

19th March 2012

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Dear Sirs

APCIMS¹ response to EBA Consultation Paper on Draft Implementing Technical Standards on Supervisory reporting requirements for institutions (CP 50)

The majority of APCIMS member firms are limited licence firms and the scale and nature of their activities is such that they do not give rise systemic risk. Most business conducted by our member firms takes place within the UK; a minimal amount of cross boarder business is undertaken.

We note the comments in CP50 that reporting requirements have been developed taking into account the nature, scale and complexity of institutions' activities and that proportionality is an integral part of the ITS with certain reporting requirements. We question whether this is actually correct. The entire document appears to us to be bank centric; in drafting the paper to what extent has consideration been given to a two partner firm employing less than 10 people who will be subject to the these proposals? The consultation paper provides no analysis of the impact of the proposals for different types of business models nor do the attached annexes allow individual firms to readily ascertain the impact on their reporting requirements. Indeed investment firms will need to have an extensive knowledge of the prudential requirements of banks in order to determine that the majority of fields do not apply to their activities.

The rationale underpinning CP50 is the harmonisation of reporting requirements to improve the efficiency of banking supervision by providing comparable information and contributing to the efficiency of reporting procedures within institutions. We recognise the need for firms giving rise to systemic risk to be monitored on a harmonised basis but we do not believe that a 'one size fits all approach' is appropriate for firms whose activities do not give rise to systemic risk.

¹ The Association of Private Client Investment Managers and Stockbrokers (APCIMS) is a trade association representing 181 member firms. Of this number 119 members are private client investment managers and stockbrokers and 62 are associate members who provide related services to our firms. Member firms deal primarily in stocks and shares as well as other financial instruments for individuals, trusts and charities and offer a range of services from execution only trading (no advice) through to full portfolio management.

Our member firms operate at more than 580 sites in the UK, Ireland, Isle of Man and Channel Islands, employing c.30 000 employees. Over £475 billion of the country's wealth is under the management of our members. Our aim is to ensure that regulatory, tax and other changes across Europe are appropriate and proportionate for the investment community.

There is scope for limiting the impact of these guidelines on firms not conducting cross boarder activity to any material extent and whose businesses do not give rise to systemic risk. Our view is that our competent authority should be given national discretion to determine the reporting requirements of our firms and that the existing provisions of CRD III and current reporting obligations should remain. It appears to us entirely illogical that national discretion cannot be given in respect of proportionality for those firms that do not give rise to systemic risk. In respect of the regulatory reform taking place in the UK this would enable the FCA, who will be responsible for investment firms who do not give rise to systemic risk, to focus on their major concern, which is whether a firm is maintaining sufficient capital to ensure an orderly wind down of the firm in the event of their default. The EBA appears to be adamant that there is no national discretion for proportionality but it is entirely unclear why such a pragmatic solution is being rejected. The CP fails to demonstrate that the EBA has any understanding of the impact of their proposals on investment firms.

The costs associated with implementing the proposals will, we believe, be considerable for investment firms although we have found it difficult to derive accurate costings. We note² the EBA believes that the costs for banks will fall; we are unclear as to the basis for this belief and what the EBA's view is regarding the costs for firms who are not banks, particularly small investment firms.

Whilst we recognise the deadline for the implementation of CRDIV results in the first data set being submitted by 13 May 2013 there appears to be no recognition within the CP that this timetable is exceedingly challenging both for the competent authorities and authorised firms. Many small investment firms do not have the resources to hire external consultants to meet the deadline and there needs to be greater recognition that the current timetable is too short. Whilst we recognise that the European Commission has set an implementation date of the 1st January 2013 for the new CRR requirements there appears to be no acknowledgement in CP50 that the timescale to specify system changes, build and test such changes is too short both for competent authorities and regulated firms. The credibility of the EBA is undermined if it produces guidelines which fail to demonstrate an understanding of the difficulties associated with implementing the guidelines. The EBA needs to advise the European Commission if it sets arbitrary deadlines that cannot be met.

In summary, the proposals result in our firms incurring significant additional costs with no tangible benefits to our regulator in terms of improving their monitoring of our firm's prudential requirements. The focus of CP50 is that a 'one size fits all' approach will apply with no serious consideration of proportionality and what appears to us to be a lack of understanding of the types of investment businesses that are subject to the CRD. The most obvious solution is to retain national discretion for proportionality which we would strongly support and allow the existing provisions of CRD III and current reporting obligations to remain for firms who do not give rise to systemic risk.

