

BLACKROCK

European Banking Authority

Tower 42 (Level 18)
25 Broad Street
London, EC2N 1HQ
United Kingdom

BLACKROCK

12 Throgmorton Avenue
London, EC2N 2DL
United Kingdom

London, 26 March 2012

Comment Letter – Consultation paper on draft Implementing Technical Standards (ITS) on supervisory reporting requirements for institutions (CP50)

Dear Sirs,

BlackRock, Inc. (“BlackRock”) is a global investment manager, overseeing \$3.513 trillion (€2.71 trillion) of assets under management at December 31, 2011. BlackRock and its subsidiaries manage approximately 3,500 investment vehicles, including registered investment companies, hedge funds, private equity funds, exchange-traded funds and collective investment trusts, in addition to separate accounts. Currently BlackRock complies with the prudential reporting requirements for 25 regulated entities located within 18 European countries.

BlackRock appreciates the opportunity to provide comments on the Consultation Paper on draft Implementing Technical Standards (ITS) on supervisory reporting requirements for institutions (CP50). We applaud the efforts of the European Banking Authority (EBA) with regard to its aims of implementing uniform reporting requirements which are necessary to ensure fair conditions of competition between comparable groups of credit institutions and investment firms.

This letter to the EBA outlines BlackRock’s concerns in relation to some of the proposals contained within CP50. Specifically it will highlight the operational difficulties large investment firms may face as a consequence of the following:

1. Having to complete templates which are not relevant to investment firms.
2. Having to file individual entity submissions and consolidated entity submissions on the same date which would stretch resources given the proposed timelines for filing.
3. Having to submit annual accounts as early as 11 February each year.
4. The current lack of clarity in relation to the IT solutions due to the taxonomies not being finalised until the middle of 2012.

In light of the difficulties described within this letter we would ask the EBA to:

1. Reconsider the proposal for individual entity submissions and consolidated entity submissions to be filed on the same date.
2. Reconsider the requirement for annual accounts to be submitted as early as 11 February each year.

BLACKROCK

3. Consider delaying the first quarterly remittance date from 12 May 2013 until later in 2013 in light of the current lack of clarity in relation to the detailed specifications of IT systems required.
4. Clarify the sections of the reporting form investment firms will be required to complete.

The above reflects our opinion that the current proposals contained within CP50 do not lend themselves to achieving the EBA's objective of obtaining good quality data from regulated entities.

Chapter 1 – Subject matter, scope and definitions

The following comments do not specifically relate to questions within Chapter 1 of CP50 but do raise questions in relation to the relevance of sections within the templates to investment firms.

CP50 states that the five blocks of templates contained within Annex II of the CP are designed with the particular aim of specifying uniform formats, frequencies and dates of prudential reporting as well as describing IT solutions to be applied by credit institutions and investment firms in Europe. Whilst BlackRock understands the desire for uniform requirements and is keen to comply with the proposed new reporting requirements we are concerned that the templates appear to have been drafted primarily from a banking perspective. As a consequence large sections of the templates do not apply to investment firms. For example, investment firms do not typically have a trading book. With a view to ensuring accurate submissions which will be of use to the EBA it would be beneficial for investment firms to understand the following:

1. if an investment firm finds that a section within one of the five templates is not relevant to its operations should that firm:
 - enter zeros,
 - leave the section blank or, state “Not Applicable” or “N/A”?
 - Also, will it be possible for an investment firm to have a pre agreed exemption from sections which are not applicable?
2. will there be scope for investment firms to still use the simplified approaches to calculating credit, market and operational risk?

Chapter 2 – Reporting reference and remittance dates

The following comments relate to questions 4, 5 and 7 within CP50.

