in discussion is approximately 30 business days, the monthly delivery of the templates CA 1 to CA 5 would in fact lead to the preparation of two month in parallel. With the current scope of requested information for COREP and FINREP and in addition liquidity, large exposure, leverage and statistical reporting, this is impossible. A monthly report of some key figures can just come about when sharply reducing the overall reporting requirements and complexity.

Parallel reporting of two months at the same time (already to some extent necessary for statistical / prudential reporting (see question 7 above) and consolidated / stand-alone reporting) entails a duplication of IT processes and staff more or less leading to a doubling of costs (if not even more due to costs of complexity). It will also create inefficiencies and inconsistencies (increased risk), increase problems to manage updates / changes / releases. Moreover the complete preparation of almost all templates is necessary in order to verify the sent reports, even if only limited reports are sent to the authorities.

If only the information on own funds itself are of interest (available own funds), this could be integrated in the financial information reporting as per FINREP or national law.

The preparation of CA 1 to CA 5 would in practice lead to the preparation of a full set of COREP templates, as the sheets in question require quality assurance which can only be done in a sufficient manner by considering the full scope of COREP.

The technical option to prepare a “COREP light” (which excludes some “statistical” information to supervisors like country break downs) is also not an option as this would (a) create additional IT complexity and (b) different preparation and data delivery processes for different reporting reference periods which will make the whole reporting process more prone to error.

[Remark on Article 6 \(2\):](#)

The group solvency template as requested by Article 6 (2) and proposed in Part 2 of Annex I should be reconsidered. The current draft is mixing up information from stand-alone reporting with consolidated reporting. Basically the period for stand-alone reporting is tailored to have sufficient time for its preparation, But as the respective data is also required for the group solvency report (which has the same due date as the stand-alone report) this period is in fact substantially shortened since the data from the stand-alone report has to be available some time before the deadline of both reports. As even under CRD IV there will be differences in stand-alone and consolidated reporting (e.g. IFRS versus local GAAP) the stand-alone figures need to be added manually and cannot be produced in an integrated straight through processing. On the other hand, the list of consolidated entities is included in the pillar III report and any change in consolidation is to be reported to the competent authority anyway. Taking also other reports (like FINREP 31:Scope of Group) into account, we feel that this report does not add value but creates substantial complexity and costs. We rather recommend that the competent authority being responsible for the supervision on stand-alone level submits relevant information to the consolidated supervisor if deemed necessary. As a consequence, we propose to delete Article 6 (2) and the related parts of the Annexes.

[Remark on Article 8 \(4\):](#)

The proposed discretion of the competent authority is in our opinion too vague and lacks the necessary certainty for institutions to be able to follow such a decision. It needs to be clarified, that such information can only be requested with an appropriate lead time of at least 6 months prior to the first reporting obligations. Most likely the necessary time span to deliver this might be even longer. We therefore propose to include the notice period for such a requirement in the text.

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?

As stated in the management summary (chapter B), we clearly favour a solution where only those institutions – and only on a consolidated level - are subject to a mandatory fulfilment of FINREP obligations, that are forced to publish consolidated accounts under IFRS (publicly traded companies according to Article 4 (EC) 1606/2002). We oppose to any mandatory obligation under Article 95 CRR to submit FINREP under CRR / ITS which either follow IFRS or IFRS modified (as applicable under national law) for statutory purposes on a voluntary basis for consolidated accounts as well as to any applications

- (a) to institution groups which are forced to present regulatory figures different from accounting treatment under IFRS
- (b) financial holding groups irrespective of the accounting standard,
- (c) groups which report only under national GAAP or
- (d) stand-alone reports.

We will also address our concerns on EU level in the legislative process of the CRD IV.

Having said this, we of course see the possibility to have deviances between full compliance under IFRS according to Regulation (EC) 1606/2002 and the usage of IFRS under national GAAP (mainly by choice of application). National law sometimes (e.g. in Luxembourg) allows a partial use which might lead either to IFRS compliant regulatory reporting only (with differing statutory figures) or usage of some IFRS rules for accounting / valuation in the statutory accounts and the usage of the same rules for regulatory reporting. In order to avoid a mixture of FINREP reports delivered by institutions with different accounting treatment and also to avoid doubtful cases if the report pack under Annex III or Annex IV is to be used we clearly ask to reconsider the usage of FINREP beyond the mandatory IFRS institution groups.

