

Comments

on

*EBA Consultation Paper on
Draft Implementing Standards on
Supervisory reporting requirements
for institutions (CP 50)*

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Berlin, 20 March 2012

The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks financial group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 2,200 banks.

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In the following, we shall begin by presenting our main general remarks on the draft ITS. Then we shall turn our attention to the proposals for further harmonisation of solvency reporting (COREP), answering the EBA's questions at the same time, unless we have already done so in our general remarks. We also consider it necessary to comment on individual reporting fields and the relevant explanatory notes. Following this, we shall focus on the subject of financial data (FINREP), looking first at the proposals for institutions that use IFRS for their published financial statements and then at the proposals for groups applying local GAAP. In this section too, we shall deal with the corresponding EBA questions and, where necessary, assess individual reporting requirements.

I. General remarks

For over eight years now, European banking supervisors have been working to harmonise supervisory reporting in Europe. In this time, the GBIC has always supported the aim of harmonisation. However, these harmonisation efforts have shown that, particularly in the area of reporting, the different supervisory cultures in Europe play a very important role. Since compromises could not be found in many areas, countries with a very comprehensive reporting regime dominated the common proposals for European solvency reporting (COREP) and financial reporting (FINREP) and asserted their own and in some cases highly detailed reporting requirements. By way of a compromise, national supervisors were allowed to confine themselves to lower reporting requirements where they regarded these as adequate. This is why reporting has differed until today in Europe. Germany, for example, has always advocated a reporting regime focusing on key information and has therefore implemented reduced COREP (e.g. without CEBS market risk templates), while it has not implemented FINREP at all. In concrete terms, this means that the level of COREP implementation in Germany, for example, is less than 50%.

Unfortunately, the EBA has not seized the opportunity in the present draft ITS to produce a real compromise between the different supervisory approaches. Instead, it appears to us that the "maximum data model" concept has been interpreted to mean adopting countries' current maximum versions and expanding these to include a great deal of new information. We fail to see any significant relief at any rate. For German banks, the upshot is, however, that the implementation burden imposed by this proposal is much heavier than the European average. For this reason, the debate about sufficient time for implementation is particularly important to us. **We believe that the EBA's proposal for implementation in Germany by the first quarter of 2013 is simply unrealistic.** If satisfactory data quality is to be ensured, nine months is by no means long enough for implementation given the present reporting and IT resources. It must not be the case that, when setting the implementation deadline, countries in which the former CEBS maximum standard has been implemented in full are used as a benchmark. The benchmark for all institutions must instead be the lowest current level of implementation.

We regard the EBA's proposal for national interim solutions as only partially appropriate. Any possible national go-it-alone approach supports institutions operating across borders only to a limited extent, as it would mean different temporary requirements for foreign subsidiaries. Such an approach is not helpful for institutions operating only nationally either because the effort required to develop an "interim reporting regime" for six months and implement it at IT level is not in any reasonable proportion to the prudential benefit. At the same time, we see the need for adjustments to solvency reporting (COREP) as of 1 January 2013, as new reporting rules must be mirrored by the CRR. This does not apply to financial data, however.

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We therefore wish to make the following proposal: **The entire ITS should enter into force on 1 January 2014, with national interim solutions being established only for solvency reporting (COREP) as of 1 January 2013.** A suitable interim solution should merely be based on the national status quo and additionally take into account changes made necessary by the CRR (e.g. reporting on own funds requirements). All changes not caused by the CRR (e.g. in the area of securitisation) as well as the reporting requirements under the old CEBS standards that have not been implemented to date at national level should therefore also only become binding as of 1 January 2014.

The efforts to establish a common mandatory European reporting regime is undermined in our view, however, by recitals 3, 4 and 5 of the ITS, which are designed to allow national go-it-alone approaches. It should therefore be made much clearer that in regular reporting on solvency and financial data national supervisors must not be allowed to impose any additional requirements. Only ad hoc reporting on exceptional events such as crisis situations should still be possible.

As already explained to CEBS in earlier comments on the issue of reporting, **the GBIC expressly welcomes the application of the proportionality principle in supervisory reporting.** We believe that setting different reporting frequencies is a possible way to make adequate allowance for different types of institution. The decision on whether the adjusted reporting frequencies are used should, as proposed, be left to national supervisors. In addition, we do not feel that it is appropriate to limit relief to the choice of a specific supervisory approach (here standardised approach for measurement of credit risk), as the choice of an approach does not, in itself, say anything about how risky a certain transaction is. The same goes for the exclusion of reporting by group subsidiaries on an individual level. It must be the institution's risk profile that determines relief and not a formal criterion.

It can be gathered from the questions asked by the EBA in the consultation paper that there are plans to extend the proposed **reporting requirements in Annex IV (FINREP) to the individual level. We are firmly opposed to such plans.** For one thing, different national accounting standards have been established for individual institutions in all European countries due to implementation of Directive 86/635/EEC and the partial introduction of IFRS. As a result, all national reporting requirements for financial data differ on an individual level, which is why such reports certainly cannot be compared. However, this situation cannot be remedied by developing a very wide-ranging central ITS covering IFRS and all forms of local GAAP and making it mandatory for all institutions, since this does not enhance comparability. A comparison of national reporting regimes will continue to reveal data gaps or figures in the same lines that show a different content. As there is no relatively comparable common mandatory accounting standard for all institutions in Europe, industry-wide uniform reporting can only have very limited value. The additional burden imposed on the institutions affected would be more than substantial, however, and is in no proportion to the rather dubious prudential benefit. After all, an individual-level reporting regime that provides national supervisors with information on institutions' earnings situation is already in place today. What is more, national supervisors know the specificities of their respective national banking market better than a European supervisor could ever do and have in-depth knowledge of national accounting rules. A European solution just for the sake of comparability that cannot be achieved in any case therefore merely imposes an unnecessary additional burden. In addition, it should be stressed that all national and international systemically important institutions in Europe prepare accounts based on IFRS. The key part of the European banking sector is therefore covered by the ITS. It should thus be questioned whether industry-wide reporting on an individual level can actually deliver any new information at all.

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One of the main reasons why Germany has not yet adopted the European FINREP formats is the insistence of a certain number of national supervisors represented in the EBA on the need **to report financial data by supervisory scope of consolidation**. Apparently this issue differs in importance in the different European countries, as the two consolidation approaches under discussion do not deliver equally diverging results everywhere. For the German institutions preparing accounts under IFRS, the differences as regards the number of subsidiaries to be included in the accounting and regulatory scopes of consolidation may, however, be considerable although the material divergences are largely negligible. Test calculations at some institutions have revealed that the divergences between assets and liabilities or own funds are in some cases much smaller than 5%. **This shows in our view that this issue is much more likely to lead to process-related consequences than to strongly diverging key ratios.**

There are different reasons why the two scopes of consolidation diverge. One main reason is that the regulatory scope of consolidation covers only credit institutions, financial services institutions, financial holding companies, mixed financial holding companies, financial conglomerates, mixed-activity holding companies and financial enterprises, whilst the accounting scope of consolidation also covers affiliated companies in other sectors that do not fall within the scope of the CRD. As they are not covered by the CRD, the latter would have to be regularly deconsolidated purely for the purposes of reporting financial data in accordance with the FINREP formats. In addition, under both IFRS and national accounting rules a materiality criterion applies when determining the scope of consolidation. This means that subsidiaries do not need to be included in the consolidated accounts if they are of minor importance when it comes to presenting a true picture of the group's asset, financial and earnings situation. Supervisory law does not have a comparable materiality concept, so that it may happen that small subsidiaries which fall within the scope of the CRD but are not consolidated under IFRS because of their minor importance have to be included in the regulatory scope of consolidation solely for reporting financial data under FINREP.

In cases in which a subsidiary is not included in the accounting scope of consolidation but has to be consolidated for regulatory purposes, no IFRS data on the asset, financial and earnings situation is available for these subsidiaries within the group. Instead, these subsidiaries would have to prepare IFRS-based accounts although there is no obligation under commercial law or any business necessity for them to do so.

These remarks make clear that conversion to the regulatory scope of consolidation is a highly complex and cost-intensive undertaking that requires unduly high investment in terms of staff and resources within institutions. We estimate that in large German banking groups several hundred subsidiaries may well be affected by switching to the regulatory scope of consolidation, so that data would have to be collected and subsidiaries consolidated/deconsolidated purely for reporting purposes.

