The voice of banking
& financial services

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20 March 2012

Dear Sir/Madam,

BBA Response to EBA CP50: Draft ITS on Supervisory Reporting Requirements

The British Bankers' Association ("BBA") is the leading association for UK banking and financial services for the UK banking and financial services sector, speaking for over 220 banking members from 60 countries on the full range of the UK and international banking issues. All the major banking players in the UK are members of our association as are the large international EU banks, the US banks operating in the UK and financial entities from around the world. The integrated nature of banking means that our members are engaged in activities ranging widely across the financial spectrum encompassing services and products as diverse as primary and secondary securities trading, insurance, investment banking and wealth management, as well as deposit taking and other conventional forms of banking.

The BBA is pleased to respond to the European Banking Authority's (EBA) consultation[1].

BBA supports maximum harmonisation

The BBA fully supports the EBA's aim of creating maximum harmonisation of reporting and achieving it through the development and implementation of regulations. We support the EBA developing these regulations through the creation of Implementing Technical Standards (ITS) and hope that the industry will be able to influence their design in order to ensure that they can be operationalised. Maximum harmonisation through ITS will avoid further implementation at member state level, which could introduce potentially unhelpful nationally divergent measures.

The need for high quality data

In order to meet the goal of achieving harmonised reporting across European member states, the data provided by firms to the regulators will need to be complete, accurate, and fulfil the purpose for which the data has been requested. If the quality of the data provided is in any way unsatisfactory or unreliable, the value of any data comparison exercises will be limited, defeating the object of common reporting standards.

[1] http://www.eba.europa.eu/Publications/Consultation-Papers/All-consultations/CP41-CP50/CP50.aspx

It therefore follows that firms will need to be in a position to provide reliable and accurate data. This requires the templates to be easy to understand, transparent, and derived from information typically available to firms on a day to day basis. If any elements of the templates are unclear, whether this is through a lack of detail, clarity, or asking for information that firms cannot provide, the data provided may be at best unreliable, or at worst wrong and misleading.

As highlighted above the BBA fully supports maximum harmonisation, and the comments we have detailed throughout this letter are designed to ensure firms will be able to produce meaningful data that will be of use to regulators in their decision making process. We have split our comments on COREP and FINREP as we firmly believe they are separate initiatives that should be considered separately.

Key recommendations

We set out below and in the appendices to this letter our detailed response to the consultation. Our key recommendations are:

- We understand the EBA intend to issue a further consultation detailing the reporting of FINREP on a solo level. We recommend that this would be an ideal opportunity to issue a more wide ranging consultation on FINREP. It would be highly beneficial for firms to be able to assess FINREP on both a consolidated and individual basis simultaneously. In any event reporting should not commence until 2014 at the earliest.

- COREP should be phased in during 2013. Own Funds should be reported at the first reporting date and other templates subsequently reported on a best efforts basis from Q3 2013, with a view to becoming fully compliant by 1 Jan 2014. Further details are provided later in this letter.

- A longer remittance period of 45 days should be given for all reporting during 2013, gradually reducing by 5 days each year until 30 days is reached in 2016.

- Individual level reporting should be required at a frequency no greater than semi-annually, regardless of firm size, or position within or outside a cross-border group.

- The Group Solvency template should either be withdrawn or replaced with an alternative reporting solution that is workable across all European member states. Members would be delighted to work with the EBA in making suggestions in this area.

- The CR IRB GB template should be deleted as substantial quantities of geographical analysis are already included in the CR IRB template, and the analysis in CR IRB GB according to "FINREP" exposure classes is not available in firms' risk databases.

- The CR IRB Total template should be deleted as all IRB exposure classes must be reported separately in any case, and the aggregation of some of the IRB data (e.g. PD, maturity days, LGD) is not meaningful. This template represents unnecessary duplication of data.

- The CR IP Losses template should be required annually rather than quarterly. In addition, the reporting requirements for this template are vague and unclear. We would suggest that the template is re-worked and definitions improved to facilitate an understanding of what is required and the purpose for which the data will be used.

- The EBA should ensure that there is a dedicated implementation support team in place as soon as is realistically possible (preferably no later than April 2012) to answer firms' queries around templates and reporting rules. The EBA should also ensure that there is appropriate post-implementation support for at least 12 months following first implementation of the new requirements, including for instance a 'frequently asked question' process.

- The EBA should ensure that there is a supported test submission route for all templates at least two months prior to respective technology go-live dates for each set of returns, which engages both banks and their technology suppliers, where relevant.

- The EBA should look to release its final draft of the templates and requirements to all participants simultaneously with the submission of the Final draft ITS to the European Council, to ensure that firms can work on the most up-to-date proposals, whilst these are under consideration by the EU legislature.

Comments on FINREP

The value of FINREP

The BBA is keen to understand the EBA's rationale for the implementation of FINREP. We appreciate that COREP supports the single European rulebook as it will enable regulators to compare firms against firms, jurisdiction against jurisdiction, and so on. However, this is not the case for FINREP. The data received from firms will not be directly comparable as all firms will collect their data and produce their final numbers using different methodologies (i.e. IFRS versus national GAAP).

We cannot see any benefit from firms having to use the FINREP guidelines. Given the enormity of the work it would take to implement in the UK, we would very much appreciate an explanation as to what benefits the EBA believes will be gained from the universal application of FINREP. Furthermore, the FINREP requirements do not fit into the concept of a risk-based regime, nor are they clearly mandated as a requirement through CRDIV.

Implementation timetable

The BBA and its members were very surprised to see FINREP included alongside COREP in CP50 in December 2011. There had been no indication at any time that FINREP would be mandatory, so our members had neither given any prior consideration to how FINREP would be incorporated into their financial accounting framework, nor had the opportunity to mobilise resources in response to the requirements.

In addition to this, very few UK firms report their information on an IFRS basis. It is important to acknowledge that implementing FINREP will be significantly more challenging for UK firms than it will be for most of the other member states.