Related to financial holding groups, we want to point out that no clear rules exist on a proper format for the statutory accounts. Neither Directive 86/635/EEC nor IFRS rules require - depending also on the other activities of such groups -, the usage of a dedicated banking format for the accounts. The mapping of such account structures to FINREP might not create useful information.

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

As FINREP has so far not been implemented / just partially being implemented in some member states (like Germany), the implementation efforts and costs will be substantial and the time for implementation will be well in the range of 18 months after the final publication of the ITS. Even in countries which have (partially) implemented FINREP (like e.g. Luxembourg), the implementation in parallel to COREP, Liquidity, Leverage and other (statistical) reporting (changes) will need a substantial amount of time and effort. Furthermore, we feel that any benefit created by the level of detail in many templates is marginal or even not existing while the implementation costs, ongoing adjustments and production is massive. So far, prudential reporting has focussed on balance sheet information and on several details related to positions (also to some extent income statement information is reported as of reporting date without any breakdown by counterparty or type of business). FINREP is – at least for Germany – by far not only introducing more granularity but also requiring the reporting of transaction / movement information and income statement break down by counterparty / type of transaction. This information is currently not available for regulatory reporting purposes and the internal focus of any bank depends on controlling concept, technical architecture, business model, corporate structure and geographical distribution of the entities and their clients.

We see quite some information which (1) should be dropped, (2) are suitable for waiver regulations (principle of proportionality / reporting thresholds) by competent authorities or (3) should be revised. As we are currently not within the scope of FINREP and due to the lack of sufficient time we are unfortunately not in a position to elaborate this in more detail. Some aspects are nevertheless addressed in the answers below and especially in part E.

In addition we in any case see the need for sufficient time for implementation in the various countries.

Taking into account the different degree of FINREP implementation across member states, mandatory implementation could be spread over time (e.g. FINREP comes into effect 1 January 2014 but competent authorities can shift mandatory implementation up until 1 January 2015).

Depending on the degree of granularity finally requested as well as the level of application (IFRS groups only or other groups (not to talk about single entity reporting which is currently not in scope of Articles 8 and 9)) the implementation

costs vary between zero (in case we are not impacted as we are not preparing consolidated (IFRS) accounts) and a seven digit € amount. A more precise estimate cannot be given at the moment, as we do focus on the other important parallel activities.

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.

In principle, every reduction in the reporting frequency helps to cut down ongoing process costs. However, it does not lead to a reduction in implementation time, efforts and costs and – on top of this – it might lead to more complexity as non-delivery need to be administered.

For the regulations in question, the necessary data need to be collected (for semi-annual reporting) anyway. (Delivery on a semi-annual basis does not reduce implementation costs compared to a quarterly delivery). In case of automated straight through solutions (like we are targeting at), the only reduction would come from reducing the number of quality checks. In case of semi-automated or even highly manual processes for the preparation of consolidated reports, we even expect increased risks for incorrect semi-annual reporting. We nevertheless can imagine that in big groups with manual data delivery the reduced quarterly effort might be substantial.

Although, we principally welcome any proposal to reduce the reporting burden, we value the concrete proposal as not sufficiently far-reaching and suggest instead dropping the tables in question completely. Beside our general opposition to include non-IFRS groups in FINREP reporting, our arguments above (dropping the tables in question) is even more valid for non-IFRS (i.e. smaller) institutions. In case, this proposal is not followed, we suggest at least thinking about a threshold in size to drop such requirements for smaller groups (regardless of accounting standards used). As smaller groups might also use the capital markets, they would otherwise fall under the FINREP (IFRS) reporting obligation.

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

We generally reject this proposal, especially regarding the reporting of Annex IV on an individual level. The implementation of Directive 86/635/EEC as well as the partial adoption of IFRS rules on single-institution level, led to a variety of different national accounting standards across member states. As a result, a direct comparability of numbers reported under local GAAP in different countries is not given. Furthermore, financial information on a stand-alone level is also triggered by

some national specialities and reporting might be pooled by national authorities with other data request e.g. for statistical purposes. In case, these national requirements would come on top and with an artificial harmonized understanding, this would indirectly impose IFRS on a stand-alone level to some extent.

