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Our response to the European Banking Authority's *Draft implementing technical standards on supervisory reporting requirements for large exposures*, CP 51

Introduction

The Building Societies Association represents mutual lenders and deposit takers in the UK including all 47 UK building societies. Mutual lenders and deposit takers have total assets of over £375 billion and, together with their subsidiaries, hold residential mortgages of over £235 billion, 19% of the total outstanding in the UK. They hold more than £250 billion of retail deposits, accounting for 22% of all such deposits in the UK. Mutual deposit takers account for 34% of cash ISA balances. They employ approximately 50,000 full and part-time staff and operate through approximately 2,000 branches.

We are making only brief high level comments to this consultation. There are two main areas of concern:

1. Timing

The reporting requirements are intended to take effect on 1 January 2013. Firms will therefore have to submit a first set of data related to the reference date of 31 March 2013 to national authorities by 13 May 2013. Our members consider that more time is needed to implement them. Firms need a minimum of a year from the publication of finalised rules to test and make the necessary systems changes to deliver meaningful and accurate data. Given the surfeit of regulatory initiatives – both domestic and European – in train currently, not forgetting the overall difficult financial environment, we believe that the earliest reporting could start would be 1 January 2015. In the UK, the FSA has recently issued a consultation on large exposures (CP 12/01) – we would like reassurance that there will be no overlap there.

We believe the implementation period should be the same for reporting requirements on an individual basis and on a consolidated basis.

As with CP 50, the EBA proposes the introduction of a breakdown by economic sector using NACE codes. Our members do not use NACE codes and consider a move from the current methodology (mainly SIC in the UK) will add further to the cost and bring no real benefit to them.

2. €150 million limit for large exposures

The proposed requirement to report every original exposure of €150 million or above will substantially increase the reporting burden for firms (this requirement affects our mainly largest members as the majority of our members tend not to have such size exposures). It will also add significantly to costs. It would be helpful if the EBA could explain the benefit it gains from the introduction of this limit.

Other bodies have pointed out that for many of the requirements there is a possible difficulty for senior management to demonstrate ownership and sign off the returns, particularly any which are not used to run the business. We share that concern.

We understand that at least one trade body has suggested replacing the limit with a percentage in relation a firm's capital. That suggestion deserves consideration.

26 March 2012