Typically, implementing a project to focus on FINREP will take 12 months to design and build, 3-6 months to undergo User Acceptance Testing and data quality exercises, and 6 months for a parallel run (a project like FINREP would require two full periods of parallel

run). A comparison can be made for the implementation of IFRS and Basel II, which would be examples of projects similar to that of FINREP). So firms would need at least 18 – 24 months to implement the FINREP initiative after receiving the first details.

Many of the questions in the consultation paper focus on cost of certain scenarios. While there is no doubt the cost to firms would be significant, it needs to be understood that time is also a critical factor. Regardless of how much money firms allocate to the implementation of FINREP, they will still need time to build their systems and do the testing as outlined above. As a result the implementation timetable set by the EBA to meet FINREP is completely unrealistic, and will prove in practice to be impossible to meet.

BBA recommendation

We would strongly recommend the EBA releases a further separate FINREP-specific consultation paper in due course. As the EBA is already planning to release a separate consultation on the application of FINREP on an individual basis, we believe it would be efficient to address both individual and consolidated reporting matters in the same consultation.

Comments on COREP

Implementation timetable

The CP states that institutions will need to comply with the new Capital Requirements Regulation (CRR) as of 1.1.2013. As a result the first regular reporting period will be Q1 2013, with the first reporting reference period after that being 31.3.2013, with the first set of data to be submitted to national authorities by 13.5.2013.

Although we appreciate the EBA's objective is to meet the proposed requirements of the CRR, we do not believe firms will be in a position to report in adherence to the framework within the proposed timescale. Member state firms' whose national regulators previously chose to develop their own set of reporting requirements as an alternative to implementing COREP are now at a disadvantage compared to peer firms whose national regulators did implement COREP.

The EBA did not release the ITS paper until December 2011. As a result, firms only have 12 months to prepare to meet the COREP requirements on 1.1.2013. However, there are many issues with the paper, ranging from the need for further clarification on definitions to templates that require further refinement.

We anticipate significant changes will be made as a result of industry feedback, therefore firms can only realistically commence preparation for reporting these templates once the final ITS is published. Given that the final ITS are dependent on the final CRD IV, which in turn is not expected to be finalised before June 2012, firms will have a maximum of 9 months in which to complete their preparations for live COREP reporting. This is an extremely ambitious timeline, given the quantum of changes and our concern is that it would be extremely challenging for firms to produce meaningful data on the current implementation timetable.

It should also be acknowledged that firms are currently being required to develop reporting capacity for a wide range of significant regulatory requirements. The EBA themselves will be releasing consultations on liquidity, leverage ratio and mortgage reporting in 2012, while nationally firms need consider a wide range of time consuming regulatory objectives, for example, developing Recovery and Resolution Plans. These initiatives require the engagement of the same pool of experienced staff, as well as IT resource prioritisation. Our

member firms are concerned about the capacity of their staff to address the volume of regulatory initiatives within stated timelines.

BBA recommendation: "phasing in" approach

The BBA wants to see COREP developed and implemented in a successful manner, and believes this would best be achieved by a "phasing in" approach to the COREP requirements. We suggest that on the first reporting reference date firms report their own funds data, as outlined in the capital adequacy templates. This would be achievable, would provide a positive start on the reporting of COREP, and a very useful first step towards the goal of maximum harmonisation.

The market risk, operational risk, securitisation and credit risk templates would then be phased in. Firms would report their data on a best efforts basis for Q3 2013, and be fully compliant by Q1 2014. We are concerned that if firms are forced to comply with these templates on the first remittance dates, the data will be of poor quality and incomplete, defeating the objective of COREP.

We have particular concerns about 4 templates which we believe are poorly drafted, unnecessarily duplicative, or simply unworkable in their current form. These are:

- The Group Solvency (GS) template
- The CR IRB GB (Geographical Breakdown) template
- The CR IRB Total template
- The CR IP Losses template

Our feedback about these templates can be found in our response to Q29 and in Annex II of this letter. We recommend that the Group Solvency, CR IRB GB and the CR IRB Total templates are deleted entirely, and that the CR IP Losses template is comprehensively reviewed and redrafted to clarify the data to be collated.

Remittance periods

We are concerned that current remittance periods are unrealistic for delivering data on a project of such magnitude. We recommend starting with a remittance period of 45 business days at Q1 2013, and reducing the remittance period by 5 days each year thereafter until the required remittance period is achieved. This will provide firms with the best possible opportunity to deliver accurate data on a reasonable and achievable timeline.

Conclusion

The BBA fully supports maximum harmonisation. However, in order for COREP to be successfully implemented, firms will need sufficient time to enhance or develop their systems to enable them to report meaningful data that would be of benefit to supervisory authorities.

We remain unconvinced that FINREP will be of any great benefit to firms or regulators. In any case the current framework and templates require significant recalibrating before they will be fit for purpose.

The BBA hopes the comments and suggestions in this letter will prove useful, and we would be delighted to provide any future assistance in the development of the ITS.

Yours sincerely,

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Annex I

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

The costs would be significant. It should also be acknowledged that setting up a system that can meet any data request on any consolidation level is not systematically, operationally or practically possible. If the EBA requests data which is not a requirement from a business perspective, then it is not something firms are likely to able to do without development. Bearing this in mind, serious consideration should be given as to whether the data requested will actually be of real supervisory value.

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?

In the long term it may not be too burdensome once systematic capability is developed. However, it would be beneficial if the EBA could explain why they need both sets of information.

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?

This would have a significant impact on firms that do not account in this way. For some firms, the application of reporting by calendar year instead of accounting year end would lead to reporting effectively done 8 times in the year for both internal management purposes and regulatory purposes.

In addition, regulators at both a national and European level will be unable to reconcile reported figures to published information. Based on this we would question the appropriateness of requiring firms to report on calendar rather than accounting year ends as it would be an additional reporting burden for limited regulatory benefit, particularly for smaller institutions. Furthermore, the information may not currently be readily available for periods outside of accounting quarters.

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

We are concerned that the remittance date of 11 February could be problematic for firms that have not yet gone to the market with their results. Firstly, the figures may not yet be finalised and secondly, it is a potentially enormous risk for the EBA to have information of this nature before it becomes widely available to the market.

There needs to be some flexibility built into the reporting framework with regards to remittance dates to take into account varying factors, for example, national public holidays.

