

ESRB response to the EBA Consultation Paper on Draft Implementing Technical Standards on supervisory reporting requirements for institutions (CP 50)

Introduction

The European Systemic Risk Board (ESRB) welcomes the publication by the European Banking Authority (EBA) of the draft Implementing Technical Standards (ITS) on supervisory reporting requirements for institutions (CP 50). Article 3 of the ESRB Regulation 1092/2010¹ refers to the determination and collection of the information necessary to conduct macroprudential oversight in the European Union as one of the tasks to be carried out by the ESRB. Later in the ESRB Regulation 1092/2010, article 15 specifies that European Supervisory Authorities (ESAs) shall provide the ESRB with the information it needs for the performing of its tasks. In the case of banks, much of the information submitted to the ESRB will be collected according to ITS on supervisory reporting requirements for institutions, hence the strong interest from the ESRB to ensure that macroprudential requirements are duly considered.

It must also be considered that the work on assessing the macroprudential requirements for information is still at an early stage of development. Therefore, it is the opinion of the ESRB that there should be an opportunity to review the information requirements (and, consequently, the reporting templates) at regular intervals, as knowledge on these requirements develops.

Against this background, the ESRB considers the availability of supervisory data collected from banks for undertaking macroprudential analysis to be of central importance, and therefore welcomes the introduction of the ITS as a means to ensure that macro-prudential requirements can also be served. This point is correctly reflected in the draft impact assessment note of the ITS. Indeed, data extracted from the ITS should be used on a regular basis by the ESRB, as defined in cooperation with the ECB and the ESAs to compile two main datasets: 1) quarterly Consolidated Banking Data for the entire EU banking system, and 2) relevant quarterly indicators (so called, Key Risk Indicators) for a sample of EU Large Banking Groups (LBGs).

For this reason, it is important to ensure that there is an appropriate coverage and level of harmonisation via the mandatory application of COREP and FINREP templates and the application of relevant provisions also to non-IFRS banks and “solo” banks (i.e. banks that are not subject to consolidated reporting).² Indeed, the ITS should be viewed as the single source of standardised supervisory information whilst respecting a) the need to ensure that

¹ Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board is available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:331:0001:0011:EN:PDF>.

² In the compromise proposal of the Danish presidency on the CRR it has been proposed that the scope of FINREP is limited to the consolidated reports of quoted institutions. If accepted, this proposal would not allow a comprehensive collection of information for ESRB purposes. The ECB has flagged this concern to the EU Commission.

the reporting requirements are proportionate to the nature of activities of banks and b) the application of different accounting rules and practices throughout Member States.

This reply takes into consideration the ECB opinion³ to the CRD IV/CRR proposals⁴. Indeed, the scope of the implementing technical standards on supervisory reporting standards for institutions is determined by Articles 95 and 96 of the proposed regulation on prudential requirements Regulation (CRR).⁵ In the ECB Opinion, it is suggested to clarify the legal basis for the adoption of COREP reporting formats (reporting on own funds requirements) and for FINREP reporting formats. In addition, these amendments aim at clarifying the purpose and type of information to be reported, the timing and frequency of reporting and the possible use of the information for macroprudential purposes. The comments provided by the ESRB in this letter should be therefore read in this context.

The questions raised in the Consultation Paper can only partially be answered from the perspective of ESRB data requirements, which mainly focuses on the identification of the cost implications. The aim of this reply is to cover to the extent possible the issues raised in the Consultation Paper from the perspective of the merits of the provisions contained in the draft ITS, while acknowledging that the implementation of the requirements might be further assessed in subsequent merits and costs analysis (see specific comments below). Ultimately, though, the ESRB is aware that specific information requirements for macroprudential oversight will inevitably increase the reporting burden of institutions.

