Standard Chartered

20 March 2012

European Banking Authority
Tower 42 (Level 18)
25 Old Broad Street
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Dear Sir/Madam

EBA Consultation Document CP 50 Supervisory reporting requirements for institutions

Please see below SCB's response to the EBA's Consultation Document CP 50, Supervisory reporting requirements for institutions, which has been reviewed by those areas of the Bank that will be affected by the change.

As a general comment we are concerned at the limited amount of time that is available to implement Common Reporting (COREP) and Financial Reporting (FINREP) and would request that serious consideration is given to delaying the implementation date of 1 January 2013 for all or, at least, some of the requirements. Specifically, we consider that COREP should be phased over one year commencing 1 January 2013 and the implementation of the non-core reports (all those other than the balance sheet and income statement) of FINREP should be delayed until 1 January 2014 whilst the remaining schedules of COREP are embedded into the institutions regulatory reporting.

The main points we wish to make are as follows and these are supplemented by responses to the questions raised by the CP in the Appendix.

1. Overall, the existing Integrated Regulatory Reporting (IRR) from the Financial Services Authority (FSA), our National Supervisory Authority (NSA), is being replaced by COREP and FINREP templates which require data to be populated at a much greater level of granularity. Furthermore, it is by no means clear which IRR reports are being superseded, amended or retained which will impact UK institutions ability to deliver the information requested by the due date to the EBA. It is, therefore, important that the NSA reports that are required are clarified as soon as possible.

2. UK Banks are at a disadvantage to the rest of Europe as FSA reporting does not require COREP and FINREP whereas this has been implemented in the EU although not consistently. There was, however, general consensus by all European banks at the EBA COREP Public Hearing that the implementation timelines were too aggressive given the system changes that will be required and the need to retain data quality.

3. A 30 working day deadline for all returns (rather than spread as under FSA reporting between 15, 20, 30 and 45 days for Solo Consolidated and Group) will incur additional costs and require increased resources. We, therefore, recommend in response to questions 4 and 5 that the remittance dates for submission of the returns is different on an individual and consolidated level.

4. It is unclear whether the EBA will require monthly reporting of own funds and how this will affect the current monthly capital reporting to the FSA (refer to question 15). This report includes forecast capital resources and capital requirements and last year was amended to include the requirements of Basel III. The concern is that there could be significant duplication between the

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requirements of the NSA and the EBA in the actual reporting of capital resources and capital requirements.

5. The requirement at the year-end to submit regulatory returns (including capital, RWA, balance sheet and income statements) by working day 30 will be before the Group results are finalised which may necessitate the resubmission of returns once the audit has been completed and the results announced. This will increase significantly the amount of reporting undertaken at a busy period and it is, therefore, recommended that the remittance period is extended to 45 days at the firm's year-end to cater for completion of the external audit and publishing of the annual accounts.

6. The implementation timetable of 1 January 2013, with the first report based on 31 March 2013 data to be reported by 13 May 2013, is particularly stretching given that the consultation period is in progress and that the requirements of CRD IV will not be finalised until Q3/2012 at the earliest. This suggests, as recognised by question 23, the need for a delay in implementation which would necessitate either a local (NSA) interim solution, or phasing the implementation to defer certain templates e.g. the geographical breakdown (refer question 38). Our preference is for a phased approached to be adopted. We suggest that COREP should be phased in during 2013, with own funds reported at the first reporting date and other templates subsequently. This will allow firms adequate time to implement the proposals and provide sufficiently high quality data.

7. FINREP is required for consolidated reporting with 31 templates due to be implemented within the same timeframe as COREP. This will be extremely difficult to implement and a phased approach is suggested with 2 core templates (balance sheet and income statement) implemented on 1 January 2013 and the remaining 29 non-core templates to be implemented on 1 January 2014. The CP refers to the possible inclusion of reporting at the individual level at a later date and it is recommended that this is not included for the foreseeable future until the other reports are implemented satisfactorily for the consolidated level when the overall reporting requirement can be assessed.