Overall, we consider the additional value of a unified reporting of financial information on an individual level to be limited. The limited added value for supervisory purposes does not justify the extensive workload associated with the proposed reporting requirements.

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) Would there be obstacles for applying reporting on an individual level?

As mentioned before, we generally reject a FINREP reporting on individual level. Based on the granularity in question which is not available for reporting purposes in our group's companies at this point in time and taking into account the low likelihood of FINREP on a stand-alone level, we refrain from giving any concrete estimate. We nevertheless see not only very high costs of implementation and ongoing maintenance but also a substantial lead-time in order to prepare for such kind of reporting which is supposed to be not less than 18 month after publication of final instructions.

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

The implementation time of any extension is largely depending on its content. If the extension can be derived from data already collected for regulatory reporting purposes, any change can most likely be implemented within the regulatory update cycles which are – depending on the software used and the in-house policies – usually every 6 – 12 month. In that context it is also relevant, at which point of the update cycles changes occur.

In case, interface changes to operational banking systems are needed, a minimum timeframe of 12 months seems to be realistic. If even changes in the banking applications are necessary, 18 month lead time is not unrealistic.

Smaller changes though, like adjustments in parameters or existing tables can be done within a shorter time frame (up to 6 month) – taking IT security / testing standards for production software into account.

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?

Preparation of COREP / FINREP reporting is largely done using standard software. In consequence, the change from XML to XBRL taxonomies and technical formats is to be done by the software providers. With the implementation of CRD IV, massive changes in the regulatory reporting software are expected and new software licenses will be required. Final prices of those licenses are depending (a) on final content of CRD / CRR and the EBA ITSs / RTSs and (b) technical requirements for the transmission language / taxonomy. Furthermore, as maintenance costs are usually a percentage of license fees also expectations on future changes influence the price. Finally, the number of expected users is another determinant. Therefore, any price (i.e. costs from the institution's perspective) can just be estimated once the details are available.

In general, we estimate the impact of the change from XML to XBRL language to be moderate compared to the costs of changes with regard to content.

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.

The current progress of the legislative process indicates that the final legislative content on European level will not be available before late summer 2012, probably even later. As the ITS will be published even some time later than this, any implementation before 1 January 2014 is more than unrealistic. This is also true for liquidity and leverage reporting and to a limited extent for large exposure reporting.

In case reporting under the new rules will to a certain extent be mandatory in 2013 a manual national interim solution is for us the only feasible solution for institutions.

Costs for changes for due dates 1 January 2013 and 1 July 2013 subsequently are massive and resources are not available. Bear in mind also, that in case CRD IV / CRR comes into effect on 1 January 2013 the slow progress of the current legislative process on EU level is blocking national implementation in due course and also the effective date does not only imply reporting but also keeping the limits “at all times”, i.e. from first day onwards.

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.

We expect an implementation period of at least 18 months after publication of all details on national level in order to be 100 % compliant. Interim solutions with lower quality might be available sooner – but increase overall costs. This is largely due to the fact that, given the extensive amount of data required, the interpretation of requirements and specific data needs will already take a lot of time. Moreover, in order to have the relevant data available, inter alia the following topics need to be covered:

- Data extraction of various systems, including interface adjustments
- Aggregation in regulatory reporting software
- Potentially creation of new data pools

Once the data is available, changed process need to be developed, tested and the exchange of data with regulators need to be set up and tested with the regulators themselves.

Finally, the new reporting requirements put an additional burden exactly on those resources within the regulatory departments, that have already exceeded their maximum capacity as a result of the ongoing discussions in the legislative process for Basel III, CRD IV and its additional implementing rules (like EBA technical standards) as well as national law.

We further want to point out, that labour markets are getting extremely thin for knowledgeable specialists for implementation and operation of the extreme

complex reports. This additionally increases prices for staff and external consultancy.

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?

Due to the unknown scope of application, the overambitious level of detail and the current absence of FINREP for most of the entities within our group, we are not in a position to give a reasonable answer. Based on our limited scope of activities, the answer would not be representative anyway.

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?