In contrast, the additional prudential insight appears relatively marginal to us in most cases. In our view, a really substantial effect on figures can only be triggered by significant insurance subsidiaries, industrial holdings or special purpose vehicles. **We therefore propose that institutions should generally perform FINREP reporting on the basis of the IFRS or HGB (German Commercial Code) scope of consolidation. Only subsidiaries that have a material effect on assets, liabilities or own funds should be taken into account, in agreement with national supervisors, for FINREP financial data reporting.**

At this point, we should like to draw attention to a special feature of the present draft ITS that has not been part of reporting requirements so far. Under present practice, supervisory reporting comprises a **static, i.e. predetermined and unchanging, set of templates**. The reporting process and IT systems

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are designed so that for reporting risk-weighted assets (RWAs) in certain cycles for example, x templates have to be completed. The new proposals, on the other hand, **call for a dynamic set of templates**. This means that it only becomes clear during calculation how many templates with what information have to be submitted to supervisors. The present proposal for the geographical breakdown of financial exposures and the market credit risk standardised approach (MCR SA) templates may be mentioned by way of example in this connection. This new approach poses a great challenge to current processes and IT systems. Suitable solutions have yet to be found. What is more, this dynamic reporting means higher costs compared with the traditional procedure. **We therefore recommend avoiding requirements that cause such a dynamic approach**. We shall be drawing attention to this phenomenon in the further course of the present comments and submitting suitable proposals for amendment.

Finally, we should like to discuss another new feature of supervisory reporting: **the introduction of statistical categories**, such as the requested regional and sector-specific differentiation within the framework of credit risk reporting and for some balance sheet and profit and loss items. As we shall point out in more detail below, this is a cost-incentive new feature whose sense or purpose has not been explained by the EBA in any way. In supervisory reporting, it always has to be weighed up whether the additional costs are reasonable in proportion to the prudential benefit. **We feel that the EBA is clearly called upon to explain these new additional reporting requirements satisfactorily**. General reference to the need for macro-prudential analysis is not sufficient in our view, however. We also expect the EBA to ensure that the data requirements of other addressees (ESRB, ECB) are examined critically and not adopted unchecked in the reporting requirements. As things stand at present, we are strictly against the introduction of these requirements in their present form because they impose too great a burden and are badly designed.

II. Solvency reporting (COREP)

In this context, we first wish to point out that **we are strongly opposed to monthly submission of CA templates (question 15)**. Apart from the fact that monthly reporting delivers very little additional insight due to rarely changing figures in our view, we believe that such reporting is not possible purely for process-related reasons. To complete the templates with the prescribed frequency, **all solvency reporting processes would have to run in parallel on a monthly basis**:

- a) The complete RWA calculation
- b) The comparison of expected loss with loan loss provisions
- c) The reporting of interim profits from the accounting data repositories. Allowing for review by auditors, these figures are – if at all – only available quarterly, however, so that they would probably have to be kept constant on a monthly basis. This, in turn, would considerably limit the monthly informational value.
- d) The reporting of new securities issues
- e) In the case of groups with several subsidiary entities, delivery of the data would take several days depending on the type of data repository (centralised, decentralised) used, so that the individual subsidiaries would not even have a full month for calculation.

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As a result, restricting monthly reporting to the CA templates would not ease the burden on banks in any way. Monthly reporting calls, in addition, for a highly accurate database, which, in turn, would lead to higher monthly accounting and reporting process requirements.

This would ultimately mean that the existing IT capacities would have to be utilised non-stop; there would be no pauses to allow checks or quality management. In addition, such a requirement would have an absurd result: at least parallel to the remittance period for quarterly reporting, the next reports on own funds would already have to be processed.

We hope that the above makes the impact of the requirement sufficiently clear. Although a precise cost estimate was not possible within the short time available, it goes without saying that the process-related costs would at least treble. There would also be a certain amount of additional overheads, as various data, e.g. from the accounting data repositories, is not automatically available.

Before turning to individual reporting items, we should like to answer the EBA's questions on solvency reporting (COREP) as follows:

A. Response to the EBA's questions

Reporting reference and remittance dates

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

Yes, the same remittance period for reporting on an individual and on a consolidated level is preferable. It allows, among other things, better cross-comparisons and synchronisation of reporting processes.

At the same time, the proposed remittance date of 30 days appears too short to us, particularly because COREP reporting is based on the financial statements prepared under IFRS. This means that major steps in completion of IFRS financial statements first have to be awaited before a start can be made on filling in the COREP templates. In banking practice, this is likely to take four weeks. If a remittance period of 30 (= 6 weeks) is set, only two weeks would be left for COREP reporting, effectively shortening the remittance period by two weeks compared with the period currently applying (4 weeks). Reporting is not technically and operationally feasible within such a short time. The remittance period should therefore be extended to 40 days (= 8 weeks). The quality of the data delivered would also improve as a result.

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

The impact may be considerable, depending on the dates then chosen. If the remittance dates for reporting on an individual level were set very early, it could not in particular be ensured that adjustments which become necessary in the course of preparation of group reports and which affect reporting on an individual level can be taken into account.

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

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Under Article 4 (3), the proposed remittance dates concern the submission of unaudited figures. Audited figures implying changes in already reported data are to be submitted as soon as they are available. We should first like to point out in this context that the term “(un)audited figures” urgently needs to be clarified. If it is supposed to mean that all reports based on unaudited annual financial statement figures have to be re-submitted or corrected as soon as audited figures are available, this would greatly increase the technical and process-related burden on institutions. An institution that is required to present annual accounts on 31 December and interim accounts on 30 June, would, for example, be forced to submit two of the four quarterly reports for COREP twice. This would mean recalculation of both own funds and risk-weighted assets. Adequate data repositories would have to be maintained and multiple data processing would be required. In addition, a host of problems would be likely (e.g. comparison of expected loss with the “old” and “new” loan loss provisions). All in all, the burden imposed by such a corrective report would therefore be just as heavy as that for a regular report.

In our view, audited figures are unlikely to deliver enough additional insight for national banking supervisors or the EBA to justify this burden. In particular, a corrective report made as at 31 December (based on audited figures usually available in mid-April) could only be submitted to supervisors at the beginning of June.

We therefore expressly call for retention of the current practice whereby audited figures always only have to be used for the next reporting reference date.

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

Problems could arise particularly if the periods for reports in connection with COREP are shortened. That goes especially for reports on large exposures. We are therefore in favour of setting the same remittance periods and dates in these areas. Ultimately, the scale of such conflicts would depend, above all, on the length of the remittance periods. This is another reason why the remittance period should be extended to 40 business days (see above).

Format and frequency of reporting on own funds requirements

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

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

11. Is calculation of the threshold sufficiently clear?

These questions cannot be answered independently of one another, so we are taking them together. Generally speaking, we believe that introducing materiality thresholds is a suitable way to exempt institutions with a relatively small foreign portfolio from reporting. Nevertheless, the present EBA proposal meets with reservations for various reasons. Our understanding is that it is a question of making the following calculations: *firstly*, it must be determined whether foreign exposures make up more than 10% of total exposures. Some definition questions are still open in this connection. What is the exact composition of total exposures? Are the investment and securitisation portfolios to be included? Is the value of exposures to be determined before or after making allowance for credit risk mitigation? Is the

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foreign portfolio determined by allocating each exposure to the borrower's country of domicile or the country in which the exposure was created?

Secondly, each of the indicated exposure classes (by new accounting borrower categories) for each country has to be examined to determine whether it exceeds 0.5% of total exposures. From the resulting pool of exposure classes and countries, the ten largest countries (including the home country) are to be reported. This calculation does not produce any clear-cut result following aggregation in the totals template, as the ten largest countries can differ completely across the different exposure classes. It may, for example, be the case that under this test a country with only a small number of exposure classes (e.g. 1-2) but with a large portfolio in each class has to be included in the pool. How should such a country be assessed compared to a country where all exposure classes have to be indicated under the test but where portfolio sizes are smaller? It is quite possible that the test will not actually produce ten countries in the first place. Without any clear-cut allocation mechanism, institutions' own assessment must determine the selection. For this reason alone, we believe that the second reporting threshold is unsuitable.

As explained above in our general remarks, the second threshold makes reporting dynamic. Which countries have to be reported is something that is determined anew by each calculation. Even the number of countries to be reported can differ from one report to the next. There may at any rate be completely different reporting requirements for individual subsidiaries and the group. Compared with static reporting with always the same number and selection of countries, such reporting will mean much higher costs for implementation and the ongoing reporting process, as not all subsidiaries are linked via IT. What is more, it does not ensure comparability of results. In particular, it may thus only be possible to carry out a fragmented time series analysis for macro-prudential purposes.