Please do not hesitate to contact me if you have any queries on the content of this letter or our responses to the questions set out on the attached appendix.

Yours faithfully

A handwritten signature in black ink that reads "Ian Cornwall". The signature is written in a cursive, slightly slanted style.

Ian Cornwall
Director of Regulation

² Per the slides of the EBA presentation at the public hearing.

CHAPTER 1

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?**
- 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?**

Questions 1-2 We have been unable to readily ascertain the costs associated with these proposals.

CHAPTER 2

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?**

We are not entirely clear what is intended by the proposal. If the proposal is that a firm should have an accounting reference date as at 31 December and, where applicable, change their year-end in accordance with UK company law then we are strongly opposed to the proposal. Firms would incur considerable costs in implementing such a proposal for no obvious benefit.

If the proposal is that a firm should report the regulatory returns on a calendar year basis it would still result in firms incurring additional costs since most firms effectively produce their regulatory returns as part of their management reporting cycle which is related to the firm's accounting reference period. There is no indication that the current arrangement causes our regulator any difficulty in monitoring firms' prudential requirements and, given our firms do not give rise to systemic risk, we cannot see the need for firms to incur such costs. In assessing proportionality the EBA must be mindful of the fact that small investment firms should not be forced to report in a manner that is designed to address banking activities.

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

No comment.

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

No comment.

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

Firms are currently allowed 120 calendar days to submit their audited figures which we believe is a reasonable period. It is impossible to determine what the earliest point would be to submit audited figures. The audit costs would rise significantly and we are uncertain whether there is sufficient audit resource with the relevant expertise to achieve this aim. The current timescale does not appear to cause the UK regulator any difficulties and we cannot identify any material benefits from this proposal.

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

As we outlined in our response to question 3 we are not entirely clear as to the exact nature of the proposals. It will be the case that if firms are forced to adopt a mandatory reporting cycle then for certain firms it may give rise to conflict with other reporting cycles, such as the production of management accounts.

CHAPTER 3

Format and frequency of reporting on own funds requirements

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

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

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

11. Is the calculation of the threshold sufficiently clear?

Questions 8 to 11 above are not relevant for our firms' business models.

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

13. Is the calculation of the threshold sufficiently clear?

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?

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?

Questions 12 to 15 above are not relevant for our firms' business models.

Format and frequency of reporting on financial information

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

We are aware that some firms consolidate on the basis of IFRS but use UKGAAP at an individual level.

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

In the context of our member firms the costs outweigh any benefits.

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.

The main costs, which could be considerable, are incurred in setting up and maintaining the reporting architecture. The frequency of extracting data and producing reports is only an additional marginal cost.

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

We have no specific comments on this issue.

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?

The volume of data is such that firms have been unable to make an assessment.

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

We cannot readily assess the implementation time that would be required.

CHAPTER 6

IT solutions

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?

Most of our firm will require external assistance to report in an XBRL format and the level of support required by small firms will be considerable, effectively they will have to outsource the reporting. Firms will need to establish supervisory controls to ensure any outsourcing activity is closely monitored.

CHAPTER 7

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)

The timescale is totally unrealistic. Our firms do not have the resources to meet the proposals given this timescale.

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.

The timetable should not be arbitrarily set but should be determined following an assessment of the time needed for competent authorities and all types of firms to specify, build, document and properly test the system changes.

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.

Our view is that it would take a minimum of one year to make the system changes following the publication of the final specification by our competent authority.

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?

Very few of our member firms will be subject to FINREP and we are unable to accurately determine the minimum implementation period.

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?

We are unable to accurately determine the minimum implementation period.

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

No comment.

Annex I and Annex II

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?

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

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.

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?

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?

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.

Template 10 (Annex III and Annex IV)

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

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

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

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

38. What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown?

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

Template 14 (Annex III and Annex IV)

40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world?

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?

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?

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?

Instructions in Annex V

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

Questions 28 – 44: We, and our member firms, have been unable to undertake a detailed analysis of the data set out in the annexes.