As stated above (see our comments on question 25), we are not in the position to answer this question. We currently expect not to be in scope of mandatory FINREP as we do not prepare IFRS consolidated accounts. Nevertheless, a period of 18 month is expected to be the minimum implementation time (see also our comments on question 20 and 21).

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

In our specific case, most likely yes. But, in general the implementation for consolidated reporting is expected to be longer because more entities have to be included. On the other hand, a high number of stand-alone reports within one group and the mapping of accounting standards to FINREP should not be underestimated as driver for implementation time.

As we interpret the scope of Article 95 CRR to be on FINREP implementation in IFRS groups only, the answer to this question is most likely irrelevant anyway.

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?

No. As the necessary data are generally collected anyway to support the preparation and quality assurance of reports restrictions do not save costs on the institutions side. Data delivery only adds marginal costs (e.g. for the set up of the XBRL data set).

In case, they are – even for technical calculation – not needed, the judgement of course is different. At this point in time and taking the short consultation period as well as parallel activities into account, we cannot substantiate our answer for particular cells.

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

As already mentioned, it can not be taken for granted, that the former CEBS guidelines on COREP are implemented uniformly throughout the EU. In this context, we would like to point out those requirements that, from our perspective, represent real cost drivers:

- Reporting of number of counterparties and obligors
- Reporting of own funds treated under transitional provisions
- Extension of the reporting requirements on group solvency
- Introduction of a regional clustering of financial exposure classes

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.

We see the necessity for clarification of multiple items throughout the consultation paper and propose to add sample calculations where appropriate. We will comment on concrete examples in section D below.

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?

While we are in principle indifferent to the usage of the technical taxonomy for data delivery, we clearly favour templates which can be printed in A4 or A3 format (or similar national standards) and are readable in that size. The currently proposed templates are hardly to read. As quality assurance requires cross checking of the results, we have concerns regarding the way the data is presented. For the sake of better readability and handling we ask to divide the template into several forms rather than to squeeze all into one.

Having said this, the completion of the requested fields should technically not be a real issue. Nevertheless, it increases the data volume to be sent and to be stored. In addition to the implementation costs this will lead to some extra costs.

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.

We want to repeat our general concern regarding the use of FINREP for non-IFRS reporting groups. Moreover, we also see the need to reduce the requested data as the added value to the supervisors seems to be questionable in some cases while the costs to deliver those are massive.

Template 10 (Annex III and Annex IV)

34. Do the provisions of Article 8 (3) and 9 (3) lead to a reduced reporting burden?

We in principle welcome any reduction of the reporting burden. But, a dynamic allocation of countries implies complex rules and high implementation costs. We therefore rather recommend to follow the principle of proportionality and exempt small institution groups (up to 50 bn € balance sheet volume) in general as well as groups with less than e.g. 25 % non-domestic customers. For the others, we

recommend a fixed set of countries / country groups. For further details please refer to our answers to questions 8 to 11.

In general we have doubts about the value of the level of detail in template 10 as a whole.

35. What are the cost implications of introducing a breakdown by individual countries and counterparties in table 10.1?

We cannot see the stated link to COREP exposure classes in the structure of the template. On the contrary, own definitions are set in the explanatory text of Annex V.

With an increasing number of templates to be completed, delivered and stored the costs for quality assurance is increasing as well (in principle exponential). A delivery of all the requested data for all countries of existing counterparties entails a huge effort and data collection is nearly impossible. The data delivery per counterparty does not make sense in the proposed form, as one counterparty can e.g. just be within one category of counterparties. Furthermore, both brake downs might lead to the data delivery of very small amounts of just some €-Cent which does not seem to be appropriate.

We therefore ask to reconsider a sharp reduction of the data requested in template 10.

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

In general, the data delivery by NACE-Code group should be feasible for those particular exposures without significant costs. Nevertheless, any new template does not come without costs and quality assurance is adding to production costs. Furthermore, the breakdown by country falls within the scope of our general criticism as stated above.

The column reference to IFRS seems to be useless in that regard. Based on the NACE-code group we also cannot see the added value of the requested split in corporates and retail counterparties.

37. [Would other classification be more suitable or cost efficient?](#)

In principle the break down by NACE-code group gives some meaningful detail. Nevertheless, we refer to our comment in question 36 related to further break downs and want to repeat our general approach to rather limit the level of detail requested.