For the above reasons, we believe that a transparent and simpler procedure would be better. We should therefore like to propose a two-step procedure: In *step 1*, institutions whose foreign portfolio makes up more than 20% of the total portfolio report the countries which account for 80% of the foreign portfolio according to size. In concrete terms, this means the following:

Institutions with a foreign portfolio that is smaller than 20% are exempted from submitting reporting template *CR IRB Total – geographical breakdown (GB)*, i.e. the 10% reporting threshold proposed by the EBA is raised to 20%. The reason behind this proposal is that a reporting threshold of 10% does not lead to an actual exemption of institutions which have lent up to 10% of their balance sheet total abroad, as materiality thresholds are no relief for institutions which are close to the respective threshold. On the contrary, these institutions have to check regularly whether they have in fact exceeded the threshold. They therefore have to implement the complete calculation algorithm and the underlying system-based differentiation. To bring real relief, such thresholds thus need to be set high enough. A 10% threshold means that institutions whose foreign business accounts for 5% of their balance sheet total already incur the entire implementation costs, as it cannot be ruled out that they may reach the 10% threshold in the near future.

In *step 2*, all institutions whose foreign business exceeds 20% of their balance sheet total report 80% of their foreign portfolio, sorted according to size of country. This ensures that the reporting coverage ratio is high enough for supervisory purposes. At the same time, institutions are allowed not to report insignificant, regional portfolios. Such reporting will, in addition, be much more static than the original EBA proposal.

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

This question cannot be answered broadly for Germany.
Under our proposal, there would be an 80% coverage ratio.

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

Particularly for small institutions, preparation of reports is an expenditure item that should not be underestimated. Because the amount of information currently required in solvency reporting to implement COREP is doubled compared with the status quo, we regard this reduced reporting frequency as indispensable from a cost perspective and, given that only small institutions benefit from it, also as unproblematic in terms of prudential information needs. We therefore expressly welcome the EBA's intention to set a semi-annual reporting frequency for these institutions.

13. *Is the calculation of the threshold sufficiently clear?*

No comment.

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

No comment.

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

This issue has been extensively explained in our general comments on solvency reporting (COREP).

IT solutions

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

XBRL is only used for one solvency reporting template at present, namely E Verso, which, moreover, is in text format. Converting all other templates and extending the scope to large exposure reporting would generate substantial costs. It is the combination and quantity of issues involved which pose a particular challenge. The "mere" switch to XBRL is most certainly not the problem. Bank staff would require extensive training to work with this new data model, with its approximately 4,000 possible data fields in the 3.2a CR SA Total template, for example, and with a complexity that means data can no longer be modified. This would not be possible in the time available. What is more, this data model would frequently exceed the existing capacity of data centres, especially those serving German networks of small institutions.

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In addition, test reports would have to be submitted to the Bundesbank in good time prior to the switch to XBRL. Since it is highly probable that interfaces with the relevant source systems would not be in place at this stage, data would have to be entered manually into the XBRL reporting files (and plausibility checks would have to be carried out). This process would be extremely costly and time-consuming.

On top of this, it is difficult to acquire specialist consultancy services in this field at present since there is a big demand but only a limited number of competent consultants with XBRL expertise.

In this context, we wish to draw attention to the EBA timetable for development of an XBRL taxonomy. According to Work Plan 217, this taxonomy has to be developed by 31 December 2012. It goes without saying that it must be available at least six months before the actual implementation date to allow due preparation for implementation.

Final provisions

23. How would you assess cost implications of the following two options? (1) Implement the ITS as of the first possible reference dates (31.03.2013). (2) Delay the implementation by six months.

As explained in our general remarks, we believe that reporting by 31 March 2013 is not possible. Please see these general remarks for details.

24. What would be the minimum implementation period to adjust IT and reporting systems to meet the new ITS reporting requirements?

German banks need at least 20 months to implement the solvency data requirements. The reason: in IT implementation, the large quantity of information requested means that all questions first have to be checked with regard to interpretation of the requirements and the data needed to complete the reporting templates. The reporting templates call in some cases for extraction of data from different systems, including the necessary interfacing, as well as subsequent consolidation of data in reporting software. In some cases, complex data retrievals have to be implemented and in many other cases new data pools first have to be created in order to meet the requirements, as the complexity of reporting means that completing the templates by hand is no longer possible. In this context, particular note must be made of the many data details that do not result directly from the CRR/CRD. In addition, there is now a large number of non-additive data requirements, e.g. the number of counterparties and of obligors; delivery of templates by subsidiaries is no longer sufficient for this purpose. Implementation of the new reporting requirements also means making use of both those personnel and IT resources which have long since been over-stretched by CRR/CRD IV implementation during the current year.

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

This question cannot be answered broadly. The situation differs greatly from one institution to the next. Different implementation periods would basically not deliver any benefit but would tend to be harmful instead (particularly because of the implementation burden imposed by transitional solutions).

Annex I and Annex II

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28. Do restrictions (restricted cells are cells which do not have to be reported to the supervisors) reducing the reporting burden?

Yes, every cell that does not have to be reported reduces both the implementation burden and, in particular, the day-to-day process-related costs. We therefore call for use of the “grey cells” approach wherever possible. In the following, when discussing the actual information to be reported, we shall at various points propose the introduction of grey cells. Generally speaking, grey cells should be introduced particularly where information that is of no relevance for calculating own funds requirements under the CRR is to be requested. The more burdensome obtaining this information is, the greater would be the benefit from dropping these reporting requirements.

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

As already explained, Germany has not yet implemented a number of already existing COREP requirements.

In this context, we refer in particular to the high costs that the requirements for indicating the number of counterparties and of obligors cause.

In addition, we believe that a number of new requirements are real cost drivers, e.g.

- reporting own funds under transitional provisions
- expanding the requirements in the reporting template on group solvency (GS)
- introducing regional differentiation by accounting exposure classes
- expanding the securitisation requirements, particularly
 - the reporting requirement for investors
 - historicalisation of reporting in the reporting template by indicating ratings at the first issue of securitisations
 - expansion to cover transactions without significant risk transfer.

30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear?

We see the need here in many places to supplement or concretise the information by means of a model calculation. We shall indicate these places when commenting below on the individual reporting requirements.

31. CR IRB – What is your assessment of cost implications of the new lines for “large regulated financial entities and to unregulated financial entities”?

The requested information is generally at hand and can therefore be made available to reporting software after interfacing and flagging. However, we propose that the EBA supports banks by compiling and providing access to a list of large/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?

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This information is needed to calculate the RWAs. We do not believe it is a cost driver. It just needs to be linked to the reporting software.

B. Comments on specific COREP templates

General remarks

We would like to point out that the templates do not show where to include details such as contact person, institution number/supervisory audit number, reporting institution, reporting currency etc. The consultation paper does not indicate how these will be handled in future, e.g. whether they will be specified by national competent authorities. This point needs to be clarified.

In addition, there are no rules on reporting dimensions as far as we can see. We would therefore like to suggest that only full thousands in the relevant national currency should be reported.

Reporting own funds - CA 1.2-1.6

We are highly critical of the design of the eleven tables for transitional arrangements. It is not clear to us why the EBA has put together such an extensive set of tables to cover components whose eligibility is being phased out. Since details of the new Basel capital adequacy framework (Basel III) were first announced, institutions' capital planning strategies have focused first and foremost on instruments which will be eligible for inclusion in own funds under the new rules. By calling for all institutions taking part in the stress test to hold 9% Tier 1 capital, the EBA itself showed how little importance it attaches to grandfathered components. We consequently fail to see the logic of capturing each and every detail of items whose contribution to an institution's own funds is steadily decreasing. We would therefore like to suggest that the EBA overhaul, or even drop, this section of the templates. In our view, the information supervisors need can already be obtained from template CA 1.2 on own funds.

There is also a need to re-evaluate the volume of static data to be reported and the frequency of such reporting. The CRR also continues to make a basic distinction between static and dynamic capital components. Static data such as deferred taxes only change as a result of a half-yearly or annual audit. A detailed breakdown of these items in the reporting process will not deliver any added value.

As a general point, we question whether the degree of detail proposed by the EBA is really necessary. True, institutions have to calculate all the individual items included in the CA4 and CA5 templates for the purpose of determining the amount of their regulatory capital. In our view, however, this does not necessarily mean that reporting these items would serve a useful regulatory purpose. This applies all the more given that regulatory capital is often calculated without the use of reporting software, so the amounts needed to complete templates CA4 and CA5 would largely have to be entered manually. We

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would therefore recommend that, here too, reports should be kept to the minimum really necessary for prudential purposes.

It remains unclear, moreover, how indirect holdings are to be taken into account and presented. The interpretation currently under discussion would be unfeasible to implement in practice.

Given the complexity of the new templates, we believe the ITS should include illustrative examples of calculations and of how the templates should be filled in. This will help to avoid possible misunderstandings.

Like the current EUEB template, the new CA1 template on own funds should highlight the rows which are only needed for consolidated reports and also indicate this in the corresponding instructions. It is not always clear at present whether items relate to individual and group reporting or individual reporting only.

