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Dear Mr. Farkas,

Deutsche Bank's response to EBA consultation paper on draft implementing technical standards (ITS) on supervisory reporting requirements for large exposures (CP51)

Deutsche Bank (DB) welcomes the opportunity to comment on the EBA's consultation paper on draft implementing technical standards (ITS) on reporting requirements for large exposures. We support the effort to further harmonise reporting requirements in Europe as an important step towards convergence of supervisory practices.

Our high-level comments are included below and detailed comments in response to the specific questions set out in the CP are provided in the appendix.

General comments

Enhancing regulatory harmonisation of reporting requirements, including those for large exposures, will in our opinion lead to greater efficiency for institutions and greater scope for comparison and analysis of data across different jurisdictions.

DB welcomes the important role that the European Systemic Risk Board (ESRB) will play in assessing the concentration and contagion risks in the European financial system. It is important that the data fed into the ESRB is appropriate for those purposes.

A number of Member States already have in place reporting requirements to monitor risks in the system. It is important to draw on those existing requirements and avoid creating overlapping regimes which do not necessarily differ in objective, but differ in the presentation of data. To support the ESRB's objectives, pan-European reporting requirements need to be aligned in terms of formats and frequency.

The data on exposures provided to authorities serves two purposes:

Supervisory:

- Monitoring of compliance *by firms* with large exposure regulation by the competent authorities;

Macroprudential:

- Assessment of concentration and contagion risks in the *financial system* from a macroeconomic point of view by macro prudential bodies.

We believe that the supervisory objective will be achieved through reporting on large exposures as envisaged in this ITS.



It is clear that the proposal to lower the reporting limit primarily has the purpose of facilitating macro-prudential analysis by the ESRB. However, we think that the proposed threshold of EUR 150 million for reporting scope is too high to allow the ESRB to collect the data necessary to make an accurate assessment of macroeconomic developments.

For example, Deutsche Bundesbank uses a quarterly loan report (quartalsweise Millionenkreditmeldung) pursuant to Article 14 of the German Banking Act to collect data for macroprudential analysis to identify potential risks to the stability of the overall financial system. German institutions submit these quarterly reports covering all exposures of EUR 1.5 million or more. In fact, the Bundesbank announced that next year they will lower the threshold to EUR 1 million as EUR 1.5 million is deemed to be too high for meaningful macroeconomic analysis.

Simply extending the scope of large exposures reporting by lowering the threshold in the ITS will not allow the ESRB to make the assessments meaningful and fit for purpose. Instead, we propose that the exposure information already collected by authorities with a macro-prudential remit at a Member State level should be collated and used by the ESRB. We believe that for macro-prudential purposes there is no need to require the reporting on both solo and consolidated basis as the focus of the ESRB is not on the creditor but on the overall exposures in the financial sector. That is why we argue that the submission should either come from every institution on a solo basis or from the banking groups subject to consolidated supervision on a consolidated level, but not from both.

We also question the usefulness for macro-prudential purposes of information submitted for large exposures reporting on the basis that the substitution approach and the use of different collateral approaches (substitution approach versus fully adjusted exposure value) will affect its comparability. The latter in particular would lead to inconsistencies in the data and further emphasises why using data on large exposures would not necessarily allow the ESRB to make meaningful macro-prudential assessments. A simpler approach towards collecting collateral data would be more suitable, such as allowing firms' own valuations to be used. We propose a submission of collateral with the values according to the institutions' own assessment.

Finally, it ought to be noted that any changes to the reporting threshold should not have any impact on the definition of large exposures according to Article 381 CRR. They also should not have implications for the requirements set out in the CRR with respect to managing or monitoring large exposures

We look forward to continued dialogue with the EBA on these important issues.

Yours sincerely,

Andrew Procter
Global Head of Government and
Regulatory Affairs



ANNEX I

Overview of questions for consultation: Questions 1-3

Q1: The EBA envisages 31.03.13 as the first reporting reference date. The EBA's interpretation is that banks would have an implementation period of nine months providing that the EBA finalises its draft ITS by 30.06.12.

A period of nine months is challenging, but is not unreasonable, as the data is generally available within existing internal systems for the purpose of risk management and for existing national reporting requirements.

That said, when setting the first reporting reference date the EBA ought to take into account that firms will need to factor in a monitoring period of three months ahead of the reference date. The monitoring period is necessary in order to allow the identification of the counterparties reaching the 10% eligible capital base. So in effect the implementation period is shortened to six months.

For some banks reorganising the systems architecture, including the adaptations of IT systems will pose challenges. Any IT changes should ideally be implemented before the large exposure monitoring period starts in order to guarantee a consistent data base.

Therefore, we strongly recommend that in setting an implementation period of at least nine months as envisaged by the EBA, the 'start date' should be taken to be the beginning of the three month monitoring period rather than the reporting date. Consequently the first reporting date should be no earlier than 30.06.13.

Q2: n/a

Q3: In general, we do not expect substantial differences between the effort needed for assembling reporting on an individual or a consolidated basis.

Annex VIII and Annex IX: Questions 4-9

Q4: We believe that the proposed additional reporting requirements will not impose disproportionate costs – subject to a sufficient implementation period which will allow for IT system adjustments.

Q5: As part of the regulatory reporting package we think it would be appropriate to align the large exposures reporting with COREP. Hence the type of exposure breakdowns should differentiate between on-balance sheet, off-balance sheet and counterparty credit risk instead of referring to FINREP (columns 90-140, 150-190, 260-300). This would facilitate reconciliation between COREP and the large exposure reporting.

Concerning column 220 (exposures deducted from own funds), there should be clarification regarding the expected information, because Art. 379 (6) of CRR clearly states that positions according to points (a) to (e) are not classified as exposures in the large exposure regime. Hence we believe that there is no mandate to include exposures according to Art. 379 (6) of CRR in the large exposure reporting at all.

Q6-7-8-9: Regarding questions 6 to 9 we think that it is unnecessary to introduce a breakdown by sector/residence/economic sector as it should be possible for the EBA to use NACE codes for this purpose.