It is also questionable whether there is a need for individual and group reporting on a quarterly basis. We suggest the EBA consider changing individual reporting to a semi-annual or even annual basis.

For some firms their year end is not the calendar year. For these firms, if the EBA wanted income and expenditure data for the year to date on a calendar year basis this would cause

significant difficulties. Their systems are not set up to report on an accounting year basis so there would be a significant amount of time and spend required to set up the reports, and it would effectively mean they had to report two separate positions each quarter which would increase the reporting burden.

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

We would not support changes in the remittance dates if it brought forward the submission dates for individual reporters. Remittance dates in many cases are tighter than pre-existing deadlines and reducing them further would have a consequence on the ability of reporters to submit meaningful data in the given time frame.

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

We need official clarification on exactly what is being requested and what "audited" means. If audited figures were to be submitted separately it would be a significant burden, and something which firms would vehemently oppose as it would provide no tangible additional value. Firms should only be required to resubmit numbers that are materially different, and this is something that would be done by firms in any case.

We also note that firms that do not have calendar year ends would be unable to submit audited figures for these.

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

Submitting figures before publishing year end numbers is potentially problematic as this puts the EBA at significant risk. It would not be beneficial to provide COREP and FINREP reporting on one basis to the EBA and other reports on slightly different bases to national regulators.

In addition, it is unclear how the COREP and FINREP reporting fits in with other regulatory reporting requirements such as the G-SIB template for the EBA and the Recovery and Resolution Planning work currently being undertaken. It would be useful to understand to what extent (if any) the EBA will be taking other regulatory initiatives into account when the developing the reporting requirements.

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

Although the criterion does theoretically lead to a reduced reporting burden, in practice firms will still need to monitor their geographical distribution, so in effect the burden shifts from being a reporting burden to a monitoring burden.

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

Clarification is needed as to whether it will be up to ten countries in order to answer this question.

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

From a processing perspective a threshold must be in place otherwise firms could potentially be reporting on numerous geographical locations of which the majority are of little or no value. Our suggestions include limiting reporting to the top 10 geographical locations or 80% of foreign exposures, together with an absolute value.

11. Is the calculation of the threshold sufficiently clear?

The calculation of the threshold is not sufficiently clear since there are inconsistencies within the CP50 text and definitional issues. We have outlined them below:

<u>10% threshold</u>

- CP50 refers to 'original exposure' whilst Annex II refers to 'exposure' only. Please confirm which exposure value is to be used and its exact definition.
- CP50 refers to 'total exposure', whereas Annex II refers to 'IRB exposure'. Please confirm which exposure value is to be used and its exact definition.
- Definition of 'domestic' is unclear.
    - Please define the term 'located' (which forms part of the current definition).
    - Please note that for some of our members the 'domestic' exposure may not in fact be the largest exposure.
- Please confirm whether the total IRB "all exposures classes" refers to Non Counterparty Credit Risk and Counterparty Credit Risk only and therefore does not include equity, securitisation and Non Credit Obligation Asset exposures.
- Please define the term 'non-domestic country' as it is currently not defined at all.
-

<u>0.5% threshold</u>

- Please confirm that where the 0.5% threshold is breached only a maximum of 9 foreign countries are to be reported.
- Please confirm that for row '080' on the IRB template domestic country exposures are only reported if the 0.5% threshold is breached by one or more foreign countries.

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

Reporting on a semi-annual basis instead of a quarterly basis would reduce the burden.

However, there is an issue for firms that are likely to be moving in and out of the threshold. Would this change with each reporting period or would it remain for a defined (longer) period of time then subject to further review? It would not be ideal for this to be changing on a regular basis. One possible solution would be to allow national supervisors to take this decision.

We also note that the provisions of Article 5 (2) (a) mean that <u>all</u> regulated firms in cross-border groups will have to submit quarterly reports, regardless of their individual size, and regardless of whether their own activities are exclusively domestic. This appears disproportionate.

It is unclear from Article 5(2) (c') whether the threshold only applies apply to firms using the standardised approach to calculating credit risk. Clarification is required on whether any firm

using foundation/advanced approaches to credit risk will not be eligible for semi-annual reporting.

Semi-annual reporting should also made possible for small firms in cross-border groups and irrespective of whether they use the standardised or advanced approach to calculating credit risk.

13. Is the calculation of the threshold sufficiently clear?

It is not clear which year end figures should be used for determining whether the threshold has been exceeded for a particular reporting period. For effective control, national supervisory authorities will need to conduct 'sizing' exercises each year to determine which firms have exceeded the threshold and will therefore be required to report quarterly rather than semi-annually in the following year. For both the reporting firms and the supervisory authority it is important that this clarified well in advance of actual reporting periods.

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?

We have not seen this data but presume it would be relatively straightforward to use in the calculation. We reiterate the point made in answer to Q13, that it is key that threshold calculation is carried out sufficiently far in advance to permit firms and supervisors to understand their reporting obligations for the coming year.

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

The timing is of greater significance than the cost as firms would need to be given sufficient time to collate and submit the results. This would also rest to some extent on the action of the national regulators. It would not be desirable to do monthly reporting to both the FSA and the EBA. If monthly reporting is implemented, it implies firms would need to close their books on a monthly basis, which is not standard practice for all banks. Clarification on whether monthly Own Funds reporting should be estimates or actuals is required.

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

Some firms would do both under IFRS and some would do both under GAAP then some firms would do a combination. The key issue here is that the information would not be comparable across firms.

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

The cost is related to the level of granularity i.e. the more detail required the higher the cost. Furthermore, we are concerned that very granular levels of detail will be excessively burdensome to firms and will not be particularly useful to regulators.

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.

Reporting semi-annually would reduce the reporting burden in comparison with quarterly reporting, but again as mentioned above it would depend on the level of granularity required.

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

We are concerned that the level of complexity of data that is required is not accessible and generally not required in the running of a bank's day-to-day activities. Furthermore we need further details on what is actually being requested. For example, is it consolidation by country and country, regions within a country etc.

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?

Scenario (i) would be theoretically a simpler and cheaper process, but it needs to be acknowledged they would all be difficult.