The explanatory notes on individual reporting templates (CP50 ITS on reporting – Annex I – validation rules) should show all summations, including interim calculations. Take, for instance, the calculation of row 010 of the CA1 template:

- in the explanatory text: no summation
- our proposal: = {CA1;020} + {CA1;530} + {CA1;750}

1.2 CA 1 Own Funds, (-) Indirect holdings of CET 1 instruments, row 90	It should be clarified whether this covers positions from the banking book, trading book or both.
1.2 CA 1 Own Funds, (-) Indirect holdings of CET1 instruments, row 110	It should be clarified whether this covers positions from the banking book, trading book or both
1.2. CA 1 Own funds, details of indirect holdings of CET 1 Instruments, rows 100-120, 620-650, 850-870	Details of capital deductions could be obtained from rows 230-640 of template CA4. We therefore suggest deleting the corresponding rows in template CA1. We would also appreciate clarification of the following two points. Only row 100 specifies that data should be limited to the trading book; the scope and scale of the other rows are unclear. Since row 120 contains no reference to the CRR or CRD IV, it is not clear exactly what data are required.

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1.2 CA 1 Own Funds, (-) Holdings of CET1 instruments by undertakings in which the institution has participation of 20% or more, row 120	There is neither a specific requirement in the CRR nor any description in the explanatory notes for this information. We would therefore appreciate clarification of what is meant.
1.2 CA 1 Own Funds, Profit or loss eligible, row 150	Details of this item have yet to be fleshed out. EBA standards are scheduled for 2013. A definitive evaluation is therefore not possible at the present time.
1.2 CA 1 Own Funds, Of which: Unrealised gains and losses measured at fair value, row 190	It should be clarified whether all changes in assets and liabilities are to be listed.
1.2 CA 1 Own Funds, Other reserves, row 200	It is not clear what "other reserves" not already covered by OCI are meant. We would appreciate clarification.
1.2 CA 1 Own Funds, Cumulative gains and losses due to changes in own credit risk on fair valued liabilities, row 280	It should be clarified what valuation method should be used.
1.2 CA 1 Own Funds, (-) Value adjustments due to the requirements for prudent valuation, row 290	a) It is not clear how to fill in this field since the EBA has yet to flesh out these requirements. A definitive assessment of this item is therefore not possible at this stage. b) The explanatory text of the consultation paper refers to the trading book; the CRR, by contrast, does not limit these requirements to the trading book. It should therefore be clarified whether trading book positions only need to be reported.
1.2 CA 1 Own Funds, (-) Goodwill included in the valuation of significant investments, row 320	This position is already taken into account by the book value deduction. In our view, institutions preparing IFRS accounts can only report it separately for equity positions.
1.2 CA 1 Own Funds, Deferred tax liabilities associated to goodwill; row 330	IFRS: IAS 12.21 does not permit the recognition of deferred taxes related to goodwill.

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1.2 CA 1 Own Funds, Deferred tax assets and liabilities, rows 360 and 410	These are static elements of regulatory capital and robust calculations are made only once a year. It is open to question whether details of these positions really need to be reported annually.
1.2 CA 1 Own Funds, Defined benefit pension fund assets which the institution has an unrestricted ability to use, row 420	Details of this position have yet to be fleshed out. EBA standards are scheduled for early 2013. A definitive assessment is therefore not possible at this stage.
1.2 CA 1 Own Funds, (-) Qualifying holdings outside the financial sector, row 450	a) Article 84 CRR mentions 15% of the institution's eligible capital. b) The EBA will not issue details of which undertakings will not be covered until 2013. A definitive assessment of this item is therefore not possible at this stage.
1.3 CA, TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT; advanced method, row 680	Details of this position have yet to be fleshed out. The EBA will issue standards by January 2013. A definitive assessment is therefore not possible at this stage.
1.3 CA, Additional risk exposure amount due to application of Basel I floor, row 720	a) Article 476 CRR mentions "own funds"; it is therefore not clear precisely what type of regulatory capital is meant here. b) Article 476 mentions "risk-adjusted assets". What exactly is meant?
1.4. CA3 Own Funds Requirements	As we understand it, this template is intended to show how capital ratios diverge from those that must be achieved by 2018. In our view, however, the text is ambiguous in its present form. It could also be interpreted to mean that the surplus/deficit rows should show the divergence not from 2018 levels, but from the capital ratios required at the time of reporting. We would therefore suggest adding the wording "compared to 2018" to rows 020, 040 and 060.
1.5 CA, Total deferred tax assets, rows 10 to 90	These are static elements of regulatory capital and robust calculations are made only once a year. It is open to question whether details of these positions really need to be reported annually.

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1.5 CA, (-) Permitted offsetting short positions in relation to the direct gross holdings included above, row 260 ff.	Supervisors have not yet finally confirmed how this amount is to be calculated. A definitive assessment of this item is therefore not possible at present.
1.5 CA, Gross indirect holdings of CET1 capital of relevant entities where the institution does not have a significant investment, rows 280, 350,420,490,560, 630	The explanatory text of the consultation paper refers only to index positions in the trading book. We would appreciate clarification of whether these should from the basis of the reports.
1.5 CA4, rows 300-430, 580-640	As things stand, capital instruments held by undertakings that are consolidated for prudential purposes do not need to be deducted at either solo or group level. Article 46(2) CRR is explicit about this point where CET1 instruments are concerned. We assume that the same applies to AT1 and T2 instruments (as is the case under the Basel III framework). We would appreciate clarification.
1.6 CA5	We would ask the EBA to check the sequence of calculations in the CA5 template since we are not fully clear on the underlying logic. Inconsistent calculations would, moreover, have a direct impact on the CA1 template. The design of CA5 in its present form would therefore lead to inaccurate results.
1.6 CA5 Table 7, row 070 in conjunction with Annex II, 1.6.5.2.2.	In our view, it is not yet clear how to calculate the "effective percentage". We would ask EBA to define the calculation method and possibly provide illustrative examples.
1.6 CA5 Table 7, row 100 Table 9, row 040 Table 10, row 040	<p>The treatment of risk-weighted assets in indirect holdings of an institution's own capital instruments needs to be clarified. These positions are already recognised as risk-weighted assets. If they have to be deducted from capital as a result of the phase-in, we believe the risk-weighted assets would have to be reduced. A negative amount would then have to be shown in these rows.</p> <p>We would appreciate clarification of how to calculate the amounts to be entered and of how this might affect the calculation of other risk-weighted assets.</p>
1.6 CA5 Table 9, row 030 Table 10, row 030	We would ask the EBA clarify whether these instruments are to be considered risk-weighted assets and, if so, how to calculate them.

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1.6 CA5 Table 7, row 200 Table 8, row 060 Table 9, row 170 Table 10, row 170	We would appreciate clarification of how to calculate the amounts to be entered and of how this might affect the calculation of other risk-weighted assets.
1.6 CA5 Table 6, row 010, 020	We assume that, contrary to the instructions and following the procedure for the other tables, the “adjustment to the original deduction” should be calculated by multiplying the original deduction by the applicable percentage. This procedure can be inferred from the validation rules. We would appreciate clarification.

Consolidated reporting – 2 Group solvency

The proposed group solvency template requires institutions to report much more extensive and much more detailed information than at present. This applies not only to subsidiaries which have to submit COREP reports at solo level, but also to group units which are not subject to CRR/CRD IV and for which certain data (e.g. on capital) are therefore not available in the required granularity. As a result, the proposed template is likely to drive up costs and tie up considerable additional resources.

We believe it would be helpful to cross reference the items in the template with the relevant provisions of CRR/CRD IV.

Group Solvency columns 070-210	The proposed inclusion of data concerning compliance with solvency requirements at solo level under applicable national law (columns 070 to 210) goes far beyond existing requirements. National reporting dates and reporting structures, in particular, may clash with the proposed implementing standards. On top of this, separate requirements are to be implemented relating to information hitherto considered irrelevant at group level. This will make the reporting process unnecessarily complex. Should these requirements nevertheless be deemed indispensable, pro-rata amounts for proportionally consolidated undertakings should at least be dispensed with and full amounts should be reported for these units instead. In addition, we would ask the EBA to indicate how group units are to be handled in this template if they are not subject to the CRR and local requirements cannot be easily reconciled with the proposed regime.
Group Solvency column 040	We would like to suggest dropping the requirement to provide information on subconsolidated entities (SC).
Group Solvency columns 020/050	We would ask the EBA to clarify the distinction between column 020 (code) and 050 (country code).

