

European Banking Authority
Tower 42 (Level 18)
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United Kingdom

26 March 2012

Dear Sir/Madam

Credit Suisse Response to EBA CP51: Draft ITS on Supervisory Reporting Requirements for large exposures

Credit Suisse welcomes the opportunity to respond to CP51.

Implementation timeframe

Credit Suisse is concerned that the timetable of 1 January 2013 is insufficient to implement the required technical standards. A full project life cycle will need to be completed within this period.

Firms require a reasonable length of time to analyse the data requirements, and to design, build and test the reporting solutions necessary to deliver high quality data to the EBA. If the implementation timelines are not sufficient then the quality of data provided will be adversely impacted.

Credit Suisse recommends that reporting does not commence before 1 January 2014.

€150m threshold

The proposed threshold, requiring firms to report every original exposure with a value greater than or equal to €150m, would result in a significant increase in the reporting burden for Credit Suisse. The requirement to report such a large volume of data will make the application of quality control techniques such as reviews more difficult and may ultimately have a negative impact on the overall quality of the data reported.

This increased reporting burden would also lead to a significant increase in costs, which we believe will be disproportionate to the amount of supervisory benefit that the regulators will obtain from the returns.

Credit Suisse propose that the reporting threshold should specify exposures equal to or greater than 10% of the firm's capital base.

Group exposures breakdown

The requirement to break down all grouped exposures to their constituent entity level in template LE2 will require a considerable volume of data to be reported. This is likely to have an adverse impact on the quality of data reported in template LE2 and raises the question as to the value of this template to regulators.

Credit Suisse recommends that a threshold is introduced whereby the majority of the grouped exposure is broken down in LE2 but not the whole exposure (for example, a requirement to report individual entity exposures that exceed a threshold amount or percentage of capital base).

First reporting period breaches

The executive summary of CP51 states that the implementation period is extended to 9 months by utilising the reporting period from 1 January 2013 to 31 March 2013 as part of the implementation period. However the templates require firms to report limit breaches during the reporting period (370 – Memorandum item: number of reporting breaches during the reporting period). This requirement effectively reduces the implementation period to 6 months, since firms' reporting solutions will need to be in place by 31 December 2012 in order to meet the breach reporting requirement for the first quarter of 2013.

This further supports the Credit Suisse recommendation that the implementation of the EBA's proposal is deferred until 1 January 2014.

Further template clarifications required

Further clarification is required on several aspects of the large exposure templates, details of which can be found in our response to question 5. General observations are as follows:

- Should intercompany exposures be treated in the same way as third party exposures?
- Will there be a uniform codification at EU level before the first reporting period (Column 020)?
- Clearer definitions are required for level 1 and level 2 NACE code requirements for 'Other financial' and 'Non-financial' corporations (Column 060).

Conclusion

In order to implement ITS CP51 successfully, Credit Suisse will need sufficient time to design, build and test our reporting systems to allow for accurate and meaningful reporting to the supervisory authorities.

The thresholds should be amended to support more appropriate reporting of the firm's large exposures. We do not believe that a value threshold is effective in general, and the relatively low threshold proposed in CP51 will render the reporting unwieldy and diminish its prudential value.

Yours faithfully



Geraldine Wright
Director
Financial Accounting

Annex 1 – Responses to Specific CP51 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?

This is not applicable for Credit Suisse, as we are not currently subject to CEBS large exposures reporting requirements.

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?

An implementation period of 12 months from release of the final guidelines is more realistic for a development of this nature.

Implementing a project of this scale would typically take six months to design and build, three months to undergo User Acceptance Testing and data quality exercises, and three months for a parallel run.

The changes required by CP51 compared to the current large exposure reporting are considerable.

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

The implementation period would be marginally longer for consolidated reporting as the build process would have to include the individual firms that make up the consolidated report. However the consolidation would not have a significant impact on the implementation timeline.

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

The introduction of the €150m limit will significantly increase the number of counterparties for large exposures reporting and therefore increase testing costs and ongoing reporting costs.

The proposed LE2 Template, which breaks down the LE1 by every contributing counterparty, adds a significant amount of detail. The supervisory value of this level of information is unclear.

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.

- There is no mention of how to report intercompany exposures within the templates: are these exposures to be reported in the same way as third party exposures?
- Column 020 "Code": further definitions are required. Will there be a uniform codification at EU level before the first reporting period?
- Column 060: requires clearer definitions for level 1 and level 2 NACE code requirements for 'Other financial' and 'Non-financial' corporations.

- Column 040: does this refer to country of incorporation, country of main business or country of location? At present the ISO code varies significantly depending on the area of business.
- Columns 110, 160 & 270 "Derivatives": requires further clarification. For example, does this include Securities Financing Transactions (SFTs)? These are segregated in other COREP returns, but it is unclear here. If SFTs and other similar issues are not to be included, are they to be reported separately, and if so, where?
- Column 370 "number of breaches during reporting period": requires further clarification. For example, does this refer to the number of days during the period for which there was a breach, or the number of separate occasions when a breach has occurred?

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

The overall cost of implementing residence of the counterparty would be a reduction in the quality of the data as the volume in the report, coupled with the short remittance deadlines, would reduce the time available to firms to complete the necessary review and analysis.

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

Please see our response to question 6 above.

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

Credit Suisse does not currently use NACE codes and as a result there will be a significant cost in implementing this.

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

Credit Suisse believes firms should be permitted to use their existing classification approaches. There appears to be little benefit in the compulsory use of NACE codes.