General comments

- **Data use.** As proposed in the ECB Opinion, Art. 95 of the CRR should be amended to explicitly allow the ITS on reporting to serve both micro- and macro-prudential purposes. Reporters should be made aware of this multiple use, which is cost-effective for them, hence the “whereas” clauses of the ITS Regulation should be adapted accordingly.
- **Coverage of data requirements:** the ESRB requirements for macroprudential data are expected to be satisfied not only by FINREP and COREP. Indeed, other reporting standards are foreseen in the draft CRD IV/CRR proposals: liquidity framework, leverage ratio, large exposures, etc. that would be relevant to meet ESRB data requirements. Moreover, this ITS does not cover FINREP at solo level (see below). Hence, this ESRB response is without prejudice to possible future comments on draft ITS relating to these other reporting standards.
- **Reporting population:** the ESRB agrees with the EBA that the ITS should be mandatory for all banks, including non-IFRS banks and stand-alone entities that are

³ ECB opinion CON/2012/5 of 25 January 2012 on a proposal for a Directive on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and a proposal for a Regulation on prudential requirements for credit institutions and investments firms (www.ecb.europa.eu/ecb/legal/pdf/en_con_2011_5_f.pdf).

⁴ “Proposal for a Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms”, published on 20th July 2011.

⁵ Article 74 of directive 2006/48/EC similarly determines the scope for implementing technical standards until entry into force of CRD IV.



not subject to the consolidated reporting of financial information⁶. A broad institutional coverage would allow, inter alia, the compilation of harmonised Consolidated Banking Data for the entire EU banking system on a quarterly frequency, which would contribute to assessing banks' financial stability⁷. However, the ESRB notes that the present ITS do not cover financial information on an individual level due to “challenges stemming from the application of different underlying accounting standards and issues linked to the reconciliation with statistical, monetary and fiscal reporting requirements”⁸. What is more, depending on the final text of the CRR, the ITS specifies that EBA may “launch a second consultation regarding reporting of financial information on an individual level and on reporting of financial information by investment firms” at a later stage. A complete coverage of the Consolidated Banking Data and other datasets that are used for macroprudential analysis would allow assessing the whole spectrum of EU financial institutions, in particular where no consolidated information is available. The ESRB invites the EBA to publish when possible the draft templates at individual level, as similar challenges have already been overcome by the ECB while compiling Consolidated Banking Data.⁹ The application of FINREP at solo level, as presented in the Consultation Paper¹⁰, is technically feasible and can be implemented without imposing an excessive reporting burden to reporting banks. The ESRB remains fully available to cooperate with EBA in this domain. Moreover, it should be noted that the reconciliation between statistical and supervisory reporting requirements is already well explained as a result of joint ECB-EBA work.^{11 12}

- **Data timeliness:** the ESRB needs quarterly LBG indicators on a timely manner to monitor and assess systemic risk posed by such institutions. In particular, it needs to receive data from the EBA, upon NSAs' input, within the target remittance period of

⁶ A minority of ESRB members present a dissenting opinion on this issue. Please refer to the annex of this response for the reasoning behind this position.

⁷ The Consolidated Banking Data (CBD) are compiled by aggregation of group-consolidated accounts (for banks subject to consolidated reporting) and accounts at individual level (for banks not subject to consolidated reporting). If the latter piece of information is missing the coverage of CBD will be incomplete. Non-IFRS entities may represent up to 30% of the national banking system. Although full coverage of all institutions is not strictly necessary for analytical purposes, limiting the reporting population only to IFRS group consolidated reports might significantly reduce the representativeness of the results.

⁸ See pages 8 and 20 of the consultation paper.

⁹ See www.ecb.int/stats/money/consolidated/html/index.en.html.

¹⁰ For the compilation of CBD, only 6 of the 25 FINREP templates are relevant, and within these 6 templates, only few reporting cells are necessary. Further requirements of solo information would be very demanding in terms of content and time, and would imply important adjustments to the existing systems for reporting at a national level.

¹¹ See work of the ECB/EBA Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR). The JEGR findings have been published in 2010 and an update is foreseen to be published in March 2012. See www.ecb.europa.eu/press/pr/date/2010/html/pr100217.en.html.

