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NEW EBA-TEMPLATES: QUESTIONNAIRE FOR FINANCIAL INSTITUTIONS

We are aware of the fact that certain aspects of the current COREP templates need to be amended in order to give the competent authorities a deeper insight into the banks risk portfolio.

We are generally confident that the proposed remittance dates and reporting frequencies will enable the institutions to fulfil the reporting requirements, even in their proposed expanded extent.

Although we generally understand the ratio behind the current proposal, we would like to highlight certain aspects which would lead to severe costs and/or to a considerable increase in the reporting burden for the institutions from our point of view.

First reporting and implementation phase

COREP:

In light of the large scope of the changes in the templates we have serious doubts whether the institutions will be able to implement all changes either until March 2013 or September 2013.

This assessment is primarily based on the estimated publication of the final ITS per end of September 2012, meaning that until this date the banks will have to work on the implementation based on a draft proposal. Due to that, we certainly see a high risk of producing sunken costs on the one hand and an overall high project risk on the other hand.

For this reason we would propose to amend only the already existing COREP Templates until September 2013 and extend the implementation date for all additional extensions

in the COREP Templates (CR SA Total, geographical breakdown in CR IRB, new asset classes in SA and IRB templates) to 1.1.2014.

Breakdown by country of risk (CR IRB):

The additional geographical breakdown will lead to an increased reporting burden, because the information has not only be calculated but also verified by the responsible persons in the bank.

Segmentation in CR IRB GB:

EBA proposes an additional report for the geographical breakdown, segmented according to FINREP.

We strongly oppose this proposal because:

We will be forced to implement a second customer segmentation in our COREP systems, leading to tremendous costs.

The implementation of the above mentioned changes will not be feasible until 31.3.2013.

We do not see an additional benefit in this breakdown, because the reported original exposures could not be reconciled with the FINREP reports without a transitional calculation.

Additional questions:

- what is the difference between columns 280 and 290? In our opinion the number of obligors is equal to the number of counterparties.
- CVA is in our opinion a portfolio based overall value which cannot be broken down on individual netting sets or exposures classes. How does EBA expect institutions to make this breakdown? What methodologies does EBA recommend?

FINREP:

Due to large-scale adoption of IT-systems in the whole Group of credit institutions, an implementation phase of no shorter than one year must be considered. The reporting process will inevitably change completely beginning from core system up to Management Reporting. As the European legislative will be enacted in autumn of 2012, institutions can provide requested Group templates for Q3 2013 at the earliest. As interim solution, current Austrian Finrep templates should be established. An interim regulation which would reflect neither the current Finrep nor the future EBA Finrep is an additional burden which should be avoided.

As stated in ITS scope of consolidation follows CRR regulations some institutions are is taking that under consideration for FINREP templates. Therefore, the scope of consolidation for ITS regulations does not differ from own funds scoped consolidation.

Harmonization of COREP and FINREP requirements

It is absolutely necessary that details in the templates regarding products, counterparts or the like are harmonized. It would incur enormous costs if additional reporting details for Corep and Finrep are not implemented in the same structure. E.g. geographical breakdown for Finrep (10.1.) does not have the same details as Corep template 3.3.

Generally speaking, we propose to align FINREP and COREP in order to avoid redundancies. Additionally, we suggest aligning FINREP and COREP templates especially for segmentations (for example for customer classes) so that burdensome reconciliations can be avoided to a wide extent.

We propose therefore that additional requirements be based on that harmonization between FINREP and COREP (which can just come into effect by 2015). To avoid unnecessary sunken costs, we propose that new requirements that will be cancelled due to a higher harmonization between FINREP and COREP should be prevented.

Exempt from reporting obligation

According to high costs and strong reporting burdens it is recommendable for credit institutions on an individual level to be exempted from reporting obligations (Corep and Finrep) if the entity in question is covered by Group figures. Existing waivers should also be valid for future reports.

Remittance dates

Because of organizational structures and internal processes it is necessary to have a time lag between remittance date for individual entities (if obliged) versus due dates for Group reports. Consolidation workflows need to have a time frame for calculation Group figures. Lean personnel resources can be better allocated if there is more than one remittance date for all reports.

