

19 April 2008

CEBS  
Floor 18, Tower 42  
25 Old Broad Street  
London EC2N 1HQ

Dear Sirs

**IMA response to consultation on amendments to the guidelines on common reporting**

The Investment Management Association (IMA) is grateful for the opportunity to respond to the consultation on amendments to the guidelines for common reporting.

IMA is the trade body representing the UK asset management industry. Our members include independent investment managers, together with the investment management arms of retail banks, life insurers and investment banks, and occupational pension scheme managers. They are responsible for the management of over £3.1 trillion of funds (based in the UK, Europe and elsewhere), including authorised investment funds, institutional funds (e.g. pension and life funds), private client accounts and a wide range of pooled investment vehicles. In particular our members manage 99% of UK-authorized investment funds (i.e. authorised unit trusts and open-ended investment companies).

The consultation paper recognises that the issue created by a lack of consistency in reporting obligations is primarily an issue for cross-border groups. However, the proposed solution from CEBS would result in the majority of EU member states implementing reporting requirements – at both solo and consolidated levels – which are more onerous than at present for institutions within those jurisdictions.

To implement the proposals as currently drafted will result in the majority of member states implementing more onerous requirements than those currently in place. This will create significant cost and resource implications for those institutions operating in those member states which have a less stringent regime than that proposed. However, these costs would not be offset by any regulatory benefit over and above that which is already derived from the current regulatory regime.

For example, within the UK, there is already a requirement for a regulated institution to notify the FSA when something occurs, or is likely to occur, which could result in the firm failing to comply with the 'threshold conditions' (which dictate the high-level

standards with which all firms must comply). The provision of common reporting data in a shorter timeframe than currently would therefore result in no additional benefit when compared against the current regulatory regime.

We do not therefore consider that these proposals are consistent with a "better regulation" agenda, nor do they implement a risk-based or proportionate solution.

The implementation of the Capital Requirements Directive introduced a framework through which to mitigate the issues created by the current divergences in reporting obligations. Article 129 of the recast Banking Consolidation Directive introduces a requirement for all supervisors of a cross-border group to consider an application to follow an advanced approach for the calculation of capital resources requirements.

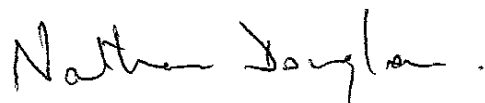
Using such a college of supervisors, consistent reporting obligations could be determined for cross-border groups. This would also facilitate better communications between regulatory authorities regarding the supervision of such entities. Given the events since the summer of 2007, such communication would be both welcome and beneficial in the face of ever increasing globalisation of financial services.

This methodology would not then result in amendments to the reporting requirements placed on all financial institutions, but would instead be proportionate and alleviate those issues created for cross-border groups due to the lack of consistency in pan-European reporting requirements.

Whilst this would not necessarily create consistency between the reporting requirements for all firms across Europe, the obligations placed on groups would be consistent with the assessment of the risk implicit within the group by the college of supervisors. In addition, this should not act as a deterrent to the provision of cross-border services, as the existing European legislative arena will be sufficient to promote cross-border service provision.

Our responses to the specific questions in the discussion paper are included below. We would welcome the opportunity to discuss these matters in more detail.

Yours faithfully

A handwritten signature in black ink that reads "Nathan Douglas". The signature is written in a cursive, slightly slanted style.

Nathan Douglas  
Adviser – Prudential Regulation

## IMA response

### Consultation paper on amendments to the guidelines on common reporting

Q1: Do respondents consider that a future proposal on FINREP can follow the same approach as for COREP? If not, please indicate the reasons and explain alternative solutions.

For the reasons given below, we do not support the majority of proposals in the consultation paper. As such, we would suggest that CEBS gives consideration to the responses received to this consultation before suggesting any amendments to other reporting regimes.

Q2: Do respondents consider that the current proposal creates an adequate balance between timeliness and quality of data? Please elaborate the reasons for your answer.

We consider that the key issue is not the timeliness of data, but rather the ability of the regulatory authority to utilise appropriate information to enable effective supervision, consistent with the objectives of the regulatory authorities.

Furthermore, within the UK, the existing regulatory regime already requires the provision of ad hoc data should a situation arise which gives rise to the possibility of non-compliance with the principles underlying the regulatory framework.