¹² A desirable long-term objective would be to have a single data collection system for supervisory, macro prudential and statistical purposes, which would take into account the supervisory, macroprudential and statistical needs of information and would decrease the reporting burden of reporting banks.



within two months after the reference quarter.¹³ Given this objective, the ESRB is concerned that a remittance date for LBGs of T+6 weeks after the reference quarter would make it very difficult for NSAs/EBA to ensure the timely availability of data needed to compile the quarterly LBG indicators¹⁴. Indeed, NSAs and EBA would have only two weeks to check, compile and transmit the requested information to the ESRB. The ESRB is aware that a correct calibration of the target remittance period is key in order to strike a balance between a reasonably high data quality and the availability of timely LBG data. Therefore, the EBA is invited to consider how to ensure the availability of timely LBG data to the ESRB.

- **Composition of LBGs:** the list of LBGs needs to be reviewed, possibly on an annual basis, and should include also the global (and domestic) SIFIs under the FSB initiative. The list may need to be published, in order to give certainty to reporting agents. In addition, the ESRB strongly encourages the ECB, which implements a register of financial institutions and groups (RIAD), the EBA and other ESAs to closely coordinate their efforts to correctly identify and monitor the group composition of the LBGs. Moreover, work on developing common identifiers of entities (subsidiaries, branches, etc.) should continue. Common identifiers would have also other advantages in terms of aggregating and comparing exposures towards common counterparties (e.g. for the purpose of the forthcoming ITS on large exposures), as well as for statistics on securities issues and holdings.
- **Indicators for LBGs.** As mentioned above, the ESRB has requested the EBA to compile a series of indicators for LBGs. The ESRB is satisfied that most of the data necessary to compile these indicators are included in FINREP or COREP. There are however a number of gaps, in particular relating to data necessary to compile the following indicators: “Net open position in equities to capital”¹⁵; a breakdown of assets and liabilities by residual/original maturity; a breakdown of loan exposures by currency; and data on LBGs’ large exposures towards other LBGs and Large Insurance Groups, as well as towards other sectors/countries. The ESRB expects that most of these data gaps will be filled in with the forthcoming EBA draft ITS on large exposures and on the liquidity framework. Some gaps however can be satisfied with minor amendments of the FINREP/COREP templates, e.g. by introducing a requirement for foreign-currency loans and advances and foreign-currency deposits in FINREP tables 1.1 and 1.2. The ESRB would invite the EBA to consider the feasibility of these small changes. The cost implication would be very limited as only few additional reporting cells would be affected and would not put at risk the timely finalisation of this ITS.

¹³ Meetings of the ESRB General Board are tentatively planned in the 3rd week of March, June, September and December. LBG data would be more relevant if available on time within 8 weeks after the reference quarter, in order to be used for briefing the ESRB at its meetings.

¹⁴ This would also have a negative material impact on those national supervisory models which are currently built upon much earlier reporting of supervisory information.

¹⁵ Due to definitional issues, specific risk for equity risk of Standardised Approach banks cannot be aggregated with generic risk; hence, on the basis of the current templates, the calculation of the net open position can only take into account only the generic risk.