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?](#)

As such a differentiation would be a static one this definitively would go into the right direction. Also the data volumes for completing the forms, archiving and data delivery would substantially decrease and quality assurance would be much easier.

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

Data should generally be available and implementation costs should be in a reasonable range. Our general concerns related to dynamic country classes remain, as all data need to be collected on the requested granularity prior to identifying the 10 countries in question. We refer to our answers to questions 8 to 11 in that regard.

Related to the IFRS references, we want to point out that upcoming changes to IAS 39 (IAS 39 replacement with IFRS 9) will change this classification and should already be considered. Furthermore, a reduction of the maturity bands would be highly welcomed.

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?](#)

We very much prefer the proposed split of template 14.1 and 14.2 compared to template 10 and wonder, why the two are not interlinked at the level of granularity as requested in template 14.1 and 14.2. Related to template 14.3 we renew our concerns regarding dynamic country allocation.

For regulatory reporting income figures are usually available on account level per location only. More granularity (e.g. counterparty) is in most cases not available. Accounts usually bear product and currency information (depending on institution specific rules). The requested break down for template 14.3 is therefore not easy to implement and requires linkage to controlling information which might be difficult to collect – if possible at all – and will be very expensive. We kindly ask to drop the country-by-country requirement. Instead we could think of reporting in major currencies (i.e. EUR, USD, GBP, CHF, JPY, CAD, AUD, others) but do not recommend to do so. Implementation time for this will in any case be substantial.

Related to Templates 14.4 to 14.6 we cannot see the real benefit. E.g. in case the mother company is located in one country, but the majority of the branches / subsidiaries are located in other countries, what is the information worth?

The implementation costs for templates 14.1 and 14.2 should be reasonable.

41. [Would application of a materiality threshold similar to Article 8 \(3\) and 9 \(3\) \(reporting the breakdown only if foreign exposures exceed 10 % of the total exposures\) reduce reporting burden?](#)

The proposed materiality threshold of 10 % as a general rule to initiate reporting is a “static” one even if due to fluctuations in figures an in-and-out reporting obligation might occur. This is explicitly different from the detail rules in Article 8(3) and 9(3). A materiality threshold like this (but more to be in a region of 25 %) does make sense. In order to avoid the in-and-out situation due to volatility of the business and to really take advantage of not being obliged to prepare the reports, (a) a general exemption by the competent authority should be granted if the institution demonstrates that it will most likely not reach the reporting threshold and (b) institutions that might reach the reporting threshold but are currently at a level of 80 % should be exempted from reporting for the next 12 month (i.e. are obliged to check the threshold only once a year).

In that context, it needs to be defined, what makes up a 100 % (assets, liabilities, income, etc.) and how the percentage of that is measured. We propose to take the total of the balance sheet (assets + liabilities) for both the total and the threshold.

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 9 (3) compared to the proposal in the Consultation Paper?

We refer to the answer given to question 41.

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?

The templates set up refer extensively to IFRS terminology thereby pushing indirectly IFRS onto national GAAP institutions. Such undertakings do not have sufficient knowledge of IFRS which in itself is a reason not to use such language. Furthermore, national accounting standard based on EU Bank Accounts Directive (BAD, 86/635/EEC) does to a substantial degree not match IFRS classifications. The proposed reporting is therefore comparing apples and oranges and does not take care of national specialties.

According to our understanding of the current discussion of the legislative process Article 95 CRR will limit the EBA authority for the ITS on IFRS accounts only (and only on group level). We therefore refrain from detailed comments to Annex IV.

In case Article 95 CRR moves in a different direction, we strongly demand to consult this item once more.

In the current form we disagree to the proposal as a whole.

Our comments to Annex V therefore are also limited to IFRS reporting (Annex III) only.

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?

As the IFRS do not contain a dedicated balance sheet structure (IAS 1 just contains a minimum level of detail) most banks refer to the EU Bank Accounts Directive (BAD, 86/635/EEC) and to CRD in order to reflect their business properly and use common industry practise. This also makes current regulatory reporting – especially COREP – easier. Also derived from former IAS 30 and IFRS 7 the usage of CRD and BAD definitions is more useful than to refer to IAS 7 (Statement of cash flows). IAS 7 already contains some indications for special handling for banks and liabilities towards banks (e.g. IAS 7.8 and IAS 7.33). The definition of cash equivalents in IAS 7 is simply not consistent with the practice of banks. As the presentation of cash flows is to a substantial degree independent form the presentation of the figures in the balance sheet we cannot see useful reference to IAS 7 for the intended purpose.

