

## General comments from the Banking Stakeholder Group on ITS capital disclosure

- We welcome the EBA's intent to provide uniform templates as soon as possible without waiting for the final rules in order to give the European institutions the time they need for implementation. We also appreciate that EBA designs templates that are as close as possible to the ones proposed by BCBS last December in the expectation that once adopted it would ensure comparability and consistency at the international level. However, shortly after the publication of this ITS, BCBS released its final rules on capital disclosure, which most probably explains certain misalignments that need to be corrected. This is particularly the case for **the implementation date extended to June 30, 2013 in the final BCBS version**. We recommend that the new implementation date to be set by the ITS be defined as 1 year after the actual enforcement date of the CRDIV/CRR.
- **We suggest that the EBA reconsider implementing the transitional templates.** This measure would actually confuse the market as its mere existence presumes the perfect comparability of the figures disclosed between different jurisdictions and institutions. This template provides a level of detail that may be misleading or inappropriate and actually makes the phase-in useless. **There is no need to go beyond the actual Pillar III requirements.**
  - Unlike the proposed Basel III transposition in the USA (where the phase-in approach is fully respected), the EBA is contemplating the acceleration of the transitional arrangements at national discretion. **Disclosing all the implementing detail is the indirect negation of the progressive adoption of Basel III.** We do not understand the rationale of such an orientation that seems to openly authorise the gold-plating attitude and put all European institutions under the markets' supervision. This is totally at variance with the purpose of this framework, i.e. the harmonization of capital disclosure.
  - **The RWA measures will be seen as directly comparable while in fact they will not be on multiple legitimate and, in few cases questionable, grounds.** The credibility and understanding of the RWA dispersion is tied **to the outcome of the BCBS RWA peer review it is conducting and that may take time.** **Hasty disclosure** in this regard would exacerbate the debate to no avail.
  - **Implementing these templates without clear definitions of each data could, once again, be misleading.** Both BCBS rules and this ITS provide brief explanation of each row of the template. However full standardisation/harmonisation at international level can only be possible once the level 1 regulation is reviewed and harmonised throughout the different jurisdictions.
- **We believe there is no advantage, and some disadvantages, in the suggested requirement that the accounting/prudential reconciliation of the whole balance sheet should be disclosed.** The CRR Article 424 only requires full reconciliation for the own fund

**components**<sup>a</sup>. ITS are not supposed to be more restrictive than the level 1 text but to provide helpful specifications. In case we are misinterpreting this requirement, this point should be made clear. In any case, we strongly doubt that the reconciliation of the whole balance sheet would be of any use to the public.

- The EBA should also consider again if this level of granularity and detail is justified by the market's need. The market's appetite for such detailed and complex information is far from being demonstrated. **We caution against the limited readability and risk of misinterpretation.** In addition, the transitional and post-2018 templates require disclosing sensitive information which may affect the pricing of strategic transactions. **We do not believe that this level of granular complex information is relevant for the market and are anxious about potential consequences of misinterpretation of this accumulation of complex information that may not be relevant.** There should be an appropriate balance between the transparency and level of granular information (see our comment above).
- Finally **we suggest EBA should conduct its proper cost/benefit review in the European context.** Whereas the proposed Basel III transposition in the USA currently requires the disclosure to be applicable only to "top-tier banking organisations with \$50 billion or more in total assets", all European institutions are subject to CRR and therefore to this ITS. **The impact assessment** to be conducted involves a completely different scale and **needs specific consideration of small institutions. The operational burden for producing detailed reporting should be assessed in combination with the new remit date requirements.** In effect, the level 1 text (article 420 of CRR) currently under discussion shortens dramatically the remittance date to "in conjunction with the date of publication of the financial statements" from "as soon as practicable" in CRD III. Amendment to revert to the CRD III provisions on this particular point has been proposed. If it is not taken into account, this change will require very significant IT investments. The highly granular complex data reported in such a short timeframe entails huge efforts in automating processes<sup>b</sup>.

**Q01: Are the provisions included in this draft ITS sufficiently clear? Are there aspects which need to be elaborated further?**

The overall framework should be revised taking into account our comments.

**Q02: Are the provisions provided for the balance sheet reconciliation methodology sufficiently clear?**

For reasons outlined above, we do not agree with the concept of making available to the public the whole balance sheet reconciliation. Disclosing the accounting/prudential reconciliation of elements of own funds can be useful but only at a relevant level of granularity.

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<sup>a</sup> *Article 424 Own funds.* Institutions shall disclose the following information regarding their own funds: (a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 29 to 32, 33, 53, 63 and 74 to own funds of the institution and the balance sheet in the audited financial statements of the institution;

<sup>b</sup> The difficulty can be demonstrated by the following examples:

- The consolidation process will be complex in particular regarding the thresholds that will have to be recalculated at each consolidation level. Moreover, detailed sub-group information will have to be reported to the parent consolidation level (ex. case where at a sub-group level, participations and DTA hit the threshold but not at the group level, assuming that the parent has no other participations or DTA);
- The table in Annex III on the capital instruments main features cannot be industrialized and will have to be maintained manually.
- Some tables include "description" / "comments" sections which will have to be fed in manually. It would be better if these sections could be categorized to be exploitable at a aggregate level.

**Q03: Are the instructions provided in the template on the main features of capital instruments, in the general own funds disclosure template and in the transitional disclosure template sufficiently clear? Should the instructions for some rows be clarified? Which ones in particular? Are some rows missing?**

We will only be able to answer this question once the level 1 text is adopted and also all the RTS on own funds are finalised. Some articles in CRDIV/CRR are still under discussion. Also, as specified in our response to the first part of the RTS relative to own funds, some definitions need to be clarified further.

**Q04: Our analysis shows no impacts incremental to those included in the text of the Level 1 text are likely to materialise. Do you agree with our assessment? If not please explain why and provide estimates of such impacts whenever possible.**

We do not fully understand the question. If this question is about identifying any discrepancy between level 1 text and this ITS, we draw the EBA's attention to the issue that we have developed in our comment regarding the reconciliation of the whole balance sheet. Apart from this point, the ITS seems to be in line with the details required by the level 1 text.