- **Ultimate risk basis.** Data on LBGs' credit exposures, for which counterpart information is required, can only be compiled on an immediate borrower basis, while the ESRB needs them also on an ultimate risk basis.¹⁶ In order to satisfy the latter data requirements, the EBA is invited to assess the possible re-use of the approach followed in the BIS International Banking Statistics, with a view of minimising the reporting burden. Ultimate risk is also being currently discussed in statistical for a, so coordinated efforts with statistical authorities could be sought as well. Indeed, the ECB Statistics Committee is already implementing a short-term solution to collect these data. However, it may be more efficient to collect these data via the ITS, also to enhance data consistency (same consolidation approach, data definitions, etc.) in some countries.
- **Financial conglomerates.** The ESRB would like to underscore its need for additional data on LBGs with substantial activities in the insurance sector (financial conglomerates), as these activities are not captured by the proposed templates, which would therefore provide a partial overview of the conglomerate. While FINREP/COREP follow the CRD scope of data consolidation (i.e. investments in insurance subsidiaries are accounted with the equity method), the ESRB would be interested in a few additional data for banking groups with substantial activities in the insurance sector, i.e. for these groups, the use of a broader, accounting (IFRS) scope of consolidation would be necessary. The accounting scope of consolidation would also include other activities outside the banking and insurance sectors, which may become relevant for macroprudential purposes in some circumstances. This additional information, although not explicitly mentioned in Article 95 of the CRR, could be easily deducted from the accounting statements of banks (which are already an optional feature in FINREP). Furthermore, the planned revision of the Financial Conglomerates Directive (FICO) may provide a good opportunity for improving the reporting framework of financial conglomerates. Hence, the ESRB invites the EBA to develop together with EIOPA a uniform reporting format, guidelines and compilation rules for this purpose, which would cover at least the balance sheet, income statement and capital adequacy of financial conglomerates.
- **Additional data for G-SIFIs¹⁷.** While the final specifications of the FSB template on G-SIFIs (and their potential application at national level) are not yet known, the activities of these institutions will need to be adequately monitored by the ESRB in its conduct of macroprudential oversight. To achieve this, the ESRB is interested, once the work of the FSB is finalised, in receiving consistent data on G-SIFIs (and, if applicable, on domestic SIFIs), in line with the FSB methodology. In order to minimise the reporting burden and ensure consistency with data derived from the FINREP and

¹⁶ The immediate-borrower basis allocates claims to the country where the original risk is located, while the ultimate-risk basis is consonant with banks' own systems of risk management. The country of ultimate risk is that in which the guarantor of the financial claim resides or in which the head office of a legally dependent branch incurring the exposure is located (or the head office of a subsidiary in the case of exposures benefiting from explicit guarantees from their parent institutions). The analysis of data under both bases allows monitoring trends in credit risk transfer.

¹⁷ Once a final decision at the EU level is reached on domestic SIFIs, this paragraph may also apply to domestic SIFIs.

COREP, the ESRB invites the EBA to follow the final stage of the design of the FSB template, which should be finalised by end-2012 and to coordinate joint EBA/ESRB proposals to improve its consistency with the ITS on reporting.

Replies to EBA specific questions

The ESRB replies to the 45 questions raised in the EBA consultation paper are provided in the table below. As explained above, and given the fact that the ESRB is responding to the consultation from the viewpoint of a user, the replies concern more the merits of the EBA proposals rather than their costs.

It is the ESRB view that in order to provide with supervisory information of the highest quality, reporting templates must be accurate, clear and balanced. Together with that, the instructions accompanying the templates must give clear guidance and precise tools to reporting banks, in order to minimize the risk of errors and inconsistencies in the reported information.

The ESRB does not object to EBA publishing the ESRB response to the EBA Consultation Paper on draft ITS on supervisory reporting requirements for institutions (CP 50).

Questions	Replies
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?	The ESRB is ready to accept that the FINREP and COREP templates follow the CRR scope of consolidation, provided that at least some basic data are collected under the accounting scope of consolidation, since several banking groups are financial conglomerates with significant insurance activities or perform other non-banking activities, which may also create systemic risk (see general comment above on financial conglomerates).
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?	See reply to question 1. The ESRB needs only some basic additional data under the accounting scope of consolidation. The additional cost of such data should be limited considering that banking groups already draw their public annual consolidated reports (financial statements) using the accounting scope of consolidation as required by Regulation EU 1606/2002 and Directive 86/635/EEC.
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	The ESRB is entitled by the Regulation 1092/2010 to receive information on an aggregated basis from EBA for the performing of its tasks. In the process of aggregation, the use of different accounting years by individual banks may significantly hamper the quality of the aggregated