D. Reporting on own funds requirements (COREP)

Before we start to analyse specific items of the templates we want to mention, that there are some general guidelines missing for the technical delivery and completion of the templates (COREP and FINREP):

- How will the reporting institution be technically identified (no ID-Number or name included in the templates) and how will the information related to contact persons etc. be delivered?
- How will the reporting currency be notified?
- What is the dimension of the amounts to be reported (decimals, thousand, millions, etc.)?

We will only comment on templates which are relevant for our group’s institutions and only in case we have comments.

* * *

We question the need to report the transitional provisions to the extent requested (currently 11 tables in total). We cannot see the supervisory benefit in such a

detailed reporting on capital instruments that will be phased-out over the next few years. In our view, the information on own funds which is necessary for supervisory purposes is already covered by table CA 1.2. Therefore, we propose to reconsider the proposed reporting of transitional provisions or – if considered necessary – to substantially revise the concept.

Furthermore, we believe that the level of detail requested could in general be reduced without losing substantial information thereby reducing the costs for both the institutions and the supervisors substantially. Although most of this data will be available in the reporting systems, we cannot see real benefits in the reporting of the entire data. At this point, we would like to emphasize once again, that it would be particularly desirable that any additional reporting requirement is limited to the content absolutely essential and justified for supervisory purposes.

Finally, we would recommend adding sample calculations for the clarification of several issues.

Part 1

It is not clear to us, in which position legal reserves filled in line with EU law out of profits are to be reported.

1.2 CA 1			
Position	Row	Col.	Comment
(-) Part of interim or year-end profit not eligible	170		As position 150 is titled “eligible ...” it is unclear, why position 170 (Part of interim or year-end profit <u>not eligible</u>) is a sub-item of position 150. Either position 150 is to be renamed (profit and loss) or position 170 needs to be information only (not included in calculation)
Defined benefit pension fund assets which the institution has an unrestricted ability to use	420		As the respective EBA specifications are still missing, a final assessment is not possible.

1.3 CA 2			
Position	Row	Col.	Comment
Risk exposure amount for contributions to the default fund of a CCP	460 - 480		As handling of default fund contributions – especially for the CCP’s own default fund contribution in case a bank is operating a CCP – is still in discussion, adjustments might be necessary

Part 2

The need for the group solvency report is questionable in general (see also our comments on question 4 and the respective remark on Article 6 (2) on page 13).

There is a need for further clarification, how participation values (in the books of the holding company and in principle to be consolidated) and consolidation difference (different values for payables / receivables in the two companies concerned e.g. due to FX differences) will be taken into account (which line should be used to show them. There is no clear “originator” of the differences) under the own fund reporting. Furthermore, it is not clear to us, how consolidation entries (elimination of assets and liabilities in the risk positions) are taken into account. Therefore, we kindly ask for further explanation.

Part 3

In principle, we welcome the reduction in the number of reporting templates for the SA. Nevertheless, the reduction of dimensions in the template “SA Details” does not lead to significant benefits, if at the same time, the template “CR SA Total” is extended by several rows (exposure classes). On the contrary, the reduction of dimensions will potentially have negative effects, as the verification of the “CR SA Total” will be more complicated. A verification based on simple addition will not be possible any more.

Part 4

The requirements for the OPR details template do not seem reasonable. This information should not be included in the COREP but requested by the competent authority tailored to the approach adopted by the individual institution.

Although the breakdown by business lines for AMA is in principle possible, numerous adaptations in the current reports will be needed. This will cause additional costs.

4.2 OPR Details			
Position	Row	Col.	Comment
Mapping of losses to business lines	010-840		The additional instructions in Annex II do not clarify how to handle losses which cover more than one business line. It is especially unclear whether for all business lines the total amount shall be reported or only the amount assigned to the respective business line. Although it is our understanding that only the amount assigned to the business line has to be reported, this should be clearly stated.
Total business lines – total event types	910-940/090		All references in section “910-940/090” in Annex II are wrong and should refer to column 080.