8. The CP does not refer to materiality in the submission of the regulatory returns and it is considered that such criteria should continue to be assessed by the firm, in particular, when determining whether a resubmission of a regulatory return is required.

9. Our response to question 35 on introducing a breakdown by individual countries and counterparties reflects the restriction of the reporting of individual counterparties for certain countries in our geographic footprint.

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We shall be pleased to discuss with you any of the points raised above and our responses to the questions raised in CP50 which may be found in the Appendix.

Yours faithfully

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Appendix

EBA Consultation Document CP 50 – responses to the questions raised.

Please see below our responses to the questions raised in the CP that have a direct relevance to Standard Chartered Bank (SCB) and have been answered from an SCB perspective.

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

If there was any change in the basis of consolidating financial information under IFRS and regulatory information based on Basel requirements the cost implications would be significant and the timeline, which is already stretched, would be impossible to meet by 1 January 2013.

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 response to question 1 above. In particular, accounting information (FINREP) should be consolidated on the basis of IFRS and regulatory information (COREP) based on the Capital Requirements Regulation (CRR).

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?

There would be no issue for SCB as our calendar year and accounting year are aligned.

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

No, our current reporting to the FSA requires us to report solo consolidation (Solo) every quarter within 20 working days and UK consolidation group (Group) half yearly within 45 working days. Having the same remittance periods for Solo and Group reporting would significantly concentrate and increase the amount of work within a reporting period leading to the need to recruit more staff and increase costs.

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

As described in paragraph 4 above, this is our current practice with FSA reporting and enables the reporting burden to be spread with the commensurate savings on resources. Reporting both Group and Solo on the same remittance date would mean increased staff would be required and increase costs.

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

The external audit of Standard Chartered Group and SCB as at 31 December 2011 was completed on 29 February 2012. The earliest time, therefore, that we could submit audited figures would be at least two calendar months after the year end.

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

We manage the reporting of statistical and prudential reporting through separate teams within our UK and Group Finance functions respectively and do not envisage any conflicts. However, there would be a conflict at the year-end between regulatory reporting within 30 working days and statutory reporting which is later.

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

Given that SCB is currently reporting under Integrated Regulatory Reporting (IRR) to the FSA, from our review of the templates the introduction of COREP and FINREP will significantly increase regulatory reporting.

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.

Our initial analysis shows that 77% of our total foreign exposures and 15 countries would be covered when applying the proposed thresholds.

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

Costs would increase, if the threshold of 0.5% of total exposures were deleted, as we would have to calculate, report and review the exposures by country and asset class for all countries in our geographic footprint. Most of the increase cost would be in the review process.

11. Is the calculation of the threshold sufficiently clear?

We would appreciate clarification as to the definition of "domestic" and "non-domestic".

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

Not applicable to SCB as the threshold would not apply.

13. Is the calculation of the threshold sufficiently clear?

Although not applicable to SCB we do question how and when the competent authority is going to notify the institution in order to calculate the threshold being 'the sum of individual balance sheet totals of all institutions under the competent authority's supervision below 1%'.

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?

Not applicable to SCB but please see response to question 13 above.

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?

We are currently reporting own funds to the FSA every month under the FSA003+ Enhanced Capital Reporting. Depending on whether reporting own funds to the EBA was in addition to, or instead of, reporting to the FSA would mean the reporting would be increased, through the increased granularity of COREP, or duplicated.

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?

There is a fundamental issue and incompatibility with the reporting of information under IFRS and national accounting frameworks if the information is to be consolidated by the EBA. SCB reports under IFRS.

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

Our concern is with the level of granularity of information that is being requested, which will increase significantly the cost of regulation and whether the information is required to be reported at this level of detail.

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.