assess the impact if the last sentence of point 2 of Article 3 referred to the calendar year instead of the accounting year?	information. When possible, and subject to a examination of the costs for the reporting entities, the accounting year should be aligned to the calendar year, so that information is aggregated using the same starting points in terms of raw information.
4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?	One of the key features for information to be relevant in the decision-making process is timeliness. For the meetings of the ESRB General Board, it would be of the utmost importance to have the most updated information available, as market conditions change quickly in times of financial stress. In particular, LBGs data should be reported on a timely manner, in order to allow EBA to submit aggregated results to the ESRB by within 8 weeks after the reference quarter. At the same time, the ESRB is aware that not all credit institutions in the EU have the same organisational support behind them for this, so the introduction of a proportionality clause at this point would make sense, in order not to significantly increase the reporting burden of smaller institutions ¹⁸ .
5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?	The impact of different remittance dates for individual and consolidated reports would be quite significant for the ESRB. As evidenced by other answers in this response, the timeliness of information is of the highest concern for the ESRB. As macroprudential oversight mainly relies on consolidated information, it is necessary that it is made available at the remittance dates mentioned earlier. Otherwise, the introduction of different remittance dates would seriously impact the relevance of the information in the analysis of the ESRB. That without prejudice that the ESRB accepts that National Supervisory Authorities may need to define sooner remittance dates at the national level, subject to harmonized and objective criteria.
6. When would be the earliest point in time to submit audited figures?	N/A.
7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for	To reduce reporting burden and avoid conflicts regarding remittance dates, there are important merits for <i>competent authorities to incorporate the unified data requirements into a broader national reporting framework</i> (see “whereas” 3 of the draft ITS regulation), relying on a

¹⁸ That would not be the case of EU jurisdictions where all banks, regardless of their size, are reporting currently under the same remittance dates, what allows for a timely evaluation of full banking system’s supervisory information.



<p>statistical or other purposes)?</p>	<p>decision in this direction by national authorities. Indeed, under an integrated reporting framework, the bridging and reconciliation work done by the ECB/EBA Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR) could be better exploited. With a longer term perspective, it is important to develop a full reconciliation, not only in terms of remittance deadlines, of all regulatory capital elements back to the balance sheet in the audited financial statements, as it would improve the quality of the information reported.</p>
<p>Format and frequency of reporting on own funds requirements</p>	
<p>8. Do the proposed criteria lead to a reduced reporting burden?</p>	<p>The ESRB is well aware of the reporting burden that financial institutions face when reporting to different regulators and supervisors. In this sense, the introduction of a low threshold would clearly contribute to the reduction of the reporting burden, as smaller entities would be exempted of complying with large and complex reporting templates. In the case of these smaller institutions, the marginal benefit of this reporting would be certainly low when compared to the costs incurred by them.</p>
<p>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.</p>	<p>N/A</p>
<p>10. What would be the cost implications if the second threshold of Article 5 (1) (c) (ii) were deleted?</p>	<p>N/A</p>
<p>11. Is the calculation of the threshold sufficiently clear?</p>	<p>The inclusion of a practical example may be beneficial.</p>
<p>12. Do the provisions of Article 5 (2) lead to a reduced reporting burden for small domestic institutions?</p>	<p>These provisions would allow small solo banks without foreign branches to report on a semi-annual reporting under certain conditions. However, as mentioned above, it is important to ensure a complete coverage of reporting population on a quarterly frequency especially for compiling the Consolidated Banking Data (CBD). Hence, the overall impact of the proposed exemptions for small</p>



	domestic institutions would be acceptable only if in aggregate (in each country) they have an impact on less than around 5 % of the national balance sheet total figures.
13. Is the calculation of the threshold sufficiently clear?	Yes
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?	N/A
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?	In principle, the ESRB would need this information on a quarterly frequency, although, in times of financial stress, there may be the need to require information on a more frequent basis (monthly), or on an ad-hoc basis. National Supervisory Authorities should, in any case, be able to use discretion to impose higher reporting frequency for the collection of this information, if required for the fulfilment of their tasks and always under objective and harmonized criteria.
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?	In general, the ESRB is interested in receiving, as an output, harmonised, timely and frequent data of good quality. Hence, in principle the data requirements addressed to banks should be broadly the same, regardless of the type (national or international) of accounting standards used ¹⁹ . The ESRB is in favour of reducing the reporting burden by introducing lighter requirements for smaller institutions (rather than limiting the frequency of reporting), but the criteria to define which institutions apply the lighter requirements cannot be based on the accounting standards applied. On the contrary, criteria like size, interconnectedness and risk profile should be used when defining this approach.
17. What is your assessment of impact, costs and benefits related to the extent of financial	Given the lack of a minimum set of harmonized EU-wide supervisory dataset on bank activities, the ESRB considers of central importance the availability of