Ad CA-Template 5:

Herein Table 11 Additional Filters and deductions (reference Art. 461)

grandfathering of country specific own funds items

In cases when there is no material impact from the transitional treatment as compared to the final CRD IV treatment, there should be no necessity to implement a transitional treatment which would make no sense but create additional reporting efforts (splitting equivalent amounts to different reporting positions)

E.g.

Table 11, code 070

1.1.2.6.16.01 Valuation difference from the aggregation of Equity Capital and Holdings

Compared to 1.2. CA

Coded 080 / 090 / 100 and 200

Here in both cases equity holding in subsidiaries and holdings are included and there is no difference in the applicable amounts

Article 2 Definitions, Subject matter and scope

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

- Of course there will be a significant cost impact - currently not quantifiable - due to the fact that the change of the scope of consolidation will require technical changes to the banking systems and reporting process (IT implementation costs, Project costs, etc.).
- According to the EBA's draft, the credit institution group would be the scope of consolidation under FINREP (CRR scope of consolidation; Art. 2). According to the IFRS, the group is established in accordance with Art. 59a and thus also includes non-financial enterprises. Compiling financial information for varying scopes of consolidation at the same time, since all the deadlines coincide, would necessitate enormous additional human resources. Duplicate systems would need to be set up, which, in turn, would double the maintenance effort required. The marginal added value resulting from this alignment of COREP and FINREP is in no way proportionate to the possible misinterpretations, since these FINREP figures will for the most part vary from the published figures (in quarterly and financial reports). Moreover, explanatory notes for such variations will require an enormous bid of coordination.

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.

- Significant cost impacts are expected, because the conversion from IFRS-scope to regulatory scope (CRR) also causes substantial changes in the consolidation-procedure and for some institutions new consolidation software has to be implemented (in particular, if the IFRS-figures are currently included within the group-figures based on a sub-consolidated basis.
- The requirement to generate financial information twice, one-time using accounting scope and one-time using CRR scope would almost double the effort. Therefore we oppose this suggestion.

Article 3 Reporting reference and remittance dates

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

Not relevant.

Article 4 Reporting reference and remittance dates

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

- No, as reports on individual level have to be finalized first. Then the consolidation takes place.
- The transmission of annual reports (on the basis of audited figures at that) would be unrealistic since not even the consolidated financial statements based on IFRS will have been finalised by then. The current 2-month deadline appears appropriate, since FINREP can be prepared on the basis of (and following) the consolidated IFRS financial statements. The quarterly deadlines overlap with those for the preparation of the interim IFRS financial statements, requiring the simultaneous preparation of interim FINREP and IFRS financial statements. This would require substantially higher staff input.
Since the consolidated financial statements build on the individual financial statements, different deadlines would be sensible and necessary for the transmission of the individual and consolidated data.
- The deadline for the consolidated report should be fixed to at least 40 business days after the reporting date.
There should be enough time for checks and consolidation topics, therefore a time-lag of at least 10 days would be needful.

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

Positive - sufficient time and resources are needed for the consolidation items and to reconcile the figures from the accounting scope to the CRR scope and from the individual to the consolidated figures (see also answer to question 4). Reports on individual level have to be finalized first. Then the consolidation takes place. Also in terms of peak-workload: Less employees can do one by the other instead of the need to have more employees to do things in parallel.

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

Audited COREP-figures (own funds and RWA) on consolidated level could be submitted by end of April, after the year end figures have been published.

Regarding audited COREP figures on solo-level it has to be mentioned that, the official publication of solo figures has to be done by 30.6. We will therefore not be in the position to report audited figures before end of July.

Consolidated FINREP figures are only partially audited (if the figure is also part of the audited financial statement) and available by the end of April.

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

Deadline for additional data request might interfere as same people are involved in these reports.

If the whole reporting is due within a few days, this is not achievable by the available staff. This could lead to decreasing quality of reporting.

Article 5 Format and frequency of reporting on own funds requirements and financial information

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

No.

We do not see a significant reduction of the reporting burden since the extend of the reports has increased in many templates (reporting of claims by country of risk in CR IRB, increased extend in SEC Details, more details in the own funds part of the CA-Template, far more details in FINREP reporting...). For consolidated purposes it is actually necessary to calculate the data in all subsidiaries for all countries as the relevant countries can only be identified on the consolidated level (e.g. a bank in SK belonging to a group in IT will have to calculate the values for country IT even if the exposure towards IT is below top 10).

As a matter of the widened reporting requirements, the lower reporting frequencies do not lead to a reduction of the reporting burden.