As previously advised, we are currently reporting Solo every quarter and Group every half-year. So semi-annual reporting, for financial information described in Part 3 tables10.2 to 10.3 of Annex III, would not reduce the reporting for Group which overall will be increased due to the greater level of granularity required.

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

We are concerned with the proposal to introduce FINREP at a consolidated level with effect from 1 January 2013 and would, therefore, not wish to see this extended to an individual level until reporting at the consolidated level had been fully implemented and embedded.

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 our response to question 19.

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

We would recommend that COREP is implemented in phases over one year with effect from 1 January 2013 and FINREP is also implemented in phases with effect from 1 January 2014. Reporting at an individual level should, therefore, not be considered until after 2014.

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?

The introduction of XBRL would result in increased costs for development and maintenance but these cannot be quantified until the specification has been received.

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.

This would depend on the national interim solution as at 31 March 2013 e.g. if the solution was the same as already captured in FSA003+ Enhanced Capital Reporting there would be no additional cost.

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.

The normal time period that should be provided to meet the new reporting requirements of COREP and FINREP should be at least one year. This will enable the project phases of user/systems planning, specification, testing, parallel running and implementation to be undertaken.

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?

Not applicable as SCB is not currently subject to FINREP reporting.

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

See response to question 24 above.

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

Greater time would be required for reporting on an individual basis with additional considerations e.g. inter company.

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?

Logically yes, but need to understand what is the purpose of the grey/blocked cells.

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

Not applicable as SCB have not previously used the COREP templates. However, we feel that the increased requirements of Group Solvency reporting included in CP 50 will be challenging within the short period of consultation before implementation. The request for very detailed information for each separate legal entity, within a consolidated Group, will involve a significant system change at considerable expense and we feel that in its current form the completion of this requirement within the current timelines would be difficult.

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 are currently reviewing the COREP templates and would appreciate having a contact person who we can address detailed questions as they arise.

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?

A flag or code will need to be used to differentiate between and report "large regulated financial entities" and "unregulated financial entities".

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?

Similar response to question 31 above.

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 are currently reviewing the FINREP templates and would appreciate having a contact person who we can address detailed questions as they arise.

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

This relates to not reporting the breakdown if foreign exposures exceed 10 % of the total exposures and, therefore, is not applicable to SCB.

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

It is unclear if the information should be reported by residence of the issuer or the counterparty and, therefore, not possible to determine how easily such information can be extracted.

There would, however, be a restriction on SCB reporting individual counterparties for certain countries in our geographic footprint.

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

SCB uses ISIC codes for current reporting and, therefore, a mapping would be required to convert this to NACE codes.

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

The most cost efficient for SCB would to be able to report under the ISIC codes.

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?

Domestic exposures would still need to be determined but the costs of reporting and reviewing such a breakdown would no doubt be less than if all geographies were required.

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

It is not possible to determine the cost implications without a more detailed specification, however, we would like to emphasize that time is the crucial factor. Regardless of how much resources are required to implement COREP and FINREP time is needed to specify, amend and fully test our systems. We have, therefore, recommended that, with the exception of the core templates of balance sheet and income statement, that the implementation of FINREP at the consolidated level should be deferred until 1 January 2014.

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?

See response to question 39 above.

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?

Please refer to question 34 above.

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?

Please refer to questions 34 and 38 above.

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

The benefits of standard reporting is ameliorated when the data that is being reported by institutions consists of a mixture of local GAAP and IFRS.

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?

The IAS 7 definition of cash equivalents is only applied in the context of the cash flow statement. We provide a reconciliation of the components that comprise cash equivalents in the notes to the financial statements. Trading securities would form part of cash equivalents. On the face of the balance sheet we only disclose 'Cash and balances held at central banks' and not cash equivalents.

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?

Contractual interest income and interest expense arising from assets held for trading/ designated at fair value through profit of loss is recorded within “Interest income” and “Interest expense” and the amount of interest income and interest expense relating to such instruments are disclosed in the notes to the accounts.