¹⁹ The ESRB is aware that the impact of different accounting rules is also important for the analysis.



<p>information as covered by Articles 8 and 9?</p>	<p>supervisory data collected from banks for undertaking macroprudential analysis. Indeed, data extracted from the ITS should be used to compile on a quarterly basis Key Risk Indicators (KRIs) covering a sample of EU Large Banking Groups (LBGs) as well as the CBD for the entire EU banking system.</p>
<p>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.</p>	<p>The ESRB needs some of this information (10.3 Geographical breakdown of debt securities held from general governments by residence of the counterparty and by residual maturity) on a quarterly frequency. More generally, it needs a residual maturity breakdown of all assets and liabilities (for LBGs only).</p>
<p>19. What is your general assessment of applying reporting standards regarding financial information on an individual level?</p>	<p>It is important to collect also information at individual level, to the extent that this is necessary for the compilation of the CBD covering all EU banks. If a “stand alone” bank becomes part of the LBG sample, then also the KRIs would be affected. Indeed, these datasets are compiled by aggregation of consolidated accounts (for banks subject to consolidated reporting) and financial information at individual level (for banks not subject to consolidated reporting).</p>
<p>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 (ii)) Would there be obstacles for applying reporting on an individual level?</p>	<p>Benefits are evident to the extent that the information is necessary for the compilation of quarterly KRIs and CBD, i.e. as some parts of Annex III and IV are relevant for this purpose. Moreover, the application of FINREP at solo level may allow a better integration of statistical and supervisory reporting requirements at national level, which may lead to a reduction of the reporting burden in the medium term. The ESRB is aware that, in some cases, especially in those countries where supervisory and statistical requirements are not aligned and where no preparatory work in this domain has been carried out, the integration of statistical and supervisory requirements may be costly for reporting banks in the short term.</p>
<p>21. If the proposal was to be extended, what implementation time would be needed?</p>	<p>N/A</p>
<p>IT solutions</p>	
<p>22. What cost implications would arise if the use of XBRL</p>	<p>The ESRB sees clear benefits in standardising reporting tools and the data quality effects of checking functionality</p>



<p>taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?</p>	<p>available in XBRL, in particular for the reporting from NSAs to EBA.</p>
<p>Final provisions</p>	
<p>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.</p>	<p>The ESRB sees strong merits in option 1, as it would allow the compilation of good quality statistics and indicators for macro-prudential analysis from the reference date of 31.3.2013. A delay of six months (option 2) would bring additional implementation costs for the relevant authorities to adapt the compilation and transmission of CBD and KRIs. It could also have a negative impact on the ESRB's ability to perform its tasks in various analytical areas which rely on supervisory data.</p>
<p>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.</p>	<p>N/A</p>
<p>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?</p>	<p>N/A</p>
<p>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?</p>	<p>N/A</p>
<p>27. Would the required implementation period be the same for reporting requirements</p>	<p>N/A</p>



<p>on an individual basis and on a consolidated basis?</p>	
<p>Annex I and Annex II</p>	
<p>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?</p>	<p>The grey/blocked cells are not necessary to satisfy the ESRB needs</p>
<p>29. Compared to previous versions of the COREP templates are there additional reporting requirements which, cause disproportionate costs?</p>	<p>N/A</p>
<p>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.</p>	<p>N/A</p>
<p>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?</p>	<p>The new lines are not necessary to satisfy the ESRB needs.</p>
<p>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?</p>	<p>The new lines are not necessary to satisfy the ESRB needs.</p>
<p>Annex III, Annex IV, and Annex V</p>	