We do not believe supervisory justification has been made for extending the requirements as currently set out to reporting on an individual level. As a result we would therefore object to any proposal to do so. We also note that theoretically individual entities in cross-border groups may have to report on one basis (e.g. local GAAP) to their national supervisor, but on a different basis (e.g. IFRS) for inclusion in the consolidated group. This would represent a significant duplication of effort for minimal supervisory benefit.

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

As suggested above, we would recommend from 18 to 24 months after we have received further guidance from an additional consultation paper.

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

In general, the software does not provide too great a challenge. However, it depends on the details of the taxonomy itself. If firms are going to be required to tag data items to a very granular detail, this could potentially be of great expense. This expense may be particularly disproportionate for smaller firms.

We are also concerned by the timelines. Firms would need at least 6 months notice of the updated taxonomy to implement the XBRL changes. We request that the taxonomy is released no later that the publication of the final ITS.

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

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

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

(Please note this is only applicable to COREP)

With such a short timeframe there needs to be realistic expectations on the quality of the data submitted. As we have outlined above, it is not just cost that is the issue; sufficient time needs to be given to implement and test the firms' systems.

We therefore recommend a full 12 months for implementation of the ITS. However, this would depend on any national regulators' interim solution as it would not be useful to have a significantly different set of interim measures only for it to change again in 12 months' time. Our recommended alternative to delaying the implementation of the ITS would be to phase in the reporting of the COREP templates as detailed in our cover letter. We would therefore recommend the best approach would be a "phasing in", as detailed above.

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.

Please see our earlier comments on timeframes for implementation. It is also worth taking into account that third party software providers, on whom many of our firms will depend, may not be able to meet the requirements on the current implementation timetable, and may be unable to provide adequate support to all of the firms using their solutions.

It should also be noted that national supervisors also face similar problems in relations to developing their own internal software and reporting systems.

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?

N/A for UK firms.

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

As described in our letter, we believe an implementation period of 24 months is realistic for a development of the scale of FINREP.

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

In theory the individual basis could be quicker, as the results would then be fed into the consolidated basis which would take longer. However for most firms the systems implementation timelines would be the same regardless of whether reporting was individual or consolidated.

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors - displayed in the COREP templates as grey/blocked cells) reduce the reporting burden?

The greyed out boxes have a small impact on reducing the reporting burden. The EBA needs to confirm whether all greyed out boxes will remain greyed out or whether this could change at a later date.

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

There are three templates which have either been introduced in CP 50, or have been substantially changed from earlier versions of COREP, which will cause firms to incur disproportionate costs to implement as currently drafted. These are:

(i) Group Solvency: The Group Solvency template aims to collect very detailed information on individual legal entities within consolidation groups. We do not believe this template is a requirement of the CRR, or indeed is of particular relevance at the aggregated European level. It is likely to be of more relevance, if at all, to national supervisors.

Complex banking groups have thousands of legal entities in their consolidation groups, all of which need to be considered to determine whether they meet the criteria for inclusion in the group solvency template. However this presumes that all of the potentially reportable data (including Risk Weighted Assets) is calculated and available for every individual legal entity, whether regulated or unregulated , which it may not be (some firms have advised they do not calculate Risk Weighted Assets individually for each of the unregulated legal entities in their group, but instead calculate them in aggregate). The IT development needed to amend systems to do this would be substantial, and would be an ongoing issue (complex banking groups typically do not have static legal entity structures). There is a practical difficulty to address also which is that the return asks for every reportable entity to be given a unique code identifier. It is unclear how this will be managed in practice and maintained on an ongoing basis by the EBA.

Firms have advised that current systems will not support the production of this template and that there is not in fact any "data that are readily available or can easily be reprocessed" (CP 50 Annex II 2.1 paragraph 39).

Given the above, we believe that implementation of the group solvency template in its current form is entirely disproportionate to the supervisory value that would be gained from such information. Many firms would be unable to populate this return with meaningful data, and the systems development that would be needed to permit its completion would be extensive, costly and ongoing. The template is not a clear requirement of the CRR. Accordingly we strongly recommend that this template is deleted and that national supervisors be given discretion to develop their own proportionate responses to this perceived data gap. This can be developed in consultation with the industry in each country.

(ii) CR IRB GB template: This template asks for IRB credit risk data according to FINREP asset classifications, which themselves are not clearly defined. IRB credit risk data is not managed or held according to these FINREP asset classes, and firms cannot easily repackage their data into the requested asset classes. The resultant PD and LGD figures would be at best unreliable and at worst misleading. Finally, the data will not in any case be comparable or reconcilable to FINREP geographical breakdowns as the CR IRB GB templates will capture only IRB data, not standardised data.

The detailed CR IRB templates are already set up to capture a substantial quantity of geographical data per IRB asset class. We believe this should be more than sufficient for

supervisory purposes and strongly recommend that the additional CR IRB GB template is deleted.

(iii) The CR IRB Total template: This has been introduced in Annex II 3.3.3 paragraph 82 (1). Although this may have been introduced in response to feedback on earlier COREP templates, we nevertheless believe its introduction is wrong. All IRB asset classes are to be reported individually on the CR IRB template. Therefore the CR IRB Total template represents a duplication of data already collected, which is contrary to the general principles of the COREP templates. Additionally, some of the data in the CR IRB templates cannot be meaningfully aggregated (e.g. PD, LGD, maturity days, number of obligors etc). We therefore recommend that the requirement for a CR IRB Total template is deleted.

30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

Please see Annex II for details.

31. CR IRB – What is your assessment of cost implications of the new lines for "large regulated financial entities and to unregulated financial entities"? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

This will vary from firm to firm, but in general it will be the implementation of the rule rather than the actual reporting that is likely to prove problematic and potentially very costly.

Supervisors clearly must be satisfied that potential new requirements, such as this, are properly implemented by firms. However it is not clear whether by asking firms to report the information requested (original exposure, EAD and Risk Weighted Assets) this will actually demonstrate proper application of the rules. As such including this in COREP is of questionable supervisory benefit.

32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

This question is unclear and we have no broad consensus on it.