Especially in case the losses cover more than one business line, the reporting requirements need to be expressed more clearly. Although it is mentioned in the instructions, that for example the “total number of events” might not equal the horizontal or vertical aggregation of the numbers of events, this would be an appropriate place for sample calculations.

Part 5

The dynamic component in the MKR SA FX template related to the “TOP Currencies” is once more a dynamic list. As we have stated above related to dynamic country allocations, we are likewise opposing to dynamic currency allocations. A list of the major currencies should be included in the template which is to be used for all institutions. The reporting of the own (reporting) currency should be excluded.

5.5 MKR SA FX			
Position	Row	Col.	Comment
All other currencies	020	060, 070	We recommend to verify whether the grey/blocked cells in these columns are justified, since the lower own funds requirements only apply for matched positions (own funds requirements on matched positions in two closely correlated currencies shall be 4 % multiplied by the value of the matched position). If there is a surplus (long or short), this should be reported in the grey / blocked cells mentioned and shall be multiplied with 8%.
Capital requirements	060-080, 090-10, 090-no	090	We recommend aligning template MKR SA FX with the other templates for the SA. In template MKR SA FX the mentioned rows in column 090 are currently not grey / blocked. However, in the other templates similar positions are grey / blocked. Therefore, we ask for clarification. General remark: As the column “capital requirements” was cancelled throughout most of the SA and IRB template, we wonder why this column has to be reported for market risk positions further on.

E. Reporting on financial information (FINREP)

Due to the tight timeline of the consultation paper, it is neither possible to conduct an in-depth analysis nor to give a precise estimation of potential impacts. As stated above (see our answer to question 43), we will not comment on templates in Annex IV.

In regard to the significant extension of reporting requirements, we want to raise our doubts that an appropriate evaluation and analysis can be performed on supervisory side. At this point, we would like to emphasize once again, that it would be particularly desirable that any additional reporting requirement is limited to the content absolutely essential for supervisory purposes.

In effect, the new reporting requirements would require institutions to draw up their financial statements four times a year, even if not required by accounting regulations (in case of no publication of interim accounts). At this point, we would also like to point out that the proposed templates include break down of information that is not even required under IFRS. Consequently, such granular data is currently not available in accounting systems. For example the separate presentation of gains and losses to be reported in tables 17 and 18 requires extensive changes, leading to a significantly longer implementation period.

Due to the fact that validation rules are not available, it is in some cases difficult to understand the structure of the templates. In this context, particularly the so called “total” lines need further clarification, since it is not sufficiently obvious to which lines they refer. Therefore we recommend adding some sample calculations at this point or expanding the templates by adding check sums. We also suggest standardising the structure of these templates. In some cases the “total” line is above the detailed lines and in some cases underneath.

The reporting requirements in tables 17.1, 18, 24, 26, 27, 28 and 30 go beyond currently available information – at least for regulatory reporting – and ask for dedicated allocations which are not available in a unified manner to all banks. We therefore clearly ask to drop such requirements – even as some of those templates are already in use in some countries based on current FINREP version. In case, such templates remain in the final set of reports, an additional transitional phase is necessary in order to comply.

We noted, that Annex V ITS 3.63 seems to be numbered wrongly (it starts with letter c but is supposed to start with letter a).

1.1 Assets			
Position	Row	Col.	Comment
Debt securities	320		Clarification is needed as to what kind of debt securities are to be listed in category "loans and receivables".
1.3 Equity			
Position	Row	Col.	Comment
Reserves or accumulated losses of investments in	330		The reference to IAS 28.11 does not give any explanation on that context. All relevant changes are according to IAS 28.11 to be taken in the carrying amount of such participations and the change is to be taken via income statement. IAS