<p>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.</p>	<p>N/A</p>
<p>34. Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden?</p>	<p>The provisions of Article 8 (3) and 9 (3) contain reporting exception thresholds, which may be too high to capture relevant business from a macro-prudential perspective, and should be adequately tested for all asset classes, both in FINREP and COREP. The use of absolute thresholds could also be considered. A single, lower threshold percentage (e.g. 5% instead of 10%) to exempt reporting of non-domestic exposures may be acceptable. There is no Article 11 (3).</p>
<p>35. What are the cost implications of introducing a breakdown by individual countries and counterparties?</p>	<p>The ESRB needs a breakdown of LBGs' exposures by country and, separately, by sector of counterparties.</p>
<p>36. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?</p>	<p>The ESRB would be interested in having a fully harmonized breakdown of loans and advances to non-financial corporations by economic activities through the EU. NACE codes have been used for years in the European statistics and are a well-known and reliable codification system, and could easily be used for this purpose.</p>
<p>37. Would other classification be more suitable or cost efficient?</p>	<p>N/A</p>
<p>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?</p>	<p>The ESRB needs a full breakdown of LBGs' exposures by country of counterparties. A simple split between domestic and foreign exposures is not sufficient.</p>
<p>39. What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?</p>	<p>The ESRB needs separate breakdowns of LBGs' exposures by sector of all counterparties (not just sovereign), by (residual and original) maturity, and by accounting portfolio.</p>



<p>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?</p>	<p>The proposed breakdown meets the ESRB needs.</p>
<p>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?</p>	<p>See reply to question 34.</p>
<p>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?</p>	<p>The differentiation only between domestic/ foreign would not meet the ESRB data requirements. A country by country breakdown with reporting thresholds, subject to the considerations made in reply to question 34, would be acceptable.</p>
<p>43. Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates?</p>	<p>N/A</p>
<p>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?</p>	<p>Independently from market practice, it is important that the concept of “cash” or “cash and cash equivalent” is applied consistently across EU banking groups.</p>
<p>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</p>	<p>This approach is consistent with already existing statistical reporting frameworks (for example, at the ECB).</p>



always under interest income and interest expense?	
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Dissenting opinion on the extension of FINREP to individual institutions

Regarding the extension of FINREP to individual institutions (see third bullet point under “General comments”, in page 2), a minority of ESRB members argue that the implementation of FINREP only for institutions subject to consolidated reporting would be satisfactory for ESRB purposes. Their position is based on the following arguments:

- It should be first assessed whether there is a benefit to have information at solo level, as well as the practical challenges and feasibility of such an extension. They are not convinced that the collection of FINREP data from institutions not subject to consolidated reporting (stand-alone banks) would represent a clear improvement for the purpose of monitoring financial stability.
- In some countries, definitions in FINREP on a solo level are not harmonized but set by local accounting standards. If this information, where definitions have not been harmonized across Member States under the same harmonized format, were published, it would have the potential to confuse market analysts and the public in general.
- It is not clear whether EBA is mandated to impose FINREP on a solo level or not, as Article 95 of the proposed CRR does not require explicitly information from FINREP to be reported under a harmonized format.
- Reporting of FINREP by stand-alone institutions might give rise to a duplication of reporting obligations of these institutions, potentially affecting also the quality of the information, what would subsequently imply an increase in the reporting burden, especially in some of the countries where financial and statistical requirements are integrated. Furthermore, it will heavily increase the reporting burden of institutions, as this comes at a late stage of the ITS drafting exercise and it is unrealistic to implement a new reporting in such a short time considering the IT, the business and the cost implications. Strong opposition from the entities and their associations would be inevitable and, in the worst scenario, the reputation of banking supervision could be put at stake.
- Reporting of FINREP data only by institutions subject to consolidated reporting would provide an adequate coverage for macroprudential purposes, as it will cover the most important banking groups. The market share of stand-alone banks ranges in EU countries from 1% to 30%.