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Group Solvency columns 220-350	The additional instructions on completing columns 220 to 350 envisage providing information on the contribution of individual entities to the group in terms of capital and risk after the consolidation of intra-group positions. According to paragraph 43 of Annex II, institutions should decide themselves on the most appropriate way of showing entities' pro-rata contributions to market risk and operational risk. Without a specific method of allocation, we believe supervisors will have only a limited ability to compare data. We nevertheless consider it unfeasible to stipulate that a single specific allocation method be used. There is a similar problem when it comes to determining the contributions of individual legally independent units to integrated risk management. This will be particularly problematic if the individual unit is not subject to a local supervisory framework because the waiver is being applied, for instance. We would therefore suggest dispensing with separate information on subordinated entities of groups which use models to calculate contributions to market and operational risk and merely including this information in the data on the parent company. Owing to the entries in columns 070 to 210, this approach would not involve any loss of insight for supervisors.
Group Solvency column 250	There are no explanatory notes on column 250 (other and transitional risk exposures). We would appreciate guidance from the EBA on this item.
Group Solvency column 040	According to paragraph 44 of Annex II, all consolidating entities should complete the GS template. As a result of the way column 040 is designed, the template may also contain information at subconsolidated (SC) level. It should be clarified that it is sufficient to provide data on such subconsolidated entities in the GS template of their parent company and that it is not necessary to report information about the individual constituent subsidiaries as well. This is because these details are already reported at SC level.

The explanatory notes in paragraph 45 of Annex II concerning the materiality threshold need to be expanded. We are not clear on the circumstances under which supervisors may waive the threshold.

Credit and counterparty credit risks – CR 3.2.a-3.5

In principle, the reduction in the number of templates for the standardised approach (SA) should be a positive development. The introduction of fewer dimensions for the CR SA Details template is unlikely to simplify matters to any great extent, however, since additional rows have been added for the exposure classes in the CR SA Total template, which will make its completion more onerous. Limiting the number of dimensions to four is more likely to prove disadvantageous to institutions because it will be more difficult to test the plausibility of the total compared to the details template since it will no longer be so easy to check the calculation of the total by means of simple addition. If an institution uses externally sourced standard software, it may, in a worst case scenario, have to carry out parallel calculations because it will

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no longer be possible to extract individual exposure classes. The system of completing a separate template for each exposure class should therefore be retained.

We find it highly regrettable that the review of CR IRB template has not resulted in the requirement to indicate the number of counterparties (column 290) and obligors (column 280) being dropped. Given the scale of the large exposure reporting regime, whose objective is to identify concentration risk at an early stage, we fail to see a useful purpose in columns 280 and 290. For good reason, Germany has refrained to date from requiring the provision of the information in these two columns. We are aware of no evidence that this has prevented German supervisors from carrying out their responsibilities adequately. Institutions' systems cannot – as is well known – calculate these figures by simple addition. Instead, they must be generated by comparing borrowers across all systems and subsidiaries. Implementing such a requirement would drive up costs significantly. We therefore firmly reject the requirement to report these figures.

In the CR SA Total template, both columns (e.g. 230) and rows (e.g. 120) refer to exposures "of which: with credit assessment by a nominated ECAI". By contrast, the CR SA Details template refers to exposures "of which: without credit assessment by a nominated ECAI" (e.g. row 120). The explanatory instructions on the rows also refer to exposures "without credit assessment". The templates should be adjusted so that they are consistent with one another.

CR SA Total, CR SA Details, columns 120-140	Credit risk mitigation techniques: as we understand it, only amounts calculated using the "comprehensive method" are to be reported here. We assume that financial collateral valued with expected positive exposure (EPE) should be reported in column 150. We would appreciate clarification of this point in Annex II.
CR SA Total, CR SA Details, columns 120-140, rows 040, 070, 100	In our view, the comprehensive method cannot be applied to the types of exposure covered by rows 040, 070 and 100. We would therefore suggest blocking out these cells or shading them grey.
CR SA Total, CR SA Details, columns 200-210, rows 040, 070, 090, 100	As we see it, the figures entered in the cells in column 200, rows 040, 070, 090 and 100 will be the same as those in the cells in column 210, rows 040, 070, 090 and 100. We would therefore suggest blocking out these cells in column 210 or shading them grey.
CR SA Total, CR SA Details, columns 200, 220 to 490, row 010	In our view, the content of the cell in column 200, row 110 and the cells in columns 220 to 490, row 110 will be the same. We would therefore suggest blocking the superfluous cells or shading them grey.
CR IRB, columns 40-80	We would ask the EBA to clarify in Annex II whether collateralised amounts are to be reported.

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CR IRB, columns 110,130, rows 040, 041, 050, 051, 060	As we see it, the figures entered in the cells in column 110, rows 040, 041, 050, 051 and 060 will be the same as those in the cells in column 130, rows 040, 041, 050, 051 and 060. We would therefore suggest blocking out these cells in column 130 or shading them grey.
CR IRB, columns 140-200	We would ask the EBA to clarify in Annex II whether collateralised amounts are to be reported in columns 140 to 200 instead of LGD percentage amounts.
CR IRB	There is no indication of how to report transfer risk. We assume that transfer risk should be reported as a component of the government exposure class. In our view, this will distort reports of actual country risk, however. We would therefore recommend reporting transfer risk in the government exposure class template, but in a separate row.
CR IRB, Column 272	Column 272 is for positions "of which: the Expected Loss amount is higher than the CVA at the netting set level". We would ask the EBA to clarify the purpose of reporting these items and to explain how the shortfall should be calculated. The reference to Article 154, no. 11 CRR does not make it sufficiently clear what is required.
CR SETT	As we understand it, the CR SETT template relates to the banking book. A reference to the banking book should therefore be added to Annex II, Part II, section 3.3.2 (iii).

Securitisations – 3.6-3.8

The EBA proposes that all securitisations be reported, regardless of whether or not there has been an effective risk transfer. We reject the idea of extending reports to include transactions without an effective transfer of risk and advocate retaining the existing requirement. Exposure values and capital requirements for transactions without effective risk transfer are calculated not under the securitisation framework, but in accordance with the rules for non-securitisations in the banking book. It would be inappropriate to include such positions in a template to which only the securitisation framework is applied. What is more, these transactions are already covered by the other credit risk templates. The proposed method would therefore result in double counting, thus overstating the actual risk carried by institutions.

At present, institutions report data on securitisations which they enter into as originators or sponsors. The EBA proposes extending these reporting requirements to investors in securitisation tranches. This will place a substantial additional burden on all investors. We would therefore like to propose some ways of reducing the associated costs to a level commensurate with the associated prudential benefits.

The first problem is that the information required in the SEC Details template is available in institutions' databases only for transactions purchased on the basis of the CRD II regime. It would be very difficult to generate this information for prior investments. For this reason, we would suggest grandfathering all transactions initiated before 31 December 2010.

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Second, all institutions have exposures on their books which have been written down or reduced in some other way to such an extent that they no longer pose a relevant risk. We therefore consider it essential, with cost-benefit considerations in mind, to introduce a materiality threshold along the lines of those in other areas. In our view, transactions with an EAD of less than 100,000 euros should not have to be reported in the SEC Details template.

Finally, some positions are entered into as cross currency swaps or interest rate support for SPVs rather than for investment purposes. The same applies when institutions make servicer accounts available. Transactions of this kind should also be exempt from reporting requirements.

We are especially critical of the requirement to report ratings “at inception” since it is extremely onerous to acquire and maintain data on the rating of a securitisation tranche on its initial issue. Furthermore, we believe supervisors would gain minimal insight from this information. Monitoring the possible migration of a tranche’s rating over time is not, in itself, a particularly useful exercise since it provides no indication of who bears any losses. The institution holding the tranche may have purchased it at its current rating, in which case the loss would be borne by a previous investor. It cannot be inferred from the template what rating the tranche carried when purchased by the current investing institution, so it is not possible to allocate the loss arising from a deterioration in rating.

Reporting the rating of the tranche at the time of purchase by the institution would also have limited informational value because the size of an institution’s share in a tranche normally varies over time. This raises the question of how to determine the rating of such a tranche. An average level would have to be calculated, but this would be watered down by actual migration.

Nor would information about the granularity and the seniority of a securitisation exposure at the time of purchase offer any additional insight.

For the reasons outlined above, we advocate dispensing with these reports. It is absolutely essential, at the very least, to introduce grandfathering arrangements for existing positions. This is because the initial rating of positions purchased long after their issue date is frequently no longer known.