subsidiaries, joint ventures and associates			28.11 therefore does not explain any equity position.
3.x – Breakdown of financial assets by instrument and by asset class			
Position	Row	Col.	Comment
			Sector classification in different tables is not uniform for loans and advances. As debt securities are concerned the sector breakdown is uniform but the “corporates” sector refers to ITS 1.21 in the tables 3.5 and 3.8 and ITS 1.22 in the tables 3.1, 3.2 and 3.4. This would result in a different composition of corporates.
3.1 – Breakdown of financial assets by instrument and by asset class: demand deposits and cash equivalents			
Position	Row	Col.	Comment
			Content of the table is unclear as items do not match the title. Alignment with table 1.1 is impossible to achieve (please make sure to use uniform wording).
4.1 Financial assets subject to impairment that are past due or impaired			
Position	Row	Col.	Comment
Collateral and other credit enhancements received as security for the related impaired and past due assets		140	The column “Collateral and other credit enhancements received as security for the related impaired and past due assets” requires quantitative information on collateral which is not supported by IFRS. The requirement to disclose fair value of collateral contained in IFRS 7.37(c) was deleted as part of annual improvements effective as of January 2011. If such information is required, it needs to be specified what value of collateral should be disclosed – should that be the nominal value, fair value, or the discounted estimated cash flow used for impairment calculation purposes or a value used for prudential reporting?

9 Breakdown of loans and advances by product			
Position	Row	Col.	Comment
Other collateralized loans, Reverse repurchase loans	030 / 060		It is proposed to change the order of the items (position 030 after 060) in order to have “other” always after any item being related to the topic concerned.
15 Off-balance sheet activities: Interests in unconsolidated structured entities			
Position	Row	Col.	Comment
			The definition of “unconsolidated structured entities” needs to be clarified.
20.2 Capital per counterparty			
Position	Row	Col.	Comment
	220 - 280		The required information on capital per counterparty will not always be available and is hard to come by especially for public listed companies. As substantial participations as well as material changes are to be reported, we do not see the added value of this table and propose to drop it.
21.1 Breakdown of loans and advances by collateral and guarantees			
Position	Row	Col.	Comment
			Only collaterals which are used to reduce risk for prudential purposes should be reported here.
24 Off-balance sheet activities: asset management, custody and other service functions			
Position	Row	Col.	Comment
			Definitions are unclear and added value of the table is more than doubtful. Especially content of column 010 and the explanation in ITS 5.9 (g) are insufficient.
25.2 Tangible and intangible assets: assets subject to operating lease			
Position	Row	Col.	Comment
Other intangible assets	070		Why is the part for intangible assets labelled as “ <u>Other</u> intangible assets” when other parts of the table cover only tangible assets?

27.1 and 27.2 for Defined benefit plans			
Position	Row	Col.	Comment
			<p>In general we do not see the need for regulators to get pension information on a quarterly basis. Even for accounting purposes this is not fully requested. Actuarial reports are usually prepared only once a year in line with the annual closing.</p> <p>Furthermore, the tables reflect old IAS 19 effective until the end of 2012. IAS 19 (revised 2011) changed some principles of recognition of defined benefit plans and assets. The most significant change is that there are no unrecognised items and therefore items unrecognised actuarial gains/losses, unrecognised past service costs are no longer relevant in the new environment.</p> <p>We propose to delete this table.</p>
28.3 Information on unrealised gains and losses			
Position	Row	Col.	Comment
		020 - 050	<p>Moreover the Table 28.3 requires presentation of gross (before taxes) as well as net gains and losses. Distinguishing gains and losses on gross and net basis is not required by any standard.</p>

In summary, it needs to be noted that the proposed ITS, especially on FINREP, imposes disproportionate additional requirements to the banks and should therefore be reconsidered fundamentally. In regard to the already increasing costs for regulatory reporting and publication, the intended benefits of the additional information do, in our opinion, not justify the additional workload and necessary adjustments to IT-systems associated with the proposed requirements. Finally, as outlined above, some elements of the proposal seem to be unnecessary and oversized

Due to the fact that CRD and CRR are “moving targets” and will most likely yield further changes, we expect material impacts on COREP which ought to be reflected in the final ITS. Depending on the severity of the impacts, we consider this consultation as being insufficient to cover the consultation requirements. We therefore kindly ask EBA to properly assess if and to what extent additional consultation might be necessary based on the final legal documents.

Finally, we want to point out, that the EMIR Technical Standards on capital requirements for CCPs in case following the current EBA discussion paper DP 2012/1 should be harmonised with the requirements for credit institutions to the extent possible and that the final ITS should cover not just credit institutions but also the full scope for CCPs.

Eschborn

20 March 2012

Jürgen Hillen

Matthias Oßmann