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.

Further to our comments in the cover letter, we believe it will be more appropriate to provide detailed comments on the FINREP templates once a further consultation paper on the FINREP framework (individual and consolidated) is released. However, as a starting point, the following are some examples of the issues with the FINREP templates:

(i) Understanding the need for granular information

Template 13: Fair Value Hierarchy – This template requires information which is in excess of IFRS 7 requirements. Specifically IFRS 7 requires a 3 level hierarchy for balance sheet information and P&L information only for L3 financial instruments whereas FINREP requires P&L information for L2 and L3 financial instruments. Since the fair value of L2 financial

instruments are, by definition, determined using observable inputs we do not understand why this is necessary information for the purposes of determining risk. The financial instruments that have the most judgment are L3 given that they include unobservable inputs in the determination of FV. We would suggest that the EBA should only require PL information for L3 instruments since these are where the institution has been required to use the most judgment.

(i) Lack of comparability

Template 12: Transfers of financial assets and other pledges of collateral Para 37 (Annex III, IV and V instructions of CP50 on pg 75) states that it is necessary to report liabilities resulting from the continued recognition of assets associated with transferred assets. This means that these items will be shown as financial liabilities held for trading although often they will be measured at either amortised cost or designated at fair value. Our view is that mixing measurement bases within reported balance sheet lines is confusing and results in a lack of comparability.

(i) Unclear Instructions

It is not clear how the instructions in Annex V should be applied for "non-IFRS reporting institutions". The instructions for Annex IV and V for “non-IFRS reporting institutions” should be completed based upon Bank Accounts Directive (BAD). However many templates have instructions that only reference IFRS so it is unclear how those instructions interact with "BAD". For example, Template 12, para 36 (Annex III, IV and V instructions of CP50 on pg 75) states that the template should be completed based upon IAS 39.15-37.

Where an institution’s national GAAP is not consistent with IAS 39, yet consistent with BAD, does this mean that the non-IFRS reporting institutions has to apply IFRS for the purposes of this template? Yet not for the purposes of the balance sheet templates 1.1 and 1.2. We recommend that the EBA provide more clarity on FINREP templates.

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

We are pleased with the proportionality aspect of this as it will reduce the burden for banks with no significant foreign activities.

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

It is unclear if the details should be reported by residence of the issuer or the counterparty. Until this is clarified it is not possible to give an accurate indication of the cost.

It should also be noted information of this nature is not generally available to firms. It would be very helpful if you could clarify exactly what the data will be used for as this may help firms find a way of producing something meaningful.

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

This will depend on the extent of the gap in moving from current systems towards NACE codes. The BBA is not in a position to give an informed answer on this at the time of writing.

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

The most suitable and cost efficient classification would be for firms to use their current methodology. In order to change over to NACE codes the case needs to be made outlining the benefits and why it is deemed necessary.

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?

Although it will be less costly to have less data points, the initial set up will still result in a significant cost. As mentioned elsewhere, having sufficient time to implement the changes is the greater concern.

The term “domestic” in this context also needs further clarification.

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

The BBA cannot answer this question as it will vary significantly from firm to firm.

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?

The major issue here is the difficulty of actually capturing the data. For example, with structured debt it will not always be possible to identify and report who owns it at any given time. It will also depend on how the items are split, for example, splitting it along business lines is likely to prove more problematic than splitting through geographical breakdowns.

41. Would application of a materiality threshold similar to Article 8 (3) and 11 (3) (reporting the breakdown only if foreign exposures exceed 10 % of the total exposures) reduce reporting burden?

Please refer to question 34.

42. What would be difference in cost implications if breakdown would be requested only with differentiation between domestic/ foreign or alternatively country by country with similar threshold than in Article 8 (3) and 11 (3) compared to the proposal in the Consultation Paper?

Please refer to question 38.

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

The key point to raise here is that firms cannot understand the benefit of a standard template which cannot accurately compare firms’ data (this issue is also addressed above).

44. Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in held for trading portfolio?

The BBA cannot answer this question as it will vary significantly from firm to firm.

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?

The BBA cannot answer this question as it will vary significantly from firm to firm.

Annex II

Capital Adequacy Template

General issues

- This template could potentially be subject to a lot of future change. We are concerned that firms will spend time and money implementing systems that will have to be changed again.

- The validation formula needs further explanation and testing as it is unclear what they are asking for and exactly how the validations will work (and indeed if whether they will work at all).

- The formatting does not work in various places (e.g. rows 700-710 in CA2).

CA1

- *Row 120*: the legal reference here is a question mark. We need a reference to be defined.

- *Row 210*: it is unclear from CRR text exactly what this means. This needs further definition.

- *Row 470*: we would expect the alternative of 1250% available for securitisation to be an option here too.

CA2

- An explanation of what this information will be used for is needed. This template seems to require extra breakdowns but the info is mostly covered elsewhere.

- This should not be quarterly as it just raises the need for more validations and there is little value if it is just repeating the data from other templates.

- *Row 670*: there potential for double counting as this is already included within counterparty credit risk, covered in the IRB template.

- *Rows 700-7*10: an explanation is needed of why these rows are scored out.

- *Row 720*: details need to be provided on the application of the Basel 1 floor.

- *Row 730 - 740*: please provide clarification on what these are is needed for (or does the EBA expecting national authorities to clarify this)?

CA3

- Should data be given as a percentage, to how many decimal points etc. This needs further clarification.

CA4

- *Row 650 – 670*: The above rows require the split of risk weighted exposures amounts for non significant investments which are not deducted from institutions capital. For institutions using VaR the split of this information is not possible as the charge is calculated at an entity level? Could the EBA clarify that this information is only required where the institution is using standardized approach?

- *Rows 740 – 760*: details of the requirements need to be provided.

- We believe the splits required on this template are excessive.

- We need to understand the rationale for departing from the QIS template.

CA5

- The validations and formatting need to be clearer.

- In the current draft of CRD4 there appears to be a range of applicable percentages. Further clarification of which percentage to apply is required.

- What will be the treatment of the pensions addback to reserves (ref Article 461)?