In addition, we would like to draw attention to the following points:

<p>CR SEC SA, CR SEC IRB, column 010</p>	<p>We would ask the EBA to confirm that hedging instruments only need to be included in the report on the basis of EAD for counterparty credit risk. We would also appreciate confirmation that column 010 of the CR SEC IRB template does not have to be filled in by investors or sponsors. The relevant rows (170-420) should be shaded grey.</p>
<p>CR SEC SA, column 060</p>	<p>For various reasons, value adjustments may also cover banking book positions measured at fair value whose credit losses are reflected in the profit and loss account. But the instructions for this column in Annex II explicitly exclude such positions, which would result in the total reported value adjustments being too</p>

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	low. It is essential to clarify how to handle positions of this kind.
CR SEC SA, CR SEC IRB, columns 080-110	In our view, the proposed reporting method may lead to double counting in the SA and IRB templates. Furthermore, it is not clear how to report different types of synthetic transactions, e.g. with and without SPVs. We would ask the EBA to provide more detailed explanations and examples. Nor is it clear what a substitution of "funded credit protection" is intended to cover.
CR SEC IRB, columns 170-190	It is not possible to check the consistency of data in columns 170 to 190 because a net figure has to be reported in column 180, i.e. a figure after value adjustments have been taken into account, while gross figures have to be entered in columns 170 and 190. It is essential to provide net figures in column 180 since they are used to calculate own funds in the CA templates. These columns therefore need to be revisited.
CR SEC IRB, column 440	There is no need whatsoever for this column, in our view. It is irrelevant from a risk angle for both investors and sponsors whether a transaction was designed by the originator as a true sale or a synthetic transaction. In consequence, we see no information value for supervisors either. We would therefore suggest deleting the column.
CR SEC, column 190	This new column requires a breakdown of securitised positions by obligor country, including investor positions. This information is not available as things stand. Furthermore, the requirement to calculate thresholds if obligors come from a number of countries will impose a substantial additional burden on institutions.
CR Sec, column 290	The first possible termination date of the securitisation has to be indicated in the new column 290. This information is not available as things stand. If agencies such as Bloomberg prove unable to provide the necessary data, this requirement will impose a significant additional burden on reporting institutions.

Operational risk – OPR 4.1-4.2

It is not clear, in our view, what institutions are supposed to report in column 80 of the OPR 4.1 template. We assume the requirement relates to the calculation of capital requirements for individual subsidiaries in a group. Our interpretation is that institutions should show whether capital requirements for subsidiaries have been calculated "top-down", i.e. through allocation of the group's capital requirements (meaning that various allocation keys may be used and diversification effects can be taken into account), or "bottom-up", by applying the quantification model to data relating to the subsidiary in question (scenarios and losses). We would appreciate clarification of this point.

The EBA envisages that the OPR Details template will also be completed by institutions using the standardised approach. But the references to Articles 311 and 313 CRR mean that this template relates almost exclusively to requirements for the advanced measurement approach. We therefore urge the EBA to exempt users of the standardised approach from completing the OPR Details form.

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We would also like to make the following specific comments:

The requirements for losses from operational risk are not precisely defined and there is no indication of how to deal with borderline cases, such as timing losses or rapidly recovered losses. Nor is it clear from what point in time losses from the previous year have to be included. We are also unclear about what is supposed to be reported in column 100 under "memorandum item: threshold applied in data collection, highest".

There is no definition of the scope of application concerning groups and financial conglomerates. For calculations of capital, a limit has been placed on the scope. We would suggest applying this limit here, too.

Rows 010-840:

The instructions do not make clear how to enter data on events affecting several business lines. It is not clear, for instance, whether the full loss should be entered in all affected business lines or only a pro-rata amount. Though it is true that the procedure can be inferred from a close reading of the instructions for rows 910-940, we believe it should be spelt out more clearly. We would suggest adding the following explanation:

"For losses corresponding to one event that are distributed amongst several business lines the "total loss amount" is the part of the loss amount that is assigned to the affected business lines. As opposed to this every loss event counts as a full event ("1") regarding the "number of events".

Instructions for rows 910-940/080:

Since the five large losses may arise from different event types, cell 940/080 is not the maximum of the values in row 980 in "Total Business Lines". The amount in cell 940/080 will generally be greater than the maximum of values in row 940. Column 080 may contain pro-rata amounts of loss events affecting several business lines. The amount in cell 940/090 will therefore also generally be greater than the maximum of the values in column 080. The same applies to cell 930/080. A minor addition to the instructions for the item "number of events" would also make things clearer. We would suggest adding the following wording to the text:

- "Number of events: [...] necessarily be equal to but not greater than the vertical aggregation [...].
- Maximum single loss: [...] be equal to but not lower than the highest value [...].
- Sum of the five largest losses: [...] be equal to but not lower than either the maximum [...].

The instructions for cell 910-940/090 actually refer to cell 910-940/080.

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As mentioned above, CEBS’s COREP templates on market risk were not introduced in Germany. Compared to other European countries, therefore, Germany needs to “make up ground” in this area.

The ITS envisages that the MKR SA TDI, MKR SA EQU and MKR SA FX templates will include detailed information on holdings exceeding 2% of the total of all gross positions for interest rate, equity and FX risk. This requirement seems to be motivated by efforts on the part of supervisors to reduce the overall volume of reports. Unfortunately, however, the proposed system will not achieve its objective since the reporting burden on institutions will not be reduced and the reporting process will become more complex. To calculate whether holdings exceed 2% of all positions, reporting systems will have to capture and consider all market risk positions at solo and group level anyway. What is more, not all subsidiaries are necessarily connected to the same system, so calculations at group level may have to be carried out manually, which is comparatively time-consuming. And on top of that, a complex algorithm will have to be developed to implement the calculation of the threshold value and apply it to all holdings. The report itself may then vary from month to month, which will make it more difficult to verify the plausibility of the results. In addition, the need for test runs in the event of regulatory changes will generate follow-on costs.

We would therefore advocate dropping the proposed threshold since it will not reduce costs.

The market risk templates continue to contain a capital requirements column, while this column has been dropped from most other SA and IRB templates (one exception is the CR SETT template). Is there any special reason why this column still needs to be completed for market risk?

It will be especially complex and time-consuming to submit gross data broken down into long and short positions from internal models, as required by columns 20/21 of the MKR IM and columns 010/020 of the MKR SA TDI templates. As things stand, all positions are netted or hedged at an early stage in model calculations and are subsequently processed on the basis of this interim result. The above reporting requirement will mean retaining both gross and net figures throughout the entire process although the gross amounts will have no direct impact on the final result. This will generate high implementation and increased processing costs. We are not clear, by contrast, on the additional insight for supervisors offered by these reports. We would therefore suggest deleting the columns in question.

We also have the following comments on individual templates:

<p>MKR SA FX, columns 010 and 020</p>	<p>Annex II explains that all currencies have to be entered whose total of all gross positions exceeds the 2% threshold, regardless of whether these positions are calculated under the standardised approach or using an internal model. This will place institutions using the internal model approach at a disadvantage. A standardised approach template should contain only positions calculated under the standardised approach. This is the logic already followed by the MKR SA TDI and MKR SA EQU templates, the instructions for which explicitly specify that</p>
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	standardised approach positions only should be entered.
MKR SA TDI, row 340, MRK SA EQU, row 080	It has yet to be finally clarified where to report information on investment funds to which the look-through principle is not applied. According to implementation guidance issued by CEBS in 2007, interest-earning funds should be entered in MKR SA TDI and equity or mixed funds in MKR SA EQU. The requirement to break down investment fund data for reporting purposes makes nonsense of lawmakers' intention in establishing Article 337 ff. CRR, however, which was expressly established to avoid the need to look through funds. We therefore advocate reporting information on these funds in a row in MKR SA EQU.
MKR SA FX, row 060 ff.	Article 341 CRR requires positions to be calculated in the accounting currency. We do not, however, believe that the corresponding requirement for MKR SA FX makes good sense since the accounting currency for the country in question is not an FX position. There is no such procedure under the current reporting regime. We would recommend retaining existing practices.
MKR SA FX, row 60	It is not clear how to complete row 060. There is a need to clarify, first, whether both trading and banking book positions have to be reported and, second, whether positions should be measured in accordance with Article 100 (market values) or Article 31 CRR.
MKR SA EQU, rows 030 and 040	We would appreciate clarification of whether rows 021-040 are subpositions of row 020 (general risks).
MKR SA TDI, MKR SA EQU, column 050	The heading of column 050 (net positions subject to capital charge) is inappropriate, in our view, because amounts other than purely net figures also have to be provided for both interest rate and equity risk in various rows of the templates. We would therefore suggest deleting the word "net".
MKR SA FX, columns 060/070 row 20	We would ask the EBA to check whether it is really correct to block out these cells because the privileged 4% capital charge applies only to matched positions. Long or short positions should be entered in row 20 of column 060 or 070 with an 8% capital charge applied.
MKR SA FX, column 090	The MKR SA FX template should be compared with the two other templates for the standardised approach. In the MKR SA FX template, the cells in column 090/rows 060 to 080 and 090-10 to 090-NO are not shaded grey. We do not believe, however, that the intention is for these cells to be completed since corresponding positions do not have to be entered in the other two templates for the standardised approach.

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III. Reporting losses from property financing

The CR IP LOSSES template will also generate substantial implementation and ongoing costs. We consider it essential, with this in mind, to revisit the current proposal. We were extremely taken aback to note that reports are to be submitted quarterly. The change in loss rates from property financing is a comparatively unresponsive indicator, in our view. We doubt, therefore, that it will be possible to infer meaningful changes in property markets from one quarter to the other with the help of this indicator.