A reduction in the time permitted in which to prepare and submit reports to the regulatory authority will not therefore result in additional benefits to the regulatory system, but will impose significant additional cost and resource implications for regulated entities.

Q3: Do respondents consider that CEBS should introduce the application of the proportionality principle in the proposal? Please elaborate the reasons for your answer.

The Capital Adequacy Directive 2006/49/EC includes within the recitals the commitment that the directive will not go beyond that which is necessary to achieve its objectives. This principle should equally be applied to common reporting requirements.

We fully support the introduction of proportionality into the proposal. As the paper identifies, 'the problems arising from divergence in reporting procedures primarily impact on cross-border groups.' We do not consider that there is a need to alter the requirements applicable to those firms which are not part of a cross-border group, as this would require amendments to procedures, with costs and resource implications, without a consequent regulatory benefit.

The provision of data to a regulatory authority should not have any impact on the ability of the institution to operate cross-border. In terms of achieving a single market for the provision of financial services across Europe, the need for consistency in the reporting requirements in operation in EU Member States is questionable.

We appreciate that for those cross-border groups, consistency in the reporting requirements should prove beneficial. However, we do not support the blanket application of such obligations across all reporting institutions in Europe as this would not be a proportionate response to the issue.

Q4: The proposal on common remittance dates will be applied to all reporting institutions, but making a distinction between solo and consolidated reports. Do respondents agree with this decision? If not, please elaborate your answer (e.g. circumstances in which this distinction is not valid).

We agree with the continuation of a distinction between solo and consolidated reports. Where consolidated reports are being prepared, data must be obtained from a variety of sources, often in different locations and possibly jurisdictions. The logistical challenge of collating and preparing this data justify an extension of the duration for submission of consolidated reports when compared with reports concerning only an individual entity.

Q5: Do respondents consider the proposal as feasible? If not, please indicate the reasons, the costs associated with the changes and the minimum time that would be needed to produce the data. Please distinguish between solo and consolidated reports.

We note with interest the data contained within the consultation paper highlighting the different regimes currently in operation governing the submission of reports to regulatory authorities. From this it is clear that the proposals from CEBS are more onerous than those currently in operation in the majority of member states:

- for solo reporting, the proposal of submission of reports within 15 business days is more onerous than presently in 18 of 29 members states;
- for consolidated reporting, the proposal of submission of reports within 35 business days is more onerous than at present in 15 of 29 member states.

Requiring a significant number of institutions to produce reports in a noticeably shorter duration will have a material impact on cost and resource implications for those reporting institutions. These costs will not be offset by any regulatory benefits achieved through obtaining data in a shorter duration. For example, in the UK, regulated firms are required to notify the FSA upon being unable, or likely to be unable to comply with the capital resources requirement applicable to that firm. The periodic reporting should not therefore include any information about which the FSA does not already have an understanding and appreciation. It is therefore questionable whether requiring the provision of this common reporting information derives any additional regulatory benefit.

As CEBS identify, the problems arising from a lack of consistency in reporting requirements are primarily an issue for cross-border groups. The proposals from CEBS to rectify this issue require all regulated firms in the majority of member states – irrespective of whether part of a cross-border group – to provide reports to a regulatory authority in a shorter duration than currently permitted.

We do not consider that this proposal is consistent with the agenda of the Commission to introduce "better regulation".

The recast Banking Consolidation Directive 2006/48/EC includes at Article 129 a framework which is designed to consider cross-border issues. We would strongly advocate that this existing framework is utilised to facilitate the introduction of consistency in the reporting obligations for cross-border groups. Further, this would not then have a material impact on those firms whose operations were not cross border.

This framework would be able to set requirements which were consistent with the risk inherent within the group. Whilst this may not create a level playing field for all institutions across Europe, it would resolve the problems for cross-border groups, and would implement a solution which was both proportionate and risk-based.

Q6: The proposal includes a transitional arrangement for EU-parent institutions. Do you agree with this proposal? If not, please indicate the reasons and suggest alternative proposals.

We do not agree with the majority of proposals made by CEBS in the consultation paper, and request that consideration is given to amending these proposals rather than permitting transitional implementation.

Q7: Do respondents agree with the harmonisation of maximum reporting frequency, subject to the exception stated? If not, please indicate the reasons and suggest alternative proposals.

We agree with the harmonisation of maximum reporting frequencies.