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

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

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

CP50 proposes that individual entity submissions and consolidated entity submissions are made on the same date (Group Solvency template excepted). CP50 also states that annual unaudited accounts will be required to be submitted by 11 February each year. We have concerns that these proposed requirements will not allow for a more streamlined process as suggested in CP50 (Question

BLACKROCK

4) and may even have the opposite effect and result in resources being stretched and the quality of data being impaired, particularly for very large and complex regulated entities. Our specific concerns in relation to reporting reference and remittance dates are as follows:

1. Requiring entities to submit both individual and consolidated returns at the same time could potentially risk diluting the quality of data contained within the reports regulated entities produce. The existing requirements allow relevant entities to submit their consolidated accounts half yearly. This timescale allows entities to first focus on their solo returns and ensure their accuracy prior to preparing their consolidated returns. Requiring both types of reports at the same time could disrupt established processes and procedures.
2. It is not currently clear what the format of unaudited accounts will be.
3. The proposal to submit both types of returns on the same date could also stretch resources where individuals are involved in the preparation of both the individual and consolidated reports. This would be especially true if those individuals have the additional challenge of simultaneously reporting within numerous jurisdictions. Also, many regulated entities affected by COREP will also be challenged by the requirements of other legislation currently being developed such as the Alternative Investment Fund Managers Directive (AIFMD) and Solvency II. This will place additional demands on resources. It would be helpful if firms could stagger reporting requirements over the course of a financial year.
4. It is questionable how much benefit the EBA will derive from accounts submitted on 11 February, so soon after the year end. The existing Financial Services Authority (FSA) rules allow a regulated entity 80 days to submit its audited annual report and accounts. This timescale has the advantage of enabling the entity to submit its most complete and up to date set of figures reflecting any audit adjustments highlighted during the year end audit. As a consequence the entity is able to submit to the FSA accounts which the regulator should find useful. It is debatable whether the EBA would derive the same level of benefit if accounts have to be submitted as early as 11 February each year with limited and incomplete disclosures. This is because accounts will be submitted when the year-end process is still ongoing and adjustments are still being considered. As the requirement applies to all regulated entities this will also place a considerable strain on external service providers, including external auditors ability to deliver a quality service for all their clients within such short time frames.
5. It is not clear from CP50 if additional reports would be required if the final audited statutory accounts differ from the unaudited accounts submitted on 11 February.
6. It is not clear from CP50 if prior year comparatives will be required.

Chapter 6 – IT solutions for the submission of data from institutions to competent authorities

The following comments relate to Question 22 within CP50.

Question 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?

We have been informed by the FSA that the taxonomies will not be finalised until the middle of 2012. The FSA has also informed BlackRock that it is currently working on a technical solution which will allow onward transmission by the FSA (and subsequently the Financial Conduct Authority and the Prudential Regulatory Authority) to the EBA. We are concerned that there is a risk that the technical solutions may not work or be ready in time in which case this could result in either a manual work around for initial reporting or a cost having to be borne by regulated entities for the development of XBRL uploading. We feel that greater clarity and certainty is required in relation to the technical solutions prior to finalising this requirement. In particular, it is essential to allow suitable time for

BLACKROCK

internal testing of the XBRL standard. We also recommend that data standards used for COREP are also used by other ESAs, in particular by ESMA in relation to the extensive reporting requirements being drawn up by ESMA in relation to AIFMD. This is key to reducing the amount of data manipulation made by firms and so deliver consistent reporting to regulators across the board.

Thank you again for the opportunity to express our views on the draft ITS on supervisory reporting requirements. We are prepared to assist the EBA in any way we can, and welcome continued dialogue on these important issues. Please do not hesitate to contact us with any questions you may have regarding our comments.

Yours faithfully,

Andrew Crain
Managing Director, Head of Compliance
+44 20 7743 3761
andrew.crain@blackrock.com
12 Throgmorton Avenue
London, EC2N 2DL
United Kingdom



Martin Parkes
Director, Government Affairs & Public Policy
+44 20 7743 4646
martin.parkes@blackrock.com
12 Throgmorton Avenue
London, EC2N 2DL
United Kingdom