9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold, both in aggregate and separately for each exposure class.

On Group level about 90% of the foreign exposures would be covered when applying the thresholds.

In aggregate for example Erste Group would report about 27 countries in total and about 6 countries in each exposure class.

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

We believe that deleting the second threshold would have no significant cost implications. Cost implications for ongoing personnel costs would increase due to higher data quality efforts. Deleting the second threshold would not cause an significant additional burden in terms of data processing. However, one has also to mention that increasing the amount of countries in the reporting will directly increase the operative reporting burden.

11. Is the calculation of the threshold sufficiently clear?

Yes.

12. Do reduced reporting frequencies lead to significant reductions in administrative burden?

We believe that there will be a reduction of the reporting burden. Nevertheless we assume that the additional burden out of the extended reporting requirements will largely outweigh the benefits of the reduced reporting frequencies.

13. Is the calculation of the threshold sufficiently clear?

Not relevant.

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? EBA is considering requiring information on own funds as included in Part 1 of Annex I (CA 1 to CA 5) with a monthly frequency. However, EBA is cognisant of potential cost implications and is very interested in specific feedback on this point.

Monthly reporting of all own funds details is not acceptable from our point of view. A monthly report would fail the aim to reduce reporting burden.

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?

Significant cost increase is to be expected.

The intention under Corep rev 4 originally was to reduce remittance dates from monthly to quarterly in order to reduce reporting burden and cost.

If part of the new format set will have to be provided monthly no reduction could be achieved but a considerable increase in reporting efforts.

For calculation of CA 1 to CA 5 where aggregated amounts have to be delivered the entire reporting set has to be calculated and set up. The new set of templates requires more details as the current one.

The only reduction then would be that data which have to be sent to the regulators are not so detailed as for the quarterly reporting, which will not lead to any cost reductions.

Article 9 Format and frequency of reporting on financial information on a consolidated basis

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?

No.

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

Filling in all templates requires high effort on business side for precise definition of all tables and on IT side for a partly automation of reports. Each quarter additional effort is needed for filling all tables and double-checking. For the deadline of 2013 IT systems will not be ready, so that high manual effort is needed for the first quarters and shortcuts must be taken in order to fulfil reporting obligations.

In Austria banking groups have to apply Regulation (EC) No 1606/2002 for reporting on financial information and applies national GAAP for reporting of supervisory information (e.g. large exposure, solvency, etc.).

Article 94 of CRR requires IFRS-values also for own funds, own fund requirements and large exposures. To fulfil this requirement represents a severe problem, as IT-systems do not have IFRS-values on single transaction level, which is necessary for this kind of reporting. To implement the necessary change will not be possible until end of 2012. Therefore a transitional period of at least 3 years is necessary.

For the bank there is no benefit. Benefit should be evaluated carefully by EBA and it would help to raise data quality if communicated for what reason EBA needs each specific table.

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.

Yes as administration costs are reduced by semi-annual reports. However one-time investment needs to be done anyhow.

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

- Due to increasing costs and effort individual institutions, which are part of a group of consolidation for which financial reporting has to be done on consolidated level, should be furthermore exempted from reporting of financial information on an individual basis.
- We prefer waiver regulation for individual level due to economical and resource issues. If waiver is not granted there should be at least reduced reporting burdens e.g. only yearly reports should be demanded from individual entities.

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?

See question no. 19.

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

One to two years from enactment date.

Article 12 IT solutions for the submission of data from institutions to competent authorities

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?

A mandatory requirement to use XBRL would mean to start an IT-implementation project immediately.

As a necessary precondition, all forms/definitions/... have to be available right now, as such a project has a minimum time frame of 12 to 18 months. Having said that, it is obviously too late to direct the usage of XBRL for first reporting date March 31st 2012.

Additionally: Introducing XBRL as a mandatory requirement in parallel with the implementation of Basel 3 and the new solvency forms increases the needed IT-effort and therefore increases the risk of not achieving the Basel-3-goal.

Furthermore all investments in current solutions would be sunk costs.

The mandatory introduction would cause problems not only on the side of the commercial banks but also for the supervising authorities, as also they would have to change their IT for receiving regulatory reports accordingly in new XBRL format.

Therefore we oppose this idea as it does not improve the supervision of banks but increases the project risks dramatically.