Time series based on annual data, along the lines of the existing German E HVR and Q HVR templates, are perfectly sufficient to permit a sensible analysis. We would therefore suggest reducing the reporting frequency to once a year.

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IV. Financial reporting (FINREP)

In a general context, it should be noted that **the revision of FINREP reporting by the EBA has resulted in an expansion of reporting requirements that is unprecedented in reporting history.** The sheer scale of reporting raises serious doubts about whether the information can be evaluated properly. In the short time available in this consultation neither systematic, in-depth analysis nor assessment of the extent to which reporting requirements have been expanded is possible. The question that therefore needs to be asked first is: are the costs reasonable in proportion to the benefits? **We doubt whether the required level of detail can be justified by real prudential needs.**

In addition, we wish to draw attention in this connection **to the thorough reviews of accounting standards (particularly IFRS 9) currently being discussed at IASB level**, which also involve the question of the consistency and inter-temporal comparability of reported information. These changes to accounting standards will, in turn, make significant changes to reporting formats necessary in the near future, which will require large-scale adjustment of the relevant IT accounting and reporting solutions and call once again for an enormous investment of resources by institutions. Hence, in our view the introduction of the FINREP reporting formats (with the current level of detail) does not make much sense at present in the form proposed in the consultation paper, especially by the envisaged deadline. With this in mind, we would like to suggest considering a phased FINREP implementation approach in line with the introduction of IFRS 9.

We wish to point out once again at this juncture that (a) the present FINREP tables largely require breakdowns of information that are not called for with this level of detail by the IFRS and are consequently not contained in institutions' financial statements and that (b) these breakdowns are based mainly on prudential definitions that do not exist in this form in external accounting.

For the same reasons that we reject the proposed reporting on an individual level, **we are firmly opposed to the expansion of financial reporting to cover groups publishing financial statements based on local GAAP.** The problem of the comparability of different figures from different countries outlined above naturally applies to groups as well. An analysis of the required report on assets and liabilities and the income statement in Annex IV has revealed that approximately 30% of the information requested cannot be provided under German accounting rules, as the relevant options granted in Directive 86/635/EEC have not been exercised in Germany. In addition, large sections of Annex IV refer explicitly to IFRS reporting institutions, so that, compared with institutions drawing up financial statements under national accounting standards, no information is available here either. This also of course means that many of the breakdowns in parts 2 and 3, which relate to IFRS-based positions, e.g. tables 3.2, 3.4, 3.5, 3.6, etc., cannot be provided by the relevant addressee institutions. For this reason, we regard the added prudential value of such reporting as relatively minor.

However, for the institutions affected, EBA reporting imposes an enormous additional burden for many reasons. **In Germany, these are without exception small, non-complex entities which do not pose any systemic risk.** The teams responsible for reporting are very small and the software used for reporting is developed by external providers. These institutions already deliver meaningful financial information on an individual level under their national reporting regime, since with this type of institution reporting on a consolidated level does not differ significantly from reporting on an individual level. The

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European reporting requirements therefore impose a double burden that does not generate any meaningful additional insight. Moreover, German national accounting standards do not contain any legal provisions on consolidation within a period of less than twelve months. **Quarterly consolidation would therefore be required solely for supervisory reporting purposes.** The relevant resolution on these figures would have to be taken in a legal vacuum. A completely new process, including the upper management levels, would therefore have to be established solely for supervisory reporting. For this reason, we are expressly in favour of confining the ITS for financial information exclusively to entities that are subject to Regulation No. 1606/2002.

Finally, we wish to **question the current reporting dates, particularly remittance of the FINREP report on the consolidated annual accounts.** Under Article 4 (1) of Directive 2004/109/EC (Transparency Directive), in conjunction with Article 4 (3) of Directive 2004/109/EC, the annual financial report must be published no later than four months after the close of each business year. The groups of institutions covered by Article 8 of the CP 50 Regulation are all institutions that also fall under the scope of the Transparency Directive. In view of the statutory publication requirements, these groups of institutions have geared their work on consolidated accounts to the statutory publication date. As a result, no valid consolidated figures are usually available on the reporting date proposed in Article 4 of the CP 50 Regulation. As consolidated accounts presuppose presentation of individual accounts by subsidiaries, work on consolidated accounts is at a relatively early stage, with the result that final FINREP reporting on the consolidated annual accounts is not possible by the proposed date. Instead, the figures in the consolidated accounts would be subject to even greater changes, with the result that they too are not a sound basis for supervisory, statistical or other purposes.

At this point, we should also like to draw attention to the requirement to submit follow-up reports where the reviewed figures differ from those reported on the reference date. This requirement may effectively lead to eight reports annually, which is neither right nor sensible in our view.

We therefore call – at least for prudentially justifiable reporting of FINREP data – **for an extension of the remittance period to a date that is in line with the requirements for preparation and publication of quarterly, semi-annual and annual financial reports.**

A. Response to the EBA's questions

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?*

It can be gathered from the above comments that this requirement will impose a significant extra burden, leading – alongside implementation costs – particularly to considerable additional day-to-day costs. The cost impact cannot be assessed with any certainty at the present time. Moreover, it will differ greatly in size from one institution to the next.

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.*

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The cost impact cannot be assessed with any certainty at the present time. However, we categorically reject any double reporting. Instead, we wish to question the point and purpose of such a requirement.

Reporting reference and remittance dates

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

In Germany, the calendar year is the accounting year for the great majority of institutions. Nevertheless, we prefer the current reference to the accounting year, as this is a non-discriminatory provision.

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

In our view, this question is of no relevance to financial reporting. As explained above, we categorically reject any requirement to report financial information on an individual level.

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

As explained in our reply to question 4, we categorically reject any additional requirement to report financial information on an individual level.

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

German legal provisions stipulate that publicly-traded institutions must submit their audited annual accounts by the end of the fourth month after the close of the business year. This is, as a rule, 30 April. For non-publicly-traded institutions, this deadline is extended by one month, usually to 31 May. The audited figures are generally available as of these dates.

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

We have no specific remarks in the context of financial reporting.

Format and frequency of reporting on financial information

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

This question is of no relevance to Germany.

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

Supervisory financial reporting does not bring any benefits for institutions, as these reports are not made for management purposes. Balance sheet and income statement management is based on already existing institution-specific formats. The ITS therefore does not deliver any added value to institutions. On the contrary, the connection of prudential and statistical elements in the form proposed in the ITS merely serves supervisors' information needs.

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Institutions will only benefit if there is a significant reduction in the current number of ad hoc requests for information thanks to regular financial reporting.

For IFRS institutions, the cost of implementing the ITS for financial information can be estimated at EUR 1-10 million, depending on the respective institution.

The reason is the requirement to connect prudential figures (by counterparty group) and statistical figures (region and sector) to accounting information. Prudential and accounting information is usually available in two different data repositories that are connected merely for the current purposes. The subdivisions called for make allocation of accounting characteristics on an individual transaction basis necessary. This granularity does not usually exist.

The day-to-day operating costs, which are additionally increased by the need to prepare a separate statement on the basis of the regulatory scope of consolidation, must be added to the implementation costs estimated above.

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.

Generally speaking, a reduced reporting frequency brings significant relief in terms of day-to-day process-related costs but has no impact on the cost of, or the time needed for, implementation. We therefore welcome the proposal underlying this question. The relief envisaged under the ITS does not go far enough, however. Whereas a reduced frequency is proposed at various points in solvency reporting (COREP), it has not yet been discussed sufficiently for financial information (FINREP). We should like to point out once again at this juncture that the current proposal also covers groups consolidating in accordance with local accounting rules. This means that it affects a large number of institutions whose size and risk justify relaxed reporting requirements. We therefore suggest that consideration should be given to further ways of reducing the reporting frequency also in the area of financial information. To this end, the requirement could be modified so that the information included in part 1 has to be reported on a quarterly basis and much of the information included in parts 2-5 has to be reported semi-annually at the most. In this connection, we wish to refer again briefly to our opening general remarks, in which we mentioned the need to take the proportionality principle into account. This would allow graduated reporting requirements geared to the type and size of an institution.

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

As already explained above, we are strictly opposed to a European system of financial reporting on an individual level.

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?

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As already explained at various points, we are strictly opposed to a European system of financial reporting on an individual level.

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

No comment.

Final provisions

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

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

(2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2103.

As already explained above, we believe there is no need for national interim solutions for financial information. The actual requirements of CRR or CRD IV create no necessity whatsoever to report such information. A start can only be made on actual implementation once there is final clarity about the scope of application, extent and content of the ITS. This is unlikely before July 2012. In addition, we see the implementation workload as so great (see questions 24 and 25) that we shall be unable to provide good-quality figures to supervisors regularly before 1 January 2014.

