

# BBVA comments on “Draft ITS on Supervisory Reporting Requirements for large Exposures”

## General remarks

- BBVA welcomes the objective to set uniform reporting requirements for large exposures to ensure a level-playing field by preventing diverging national requirements.
- However, it is essential that any proposed framework takes into account the cost implications of introducing new requirements for all institutions, subject to proportionality.
- Therefore, it is important to ensure that the new reporting requirements are necessary and don't leads to duplication of reported information.

## Key points

The general principles underlying the proposed Large Exposure regime are particularly welcomed.

However, there are various concerns with the current proposal:

- In our view, the large exposures regime is not suitable for macro-prudential analysis.
- BBVA considers that the first time adoption of the Implemental Technical Standard should be, at the earliest, January 1<sup>st</sup> 2014.
- The new requirements to report every exposure equal or larger than 150 million EUR will cause disproportionate costs.

BBVA proposes to maintain a relative threshold of 10% of the eligible capital.

- BBVA considers that the period between the reporting reference date and the date institutions will have to submit the set of data related to this reference date should be the same as the period established in COREP framework (50 working days).



- BBVA suggests EBA to delete the column "Number of breaches during reporting period" because since the institutions shall report any breaches without delay, this column does not provide any new information.
- BBVA suggests EBA to eliminate the column "schemes look-through effect" because the amounts resulting from the look through are included in "original exposures".

## Annex – Responses to Consultation Questions

**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.**

BBVA considers that the first time adoption of the Implementation Technical Standard should be, at the earliest, January 1<sup>st</sup> 2014.

- New reporting requirements (i.e. new breakdowns, counterparties' identification codes, the NACE codes) imply significant adjustments in IT and reporting systems.
- Some important issues related with this reporting (such as “look through” methodology and standards for foreign counterparty characteristics) must be clarified and a cost - benefit analysis should be carried out.

In addition, BBVA considers that the period between the reporting reference date and the date institutions will have to submit the set of data related to this reference date should be the same as the period established in COREP framework (50 working days).

- The draft ITS establishes the first submission date related to the reference date of 31.03.2013 to national authorities by 13 May 2013, that is about 30 working days later.
- We support that in order to carry out effective and adequate internal controls, Large Exposure remittance dates need to be extended.

**2. What would be the minimum implementation period required for institutions NOT subject to large exposures reporting at the moment to implement the large exposures reporting described in this consultation paper?**

The same as the implementation period required for institutions subject to large exposures reporting at the moment to implement these new requirements.

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

Yes.

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

- Requirements to report every exposure equal or larger than 150 million EUR.

It is essential that any proposed framework takes into account the cost implications of introducing new requirements for small, medium and large institutions.

- BBVA proposes to maintain a relative threshold of 10% of the eligible capital.

In addition, we consider that the absolute threshold above should not be subject to the decision of the competent authorities because this would lead to an unlevel playing field.

- We prefer a separate framework and reporting for the monitoring of concentration and contagion risks, as the purpose of the monitoring of large exposures is completely different from that of concentration risk (macro-economic and geographic aspects).
- LE2 Template: The proposed LE2 Template, which breaks down the LE1 by every single contributing counterparty, seems to be adding an extraordinary amount of detail. We agree the individual exposures of the members of a GCC are a very important and useful information. However, the EBF urges the EBA to limit the contributing counterparties on the basis of their significance. We think that a breakdown of the 95% of the total exposure should be adequate.

**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.**

Annex IX, Part II, 3. LE 1 Template and 4. LE 2 Template

Columns 010-060 / Counterparty Identification and counterparty characteristics

The Financial Stability Board (FSB) is already developing proposals for a common, global legal entity identifier and there should not be a separate European approach in advance of that.

We think that the national codes currently used should stay in place until a uniform codification is available based on the FSB's work.

Column 050 / Sector

Since the NACE code indicates also the sector to which the client belongs, we suggest to report the NACE code for all the clients, but not to report the Sector.

Column 070 – 200 / Original exposures

We require EBA to clarify if the exposures deducted from own funds are included in these columns.

Column 200 / Schemes “look – through” effect

BBVA suggests EBA to eliminate the column “schemes look-through effect” because the amounts resulting from the look through are included in “original exposures”.

Column 220 / (-) Exposures deducted from own funds

If the exposures deducted from own funds are not included in Original exposures (Column 070 – 200), we suggest to delete this column.

Column 370 / Number of breaches during reporting period

BBVA suggests EBA to delete this column because it does not provide any new information.

Banks would require the EBA to clarify its intentions regarding the reporting of breaches. It is true that Article 385 states "if exposures exceed the limit set out in Article 384(1), the institution shall report the value of the exposure without delay to the competent authorities". This suggests that a continuous monitoring system is needed. However, these requirements are addressed to the institution's risk management function, not to its supervisors. In addition to this, since the institutions shall report any breaches without delay, this column does not provide any new information

**6. What are the cost implications of introducing a breakdown by residence of the counterparties?**

We find that the cost would be negligible.

**7. What are the cost implications of introducing a breakdown by sector of the counterparties?**

Cost implications would be manageable.

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

Cost implications would be manageable.

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

**Can international banking groups provide some examples here of more suitable classification systems which would be applicable on a global basis?**