Table 3

- Will the greyed out sections be “ungreyed” in the future?

Table 5

- The instructions stop after row 60

Table 11

- What does “applicable percentage” mean?

Group Solvency Template

Please see our response to Q29.

We believe the Group Solvency template is of limited supervisory value, particularly at the European level. It is wholly disproportionate, and requires data to be collected that is not readily available or re-processed.

For these reasons we strongly recommend that the Group Solvency template is deleted.

Should the EBA choose to retain the template despite our strong objections to it, we note the following specific points:

- *Column 020*: how will codes be created and updated given the large and ever changing number of legal entities which may require to be reported?

- The guidance in Appendix II of CP50 states that the data included in GS should in total be reconcilable to the Group CA template, however as only entities above certain thresholds are to be reported in GS this validation cannot work in practice.

- Risk Weighted Assets may not be calculated at individual legal entity level, therefore it may not be possible to accurately report the Risk Weighted Assets associated with individual legal entities in this template. The value of the data in the template will therefore be seriously compromised.

- How would we apportion or assign Group level concentration risk to entities, would we have to calculate concentration risk on a solo entity basis?

Credit risk templates

General issues

CR SA Details: There are only 4 exposure classes requested for this template, one of which (Government) is actually a combination of 3 separate Standardised exposure classes. Can the EBA confirm that it only requires these 4 sub-classes and does not require any other exposure classes to be reported in the SA Details template?

The detailed guidance in Annex II, and the templates themselves in Annex I, appear to have a number of incorrect references or label names attached to them. Some examples are given below. We recommend that the CR SA Total and Details templates and related guidance are closely reviewed to ensure all referencing and labelling is appropriately updated.

(i) Rows 120, 150, 170 of CR SA Details template state " of which: **without** credit assessment by a nominated ECAI". The CR SA Totals equivalent lines, and the Annex II guidance, state "**with** credit assessment by a". CR SA Details template should be changed to **"with"**.

(ii) The guidance for columns 120-140 collectively (last paragraph last sentence) states: "These figures have to be reported in columns 101 to 130 of CR SA." There is no column 101 in CR SA - this referencing needs to be amended.

(iii) Column 110 states 110 = 090 + 040 + 1000. This last reference should be 100.

(iv) The Annex II guidance for column 470 of CR SA TOTAL refers to "Other items in row 410". Other items are in fact in row 550 of CR SA TOTAL. The referencing in Annex II should be amended.

(v) Annex II guidance row 040 states that "SFT which are included in a Cross Product Netting and therefore reported in row 060 shall not be reported in this row". Cross Product Netting is now reported in row 100 .Annex II guidance for row 040 should be updated.

These are only some of the examples identified – close review is needed to ensure all such errors are picked up and corrected.

<u>3.2 CR SA Total and CR SA Details</u>

- *Column 050*: Are institutions required to report in this column where a parental guarantee exists for a subsidiary that it has an exposure to, and has substituted the risk weight of the counterparty with that of its parent? If parental guarantees are to be reported in this column, what value is to be reported?

- *Columns 50 -100*: Should the report be total amount including guarantees?

- *Row 030*: It is not clear that all of the detailed analysis of off balance sheet items requested in row 030 is necessary for supervision; firms advise some of the data requested may be challenging to deliver. We therefore recommend that there is further "greying out" of cells in row 030.

  Specifically, we recommend that only the following columns remain open <u>(not</u> greyed out) for row 030:

  Columns 010: Original Exposure pre conversion factors.
  Column 150: Fully adjusted exposure value.
  Columns 160-190: Breakdown of the fully adjusted exposure of off balance sheet items.
  Column 200: Exposure value.
  Column 500: RWEA .

  Firms believe this would be a more proportionate way of capturing information on off balance sheet items under the SA approach and would require substantially less time and resource to implement.

- *Columns 090 & 100*: If parental guarantees are to be reported in column 050 are they required to be reported in these columns: a) where the subsidiary and its parent are in the same exposure class; b) are not in the same exposure class? If parental guarantees are to be reported in these columns what value is to be reported?

- *Columns 120-140*: It seems logical that the value of collateral reported should be restricted to the amount of the exposure, in cases where collateral held exceeds the value of the exposure. If this is the case, however, it gives rise to some uncertainties regarding population of columns 120-140. The EBA needs to provide additional guidance on the correct approach to take in reporting in cases of over-collateralisation.

- *Column 150*: Is this the same methodology as column 40?

- *Column 270:* this reference appears to be wrong as it does not exist in regulation. It is unclear what is required and which boxes are to be completed.

- *Column 510*: how would they be measured? Would it be by a netting agreement? In the situation where counterparty covers a number of exposure classes e.g. retail and wholesale etc, where should they be counted? Should they be counted twice? There is also the problem that different institutions will have different definitions of where counterparty should be. To this end it would be helpful for firms to understand what exactly the data will be used for.

- A clear definition of “obligor” and “counterparty” is required.

- *Row 340 -360*: Why are the rows scored out?

3.3.3. Breakdown of the CR IRB template

- CR IRB Total. As set out in our response to Q29, the CR IRB Total template is unnecessarily duplicative, and in any case some of the data included therein cannot be easily or meaningfully aggregated. We therefore recommend that the requirement for a CR IRB Total template is deleted.

- What does “pairwise disjoint” mean?

CR IRB Template

For trading book items which are not Derivatives and SFT’s, where would these items be allocated in the CR SA and CR IRB forms e.g. free deliveries?

- *Column 030*: For derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions. We would appreciate clarification on:
  - If a Master Netting Agreement is in place, is the amount to be reported for all of the above products the exposure value Post Collateral and netting?
  - For Modelled exposures, if no Master Netting Agreement is in place what amount should be reported in this Column?
  - For Non-Modelled exposures, if no Master Netting Agreement is in place that the value reported should be equal to “E” as calculated in Article 269(4) of CRR?

- *Column 31, 131 and 241:* These columns cannot be populated at the moment. Firms will need to wait until CRD4 is finalised to understand the definition of such firms and implement the rule accordingly. It is not clear that reporting this data in CR IRB of itself will demonstrate proper application of this proposed rule in any case, so based on this we would question whether the columns should be deleted.

