



**Brussels, 26 March 2012**

**Comments by the Bausparkassen on the EBA Consultation Paper "Draft ITS on supervisory reporting requirements for large exposures" (CP 51)**

The European Federation of Building Societies would like to make the following comments in response to the consultation paper CP 51 "Draft Implementing Technical Standards on supervisory reporting requirements for large exposures", published by the European Banking Authority (EBA) on 13 February 2012.

The European Federation of Building Societies is an association of credit institutions and organizations that assist in and support the financing of home ownership. Its purpose is to encourage the idea of acquiring home ownership in a Europe that is growing together, both politically and economically. Bausparkassen grant loans secured by residential property to finance home ownership as a bulk business (retail). In addition to this Bauspar business in the stricter sense, Bausparkassen are also allowed to make investments, however only in particularly safe investment vehicles.

Since the Implementing Technical Standard for large exposures has been designed to complement the EBA's Consultation Paper No. 50, we would first like to draw attention to our comments on that consultation paper. Before we address the questions asked by the EBA in its Consultation Paper No. 51, we would like to make a comment on the planned date for the first-time application of the European large exposure reporting system:

The EBA intends to present the final version of the Implementing Technical Standard with the reporting requirements on 30 June 2012. The standard is expected to enter into force on 1 January 2013, so that first reports will have to be established on the basis of the new templates as of 31 March 2013.

However, financial institutions will not be able to start their implementation projects unless they know the final version of the standard. The period allowed for implementation (no more than nine months) is far too short. In our opinion, the new reporting requirements should not enter into force before 1 January 2014 at the earliest.

**We would like to answer the EBA's questions on behalf of the Bausparkassen as follows:**

*Q 1: 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.*

The earliest date by which requirements could be met – by both individual institutions and consolidated groups – is 1 January 2014. It will not be possible to meet the new requirements any earlier, mainly because of the following challenges:

- Manual operational analysis of the entire portfolio of the borrowers to be supervised in order to collect the new reporting data,
- Introduction of new data fields for collecting and reporting data that have so far not been part of the operational data collected or are not stored in the system in connection with the borrower,
- Adjustment of functional work processes and greater operational efforts required, and
- Technical implementation of the new work processes including production of reports with new reporting software.

One particular difficulty is that the requirements will have to be met both on an individual basis and on a consolidated basis and simultaneously with other extensive banking supervisory requirements, which tie up a considerable amount of human and technical resources.

*Q 3: Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?*

In principle, the introduction of consolidated reporting of large exposures will take more time because the necessary reconciliation is usually time-consuming. More specifically, the data to be supplied by individual institutions for group reporting will have to be redefined and tested.

*Q 4: Compared to previous versions of the large exposures templates are there additional reporting requirements which cause disproportionate costs?*

Disproportionate costs are caused by the inclusion of data which are currently not available at all – or not in the required format – in the operational systems.

In addition, it is necessary for the German institutions, to separate the reporting basis from the basis for national reporting of "Millionenkredite".

*Q 5: Are the templates, related instructions and validation rules included in Annex VIII and Annex IX sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.*

We would welcome more explanations with regard to the templates. It would also be helpful and be in the interest of clarity if the standard, the templates and the explanations were made available in the languages of the Member States.

*Q 6, 7: What are the cost implications of introducing a breakdown by residence of the counterparties? What are the cost implications of introducing a breakdown by sector of the counterparties?*

In our opinion, reports of large exposures make it necessary to report the address or sector of the counterparty involved. A breakdown would only make sense in summary reports.

*Q 8: What are the cost implications of introducing a breakdown by economic sector by using NACE codes?*

The NACE codes of the borrower are not available in the institutions' operational systems. Manually collecting this information and entering it in the operational systems for all the borrowers to be

supervised would require considerable time and effort. In addition, the transfer of the data to the reporting software would have to be implemented in technical terms.

Since the economic sector is already reported in accordance with the current reporting system to the German Bundesbank, for instance (in the customer classification system), we suggest that institutions should be allowed to maintain this information. In our opinion, this information should meet the EBA's needs. Breaking down this information further pursuant to the NACE codes should not be required.

*Q 9: Would other classifications be more suitable or cost efficient?*

Efficiency gains can be achieved mainly by not introducing new reporting requirements. We think in particular, that it would be efficient to maintain the current system of national classification by sector (in Germany, the customer classification of the German Bundesbank).