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.

Generally speaking, all reporting projects proceed along the same lines. The first step is examining whether the information called for is available in the so-called "legacy systems". If not, a process to collect it needs to be defined and established. The sector-specific information classified by the NACE code may be mentioned by way of example in this connection. It still has to be checked whether this is available in sufficient detail for Germany.

The next step is specifying how the connection to the relevant legacy systems can be established most efficiently. All the information must be collected in a central data warehouse. Connections to already existing data warehouses may have to be established (connection of prudential data to accounting data warehouses). The final step is defining a procedure/process for data consolidation and creation of XBRL-enabled interfaces. As FINREP reporting does not yet exist in Germany, the process defined must be applied in its entirety to all data requirements. What is especially problematic with regard to this question is that, where IFRS reporting institutions are involved, valuation of assets and liabilities and particularly of the items in the income statement is based on data aggregated beforehand. There is therefore no connection to the individual transaction and thus to characteristics such as sector, domicile of the borrower, type of counterparty, so that this connection first has to be established. This becomes a bigger problem where financial information is supplied by subsidiaries. Subsidiaries do not necessarily use the parent-company systems for their accounting purposes, with the result that information of the granularity needed to meet FINREP requirements is mostly not available. In this case, a comprehensive reporting regime would have to be built up to enable collection of the required information on an individual level. Overall, we assume that, following finalisation of the reporting requirements, an implementation period of three years (36 months) will be needed.

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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?*

This question is of no relevance to Germany.

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

We estimate that a period of three years (36 months) will be needed until automated operation of all processes.

The call for extension of the implementation period until 1 January 2014 is not based on the implementation period actually needed. We assume that, with an implementation period of 18 months, the main processes are installed to such an extent that the elementary parts of reports can be generated automatically and the remaining information added by means of manual processes.

Annex III, Annex IV and Annex V

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

We consider many of the references to IAS/IFRS in the FINREP tables to be unhelpful. Most references refer to general requirements or valuation rules, not to specific requirements for presenting or breaking down individual elements of an institution's financial and earnings situation. What is more, the proposed level of granularity and breakdown is frequently not required by the corresponding accounting standard; the relevant data are therefore not held in institutions' databases. Take, for example,

- table 13, columns 040, 060, 070: IFRS requires no profit and loss information for levels 1 and 2,
- table 21.3: IFRS require no distinction between "sold" and "repledged", and
- table 24.

We would like to point out that we are primarily concerned with basic data requirements at the present time. We therefore cannot rule out the possibility of further questions arising at a later date in the course of detailed implementation.

Template 10 (Annex III and Annex IV)

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

In principle, we consider it helpful to establish a materiality threshold for all statistical reports. For institutions where figures fall just short of the threshold, however, there will be no reduction in the reporting burden since they will have to implement the entire algorithm to check that they have not

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exceeded the threshold after all. An effective reduction in the reporting burden can therefore only be achieved if materiality thresholds are set sufficiently high. For institutions with foreign exposures of up to 10%, for instance, the threshold would have to be approx. 15% to 20%.

With respect to the envisaged methodology, we would like to refer you to our comments on the geographical breakdown for capital solvency reporting. The proposed methodology for financial reporting is similar and will also result in a dynamic set of reports.

We are highly critical overall of the proposed geographical breakdown of financial data and fail to see any regulatory need for this information. Table 10.1 is totally superfluous, in our view, since an adequate assessment of credit risk by country can already be made on the basis of the CR IRB GB template. The presentation of credit risk by accounting category (credit risk adjustments, write-offs) is merely an alternative way of measuring credit risk. It offers no significant additional information about the risk itself.

The envisaged comparison (Annex III, page 17) of information in the CR IRB GB template and in table 10.1 is totally inappropriate, in our opinion. It is generally accepted that comparing PD and LGD risk measurements with value adjustments and write-offs offers very limited insight. This is because, first, the LGD parameter represents the loss expectation until finalisation of the workout period while value adjustments and write-offs represent the amounts booked during a certain accounting period. Second, PDs and LGDs are measures of expected loan losses for a snapshot of the institution's credit exposure on a specific reporting date. Value adjustments and write-offs, by contrast, are recorded for a fluctuating credit portfolio over an entire period (three months, accounting year) and include losses incurred on loans granted during this period. We would also like to point out that the amount of "observed new defaults for the period" cannot be equated in any way with the PD measure of the probability of default. Quite apart from the fact that the two measures are based on different periods of time, a PD estimate represents a single default per customer while "observed new defaults for the period" broken down by FINREP economic sector classes may lead to multiple reporting of one and the same customer.

Since we take the view that prudential responsibilities can be adequately met if risks are reported on the basis of one system only, we would like to suggest that credit risk be dealt with in the context of solvency reporting. One reason for recommending this approach is that a geographical breakdown is normally technically easier to produce for solvency reporting because the information is already available in a sufficient degree of granularity in existing data warehouses maintained for prudential purposes.

Finally, we would like to draw attention to a problem which has repeatedly been raised. A prerequisite for a complete geographical breakdown is that foreign subsidiaries are permitted to pass their data on. Even in Europe, however, a number of supervisory authorities prohibit subsidiaries from forwarding customer-specific information to their parent companies. As long as this supervisory practice continues, data gaps will inevitably exist through no fault of the parent institution.

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

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As mentioned above in our reply to question 34, the introduction of a geographical breakdown would be extremely costly overall. The cost of breaking down balance sheet and profit and loss account items would differ considerably, however.

As things stand, neither German institutions nor external suppliers of data warehousing solutions are in a position to break down the flow of data of the profit and loss account by the counterparty's country of residence. The problem is that, first, there is no direct link between the aggregate figures of individual income and expenses and individual customer accounts. Second, and more seriously, it is generally very difficult to report variable data using data warehousing solutions. It is therefore not technically feasible at present to supply the information required by table 14.3.

There is also a problem with the requirement to report consolidated accounts. Even if figures are available on either an accounting-based or regulatory-based scope of consolidation, these by no means include data in the required degree of granularity at the level of individual transactions. This is because, as mentioned above, a complete geographical breakdown can only be produced if all foreign subsidiaries are permitted to pass their data on to their parent company.

We therefore advocated dropping the geographical breakdown for financial data altogether.

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

The question of whether this information is available in Germany and, if so, of whether it can be processed in the envisaged form is still under investigation.

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

As explained in our replies to questions 34 and 35, we do not believe that a breakdown of this kind would deliver meaningful information or serve a useful purpose. Even if figures are available for the relevant scope of consolidation, they do not contain information about individual transactions.

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?

Some costs could be saved in the ongoing reporting process. But there would be no difference in the impact on the biggest cost factor, namely implementation, since all reported items would be calculated as the total of individual country exposures. Information about each individual country would therefore still have to be included in databases.

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

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No comment.

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?*

As explained above, a breakdown by groups of countries rather than by individual country would be of only limited benefit. Ongoing costs might be reduced, but implementations costs would remain the same.

The high costs associated with completing template 14 (except for table 14.3) would result above all from the envisaged selection criteria for the countries in question. IFRS have applied the so-called management approach since the introduction of segment reporting under IFRS 8. Most institutions manage positions first and foremost by segment rather than by country. There is normally no breakdown by "residence of the counterparty" or "location of the activities". Instead, country breakdowns in most German institutions are currently by location of their branch offices. A classification along these lines would therefore be significantly less costly to implement than would classifications by residence of the counterparty or location of activities.

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?*

In principle, we consider it helpful to establish a materiality threshold for all statistical reports. For institutions where figures fall just short of the threshold, however, there will be no reduction in the reporting burden since they will have to implement the entire algorithm to check that they have not exceeded the threshold after all. An effective reduction in the reporting burden can therefore only be achieved if materiality thresholds are set sufficiently high. For institutions with foreign exposures of up to 10%, for instance, the threshold would have to be between 15% and 20%.

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?*

No comment.

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?*

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A number of balance sheet and profit and loss account items are required under Annex IV but do not form part of local accounting data because, for example, a member state option in the Bank Accounts Directive (86/635/EC) has not been exercised. We assume that institutions which prepare accounts under local GAAP (e.g. in accordance with the German Commercial Code) will not have to report these items. This also applies to possible breakdowns of these items required in Parts 2 to 4.

We interpret the requirements of Article 9 to mean that institutions preparing accounts under local accounting rules do not have to report any of the categories required solely under IFRS or complete any breakdown of these positions in Parts 2 to 4, e.g. row 440 of the balance sheet table and table 8 on hedge accounting.

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 comment.

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?

There should be no hard-and-fast prudential requirement because the ability to report these items depends on balance sheet management. This issue will therefore be handled differently from one institution to another.