- The granular analysis of off balance sheet credit risk items that is required for row 030 will be difficult to provide in some cases. It is unclear whether the detailed analysis requested in row 030 will be of any significant additional supervisory benefit.

We recommend that the requirement to split Credit Risk exposures between on and off balance sheet in rows 020 and 030 is deleted, and that in its place a new row for Total (i.e. on and off balance sheet items subject to credit risk) is added. This could be supplemented by two additional columns, namely:

(i) new column “Original exposure: of which off balance sheet items".

(ii) new column "Risk weighted exposure amount: of which off balance sheet items".

We believe this would be a more proportionate way of capturing information on off balance sheet items under the IRB approach and would require substantially less time and resource to implement.

- *Column 040*: Are institutions required to report in this column where a parental guarantee exists for a subsidiary that it has an exposure to, and has substituted the PD of the counterparty with that of its parent? If parental guarantees are to be reported in this column, what value is to be reported?

- *Columns 070 & 80*: If parental guarantees are to be reported in column 040 are they required to be reported in these columns: a) where the subsidiary and its parent are in the same exposure class; b) are not in the same exposure class? If parental guarantees are to be reported in these columns what value is to be reported?
- *Column 170*: for derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions. We would appreciate clarification on:
  - If a Master Netting Agreement is in place, the amount to be reported should be Nil?
  - For Modelled exposures, if no Master Netting Agreement is in place what amount should be reported in this Column?
  - For Non-Modelled exposures, if no Master Netting Agreement is in place that the value reported should be equal to "C" (Collateral before haircuts) as per Article 218(2) of CRR?
- *Column 230:* If this figure is incorporated into each template there is no benefit in providing a total value.
- *Column 280*: as there is no single customer view in the UK it will be impossible not to double count customers.
- *Row 051*: what is the definition of OTC, and under what auspices should it be reported?
- *Row 080:* the threshold is unclear. When defining the 10% and 0.5% thresholds is it greater than or greater than and equal to? Are a maximum number of countries to be reported in each template?
- *Row 130:* are these only completed if you are over the threshold? It is also unclear what pools these are to be put in.
- *Rows 140*-01 to 140-nn: how will reporting of these rows be interpreted in practice, given that supervisory master scales should not be used (which we agree is the correct approach). Should there be an additional column for PD rating scales, which firms use to describe the PD bands applied to each row within rows 140-01 to `140-nn?
- *Columns 040, 050, 060, 140, 150, 160, 170, 180, 190, 200*: The guidance is not clear as to when Adjusted Values of Collateral should be reported and when Market Values of Collateral should be reported. The guidance in this section refers to both but is not specific with regards to Guarantees.

3.3.4 CR IRB GB

The detailed CR IRB templates are already set up to capture a substantial quantity of geographical data per IRB asset class. We believe this should be more than sufficient for supervisory purposes and strongly recommend that the additional CR IRB GB template is deleted.

Please also refer to our earlier comments on this template.

Securitisation templates

General

- Is “off balance sheet” regarded with reference to regulatory or accounting definitions?

- How should a vehicle that is both traditional and synthetic be reported?

- In order to avoid confusion and for the templates to make more sense, having separate templates could be beneficial i.e. one template for originator/sponsor and one template for investor

- Are trading book securitisation positions to be reported in both template 3.7 and template 5.2? could you please clarify

CR SEC SA approach to own funds requirements

General

Confirmation is needed that the returns CR SEC SA and CR SEC IRB only items that have passed SRT are to be reported. This appears to be suggested by the guidance in return SEC Details, which states:

"If own funds requirements are based on securitisation positions (for being significant risk transfer) the computation of own funds requirements shall be reported in the CR SEC SA tem-plate, in case the Standardised Approach is used, or in the CR SEC IRB template, in case the Internal Ratings Based Approach is used by the institution.

If own funds requirements are based on securitised exposures (for not being significant risk transfer) the computation of own funds requirements shall be reported in the CR SA template, in case the Standardised Approach is used, or in the CR IRB template, in case the Internal Ratings Based Approach is used by the institution."

However, we also note that in s3.8.1 (Guidance on SEC DETAILS), para 111 that "regardless of whether there has been a significant risk transfer or not, institutions have to report information on all the positions they hold ".

Can you please clarify the correct approach for which template?

For securitisations originated prior to 1 January 2013 where firms now hold no position do firms have to report any information on this template?

Going forward for origination activity where firms hold no position do they only report such origination activity for the year in question on this template?

- *Column 20*: for the default fund contribution, under SA Details, please clarify if you can only report everything under on balance sheet whereas you have the option of reporting under both on and off balance sheet under SA Total. The breakup also needs to be clarified.

- *Column 190*: the *validation* formula is missing.

- *Column 210*: Please confirm that these should be greyed out as these rows relate to credit risk only.

- *Row 010*: should this be greyed out all the way down?

- *Rows 020 – 030*: Please confirm that these should be greyed out as these rows relate to credit risk only.

- *Row 130*: should be row 100.

- *Rows 250 –290*: this would not be relevant to an investor, only to an originator or sponsor.

CR SEC IRB approach to own funds requirements

- Should column 10 row 180 to column 40 to row 420 be shaded?

- *Column 60:* unfunded credit protection does not have a substitution effect under the rating based approach. Please confirm whether items such as unfunded guarantees should be detailed here.

- *Column 070*: Funded Credit Protection refers to article 196 of the CRR. Is eligible collateral restricted to that in article 196, or, should this refer to articles 193 to 196 inclusive, which contains a broader definition of eligible collateral? The guidance states that "Since the Financial Collateral Simple Method is not applicable, only funded credit protection according to article 196 of CRR shall be reported in this column".

- *Columns 130-160:* are these only relevant to off balance sheet items with revolving securitisations in mind? A clearer definition of the term off balance sheet is required.

- *Columns 200 to 310*: Should firms assume that the credit quality steps used to analyse positions treated under the ratings based method are the same as those found in current FSA guidance?

- *Column 350:* is the EBA interested in funding risk?

