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Ref. G10507 FEB168362

Brussels, 30/07/2012

CP-2012-4@eba.europa.eu

Dear Madam,
Dear Sir,

Subject : Consultation on draft ITS on Disclosure for Own Funds, reference EBA/CP/2012/04.

First of all, Febelfin would like to share with you a few general considerations and overall suggestions.

In the second part of our letter we are pleased to reply to the questions of the consultation paper.

1) General comments and suggestions

a) The proposed templates in general

- In EBA's opinion establishing appropriate disclosure requirements is meant to increase the transparency regarding the regulatory capital of European institutions
 - as a complement to the strengthening of the quality and quantity of capital;
 - as the use of uniform templates would facilitate cross-jurisdictional comparison.
- It was EBA's intention to provide uniform templates as soon as possible without waiting for the final rules text from the Basel Committee for Banking Supervision. We also understand that EBA was willing to provide templates that are as close as possible not to say identical to the templates proposed by BCBS last December in the expectation that once adopted, it would ensure the comparability and consistency of capital disclosure at the international level.

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- With respect to this latest remark, we just wonder if there has been a special reason why EBA did not launch its current consultation paper earlier (e.g. at the time of the publication of CP 50), also taking into account that the BCBS has published in the meantime the Rules text on the Composition of capital disclosure requirements resulting in an apparent misalignment between EBA's present consultation paper and BCBS's final rules ...
- It could be regretted too in our opinion that the templates proposed differ from the uniform COREP templates which were at the time of their implementation precisely aimed to facilitate cross-jurisdictional comparison.
- Finally, it has to be questioned whether the proposed own funds-disclosure templates on top of the accounting and regulatory balance sheets, will not create confusion with investors and analysts, considering the therefore needed reconciliation.

b) The transitional template

- We prefer not to implement the transitional template for following reasons:
 - although we are not at all opposing to public disclosure under pillar 3 in the current format, disclosing solvency ratios in the transitional template proposed during the transitional period will in our view set the expectations of the markets wrongly high by making them assume the perfect comparability of the figures disclosed between different jurisdictions and institutions;
 - indeed, the value of transitional templates is compromised by the uneven pace of implementation of Basel III. Unlike the Basel III transposition in the United States under public consultation where the phase-in approach has been proposed to be fully respected, there still remains a possibility at the EU level of accelerating transitional arrangements at national discretion (e.g. in accordance with the draft text of CRR as agreed upon by the European Council on 15 May 2012);
 - eventually, disclosing publicly all the details during the transition period implies not having any benefice of the progressive adoption (phase in) of Basel III...
- Therefore, the capital disclosure templates should only be implemented once all data required are clearly defined and the phase-in of the capital requirements is finalised. Until this date the disclosure on own funds will occur under pillar 3 in the current format and through COREP.

c) Disclosure of the reconciliation between the accounting and prudential reporting

- We would like the EBA to reconsider the disclosure of the accounting/prudential reconciliations of the whole balance sheet.
- Indeed, Article 424 of the CRR only requires the full reconciliation strictly limited to the elements of own funds.



ITS are in their essence not supposed to set more restrictive rules but to provide necessary specifications...

d) **Level of granularity**

- We recommend the EBA to reconsider if the level of granularity and details is justified by the markets' needs.
- Indeed, the transitional and post-2018 templates require the disclosure in detail of sensitive information, especially regarding deductions, which may affect the pricing of strategic transactions that institutions should usually keep confidential. We do not believe that this level of granular complex information is relevant for the markets and is on the contrary even subject to confusion. Indeed, we are quite anxious about potential consequences of misinterpretation of this sensitive information by markets.

2) Responses to the questions of the consultation paper

- **Q01: Are the provisions included in this draft ITS sufficiently clear? Are there aspects which need to be elaborated further?**

See General comments and suggestions

The frequency of the reporting is not clear. We assume that the minimum frequency required will be on an annual basis (cfr. financial statements).

Febelfin pleads in any event for the application of the principle of proportionality as it is a multi-sector federation representing 252 financial institutions in Belgium among which banks, credit providers, asset managers and funds industry, brokerage institutions, securities houses, stock exchange members, leasing companies, Euroclear, SWIFT etc. ...

- **Q02: Are the provisions provided for the balance sheet reconciliation methodology sufficiently clear?**

See General comments and suggestions

Moreover, there is no manual available for the balance sheet reconciliation. This may cause confusion and different understanding by preparers, and thus ultimately undermine the objective of creating a harmonized reporting.

- **Q04: Our analysis shows no impacts incremental to those included in the text of the Level 1 text are likely to materialise. Do you agree with our assessment? If not please explain why and provide estimates of such impacts whenever possible.**

We do not completely agree.

But it seems to be difficult to give a precise estimate of the costs linked to the implementation of the own funds disclosure templates. Notwithstanding this remark,



there is in our opinion an obvious cost linked to the implementation and use of these templates, since they differ from the COREP templates (duplication of reporting burden...).

We sincerely hope that this letter with its comments and suggestions can assist you in the further development of the ITS.

Yours faithfully,

Michel Vermaerke
Chief Executive Officer

Daniel Mareels
General Manager