Article 13 Final provisions

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

(1) Implement the ITS as of the reference date (31/03/2013), although the timeframe for the implementation of the requirements of the ITS is rather short.

Firstly it clearly has to be mentioned that meeting the proposed implementation date is hardly to manage from our point of view. In view of the extent of the changes, we are confronted with huge changes in our reporting tools. These changes have to be well prepared and usually require nearly one year until all requirements are implemented.

The fact that the current CP is only a draft and the final resolution of the European Commission is planned for end of September means that our Project team has less than 6 months to work with the final ITS.

In order to meet the deadline 31/3/2013, we had to start with the pre-works for the implementation of this standards right after its publication. Hence, we definitely see the risk to produce sunken costs due to the fact that the ITS can change until September.

For this reason we have strong doubts if the implementation per 31/3/2013 will be feasible.

(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

Current FINREP solution in Austria must be prolonged until ITS come into place. Interim solutions that will neither reflect current Austrian Finrep nor final EBA Finrep would cause tremendous costs and time problems and are therefore not acceptable.

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

Time required is 1 year. I.e. the project will start on Mar 31 2012 and we will be working from the current drafts. Challenges arise especially from changes in the forms (compared to the current drafts).

If the ITS includes a mandatory switch to IFRS-figures for supervisory reporting, the minimum implementation period is 3 years, as currently IFRS-figures are not available on transaction level in all systems.

Further we assume that gathering the required information and adapting programs in the way that the new reporting requirements can be fulfilled will be a major challenge. Changing the data delivery requirements out of our source systems will definitely lead to significant costs.

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?

See question 24. For Austrian credit institutions current Finrep is not comparable with future reporting obligations.

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?

Not relevant.

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

Currently we estimate that the implementation of the consolidated reports will take more time than for individual reports. However there will be no significant differences.

Annex I COREP Templates and Annex II Reporting on own funds requirements

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?

Yes, in terms of the amount of data that has to be submitted. Disproportionate costs are caused by the current split implementation of the country breakdown (ad IRB breakdown by country: the split of the country breakdown into two parts (CR IRB, CR IRB GB) is very confusing, it would be preferable to remove the country breakdown from the IRB CR template and include the relevant data from CR IRB in CR IRB GB to have all geographical data in the CR IRB GB template) as well as the new details of MKR SA TDI per currency and MKR SA EQU per national market because the current IT systems will have to undergo big changes to deliver the data as requested.

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

Yes, the extended reporting requirements will lead to an increase of IT costs. Implementation costs have to be considered in addition.

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.

Yes

Comments on Annex II:

The instructions regarding the group solvency details are not clear to us.

Yet, we are not sure about what has to be reported in parts 1, 2 and 3?

Is it possible/required to report sub-consolidated data in part 2 or do we have to report solo figures?

If we have to report sub-consolidated figures, how does this fit with the required data in part 1?

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?

Incorporating such information in the reporting will lead to implementation costs, regardless in which form the information is incorporated within the template. Compared with the expenses arising from the necessary adjustments in the data delivery and data processing, the costs arising from the additional field are relatively minor.

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?

Incorporating such information in the reporting will lead to implementation costs, regardless in which form the information is incorporated within the template. Compared with the expenses arising from the necessary adjustments in the data delivery and data processing, the costs arising from the additional field are minor.

Annex III, Annex IV and Annex V

Annex III - Templates for reporting financial information according to IFRS

Annex IV - Templates for reporting financial information according to national accounting frameworks

Annex V - Instruction for reporting financial information

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.

Template 10 (Annex III and Annex IV)

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

Question is unclear as Article 11 (3) cannot be identified.

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

Severe costs have to be faced in case of introducing breakdowns by individual countries and counterparties.

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

Severe costs have to be faced in case of introducing a breakdown by using NACE codes.

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

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?

The difference between those two solutions seems to be negligible.

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

Severe costs have to be faced in case of introducing a breakdown by country, maturity and accounting portfolio.

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?

Severe costs have to be faced in case of introducing geographical breakdowns.

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?

Question is unclear as Article 11 (3) cannot be identified.

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?

Question is unclear as Article 11 (3) cannot be identified.

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?

Not relevant

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?

No, Institutions follow definition of IAS 39 in balance sheet and therefore will have huge problems in reconciling balance sheet subtotals and notes tables with FINREP opposite grouping.

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

No impact.

Yours sincerely,

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