- Column 400 appears to be asking for Risk Weighted Assets held against positions that are calculated using the standardised approach. Is this correct?

- *Column 420*: confirmation is needed as to whether the assumption is this will always be nil unless the relevant authority has specified otherwise is valid here.

- *Columns 440-460*: please confirm what the cap relates to.

- *Row 20*: many will not be common knowledge i.e. they will not be listed. Are we to leave the section blank in this instance?

- As the template only sets out so many rows please confirm firms must add more as necessary.

General

- As lot of the information is duplicated from the SA and IRB templates – this could be semi-annual or removed altogether.

- The guidance notes for the SEC Details return state that investors shall report on columns 010-040; 070-110; 160; 190; 290-400; 420-440. Is that a minimum requirement or is it the extent of the information the EBA wants from investors?

- Sections 080-100 on retention seem to be more applicable to originators (the guidance notes for 080 & 090 refer to originated securitisation schemes and originators/sponsors). Does the investor have to report how the originator/sponsor of the securitisation retains risk and the size of the originator's/sponsor's retained position?

- The volume of data which could be reported in the CR SEC Details, due to the inclusion of all invested positions, may be substantial, but each individual invested position may be relatively immaterial. The effort required to report each invested position individually would appear disproportionate to the likely supervisory benefit that may be gained from this information. Should thresholds be applied above which invested positions should be reported?

Template

- *Column 010:* We do not understand how this information would be useful to the EBA. Furthermore, not all organisations will have a code to report anyway. Clarification is also needed on whether any private arrangements should be reported.

- *Column 020:* asks for the first 9 characters, but there are only 8 in the regulatory book.

- *Column 050:* is there any need to state whether it's off balance sheet or not.

- *Column 60:* This seems to increase the level of reporting disproportionately to what in currently in place?

- *Column 160:* need clarification on which are most important.

- *Column 180:* number of exposures is not helpful: going through (for example) 500 exposures.

- *Column 290:* Does this refer to all positions or just where you are an originator or a sponsor.

- *Column 300:* see column 290.

- *Column 430 and 440:* what does "cap" refer to?

- *Column 450 – 510:* templates are absent.

Operational Risk Template

General issues

- Should the OPR Details template be reported at Group level only, and not also at the Solo level? This would avoid potential double counting of losses, and also eliminate some difficulties in allocating losses incurred in groups between regulated entities.

- “Gross loss” needs definition (it is not defined in the CRD either), particularly with reference to whether you should report the net amount.

- Group losses could potentially be very complex to report where there is a loss across multiple business lines which then has to be reported overall.

Market Risk Template

General issues

- Which cells is formula driven and which require confirmation?

- Clarification of when the Delta templates will become available would be helpful. If it is not finalised until the end of the year should we keep running the current template.

- Confirmation that where columns are headed “Net Positions” – that this equates to the net of the previous 2 columns (All positions) put in the appropriate Long/Short Net Positions column – i.e. see below:

ALL POSITIONS		NET POSITIONS	
LONG	SHORT	LONG	SHORT
80	250		170

- Confirmation of what is required in the columns headed “TOTAL RISK EXPOSURE AMOUNT” is needed.

5.1 MKR SA TDI

- Confirmation that all currencies above 2% of gross positions require a separate sheet (i.e. if there are 30 currencies do firms submit 30 returns)?

- If currencies below 2% are not being shown on the individual returns, how can the total capital be linked to the CA return?

- Should there be a line for Option PRR for interest rate positions?

- Should there be a line for CAD1 PRR for interest rate positions?

- Clarification of what is required on line 350 – “5. Other non-delta risks for options”.

5.4 MKR SA EQU

- Confirmation that all national markets above 2% of gross positions require a separate sheet (i.e. if there are 30 national markets do we submit 30 returns)?
- If national markets below 2% are not being shown on the individual returns, how can the total capital be linked to the CA return?
- Should there be a line for Option PRR for equity positions?
- Should there be a line for CAD1 PRR for equity positions?
- Clarification of what is required on line 090 – “4. Other non-delta risks for options”.

5.5 MKR SA FX

- Confirmation of what is required in the section “BREAKDOWN OF TOTAL POSITIONS (REPORTING CURRENCY INCLUDED) BY EXPOSURE TYPES e.g. line 080 for Derivatives refers to Articles 317 to 319 which is only relevant for Interest Rate derivatives. Is this the intention?
- Should there be a line for Option PRR for foreign currency?
- Should there be a line for CAD1 PRR for foreign currency?
- Clarification of what is required on line 050 – “4. Other non-delta risks for currency options”.

5.6 MKR SA COM

- Should there be a line for Option PRR for commodity positions.
- Clarification of what is required on line 100 – “4. Other non-delta risks for commodity options”.

5.7 MKR IM

- It is unclear whether this relates to VaR or stressed VaR.

Losses Collaterised by Immovable Property Template

General

The CR IP Losses template is poorly defined and therefore subject to varying interpretations by firms which could seriously compromise the quality and comparability of data collected. In particular we note that there is no definition of "losses" despite this being fundamental to the purpose of this template (we suggest the definition needs to make reference to write-offs). In addition the template asks for data on "reference percentages" for both IRB and Standardised exposures, although the concept of reference percentages is only relevant to Standardised Exposures. Accordingly our firms advise that they would be unable to deliver this breakdown for IRB exposures.

We note that Article 96 of CRR states that data should be collated in respect of "losses stemming from [ ]………**in any given year".** In our view this means that this template only needs to be collated annually, not quarterly, and recommend that the guidance is amended to state this. It would also be more straightforward for preparers if information on losses (write-offs) was only to be provided once a year. Additionally, if an annual frequency was required, this would allow more time before first reporting period (which would be 31 December 2013) thereby supporting our proposal for a phased implementation of COREP.

We propose the template should be required at consolidated group level only, as the data is required for analysis purposes only rather than supervisory.

Given the weaknesses in the definitions provided for CR IP Losses, we recommend that the whole template is closely reviewed and redrafted to remove potential ambiguity in definitions. We specifically recommend that data on "reference percentages" is restricted to IRB exposures only, and that the definition of losses makes specific reference to write-offs.