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## **FBF comment on the draft ECB Regulation on the collection of granular credit and credit risk data**

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 425 commercial, cooperative and mutual banks. FBF member banks have more than 39,000 permanent branches in France. They employ 380,000 people in France and around the world, and service 48 million customers.

The French Banking Federation welcomes the opportunity to express the views of the French banking sector on the Draft Regulation on the collection of granular credit and credit risk data (“AnaCredit”).

We welcome the process to submit observations organised by the ECB regarding the AnaCredit Draft Regulation in order to collect views of the involved stakeholders. We also welcome that the Draft Regulation deals only with the loans granted to legal entities. For the sake of clarity and optimization of implementation costs, banks need a stable and predictable statistical reporting environment that would not be subjected to frequent amendments. Indeed, banks currently modify their IT systems (reporting and source systems) but also review their internal reporting and management processes to achieve implementation of international standards (i.e. IFRS 9) and new reporting requirements (i.e. new permanent and ad-hoc supervisory reporting, ECB FINREP regulation, Pillar 3 disclosures...). Accordingly, while the recitals of the Draft Regulation indicate that the AnaCredit project will be established in stages, we advocate that the further stages should also be submitted to observations and that a strong cost-benefit analysis should be completed.

While we understand the integrated approach of the project that the ECB calls for, we have major concerns that we would be pleased to raise as follows:

### **Level playing field within the European Union and within the euro zone that could jeopardize the objectives.**

#### **Level playing field within the European Union**

AnaCredit aims to develop granular data reporting exclusively focusing on lending activities. Its disposals question how they contribute to maintain the level playing field within the EU between entities having similar businesses because of the nature and the geographic scope of the entities subjected to the reporting.

The AnaCredit Project will centralise at the ECB level a core set of granular data on credit exposures and credit risk collected through the national central banks. It does not only aim to collect harmonised statistical reporting to support ECB tasks. It has the view to establish a common granular credit database shared between the Euro system members. In this respect, we believe that the articulation with EBA requirements should be carefully handled to ensure consistency of reporting in order to avoid unnecessary burden.

Besides, the only credit institutions of the Member States of the euro zone are mandatorily subjected to the Draft Regulation. Thus, the entities of Member States outside the euro zone are not concerned. Therefore, the questions of equal competition and efficiency of the risk management are raised here again.

## Level playing field within the euro zone

Not all the entities that have lending activities are subjected to the Draft Regulation. Entities that are outside the scope of the Draft Regulation, would have a competitive advantage, notably considering the substantial investments which are needed to implement the Draft Regulation.

This gap of constraints question the reliability of the aggregated figures collected at the ECB level and the principle of the level playing field within the SSM and the conditions of fair competition between all lenders. Indeed, as the Draft Regulation is currently designed, entities having credit activities but not subject to the Draft Regulation – i.e. non-bank lenders - will be exempted of any such reporting.

Accordingly, as non-bank lenders are excluded from the collection of credit data, central banks authorities will only have a partial view of credit exposures related to a specified corporate agent. In its opinion of 7 august 2015 (2015/C261/01) on the Draft Regulation, the EU Commission stated that *“in order to get a broad and complete overview of credit exposures of the financial sector and associated credit risks, the reporting population should be extended, once possible, to other financial corporations engaged in lending”*.

Regarding the scope of the collection exercise, to ensure a level playing field and to provide a broad and complete overview of a specific financial instrument, all lenders should provide data and it should not be limited only to credit institutions.

## Feedback loop to reporting agents

The Draft Regulation states that NCBs *“have the right to require reciprocity from each other with regard to the provision of the granular data reported to them”*. It also states that NCBs *“have the right to provide credit data, including cross border data, to reporting agents by establishing ... feedback loops”*.

We understand that the feedback loop depends on the sole decision or willingness of the NCBs, creating, thus, distortions between banks depending on the countries.

In every case, the feedback loops of information should be exclusively limited to the only entities that effectively collect and report granular credit data. Thus, should be excluded from the feedback loops entities exempted from the reporting. The Draft Regulation should explicitly confirm that.

Accordingly, the Draft Regulation should more clearly define the feedback loops to avoid any misunderstandings about the third parties which might obtain access to the data. To ensure level playing field no discretion should be left to the NCBs.

A feedback loop is also envisaged concerning cross-border data. The cross border exchange should be allowed between NCBs only. Indeed, third parties should be excluded from cross-border data exchange as in some countries, transfer and / or sharing customers' data might not be legally permitted and this may potentially cause market distortions.

## Personal data protection and data access.

The Draft Regulation deals with granular information on loans granted by credit institutions to non-financial corporations and other legal entities only. At this stage of the AnaCredit project, loans to natural persons are excluded from reporting. Indeed, the Explanatory note indicates that “*no information on natural persons*” is required. The recitals of the Draft Regulation indicate that information on natural persons would be collected on the basis of sampling techniques.

However, protection of individual rights and strict conformity with personal life protection under the EU Charter of Fundamental Rights are very sensitive topics. So, we believe that the Draft Regulation should explicitly confirm that no individual information on natural persons is required.

As far as corporate entities are concerned, although they are not submitted to the same rights of personal data protection, database access and confidentiality should follow strict protection principles. We believe that the Draft Regulation should clarify who will obtain the right to access to data, for what purpose, to what extent and within which constraints.

We would remind the EC opinion on the Draft Regulation that highlighted the needs to follow stringent data protection rules and to give sufficient consideration to the protection of confidential business data.

Besides, should also be taken into consideration the fact that local rules for some foreign subsidiaries outside the Eurozone prohibit entities from collecting and reporting individual data if not anonymised.

## Link with the BIRD project.

BIRD and AnaCredit are projects that are intrinsically interlinked.

AnaCredit aims to obtain a comprehensive and consistent overview of all lending activities by collecting granular information on multiple elements (instruments, lenders and counterparties). BIRD (Bank’s Integrated Reporting Dictionnary) is equivalent to a Data Point Model and is based on a voluntary basis initiative from banks and national central banks.

To provide some usefulness to the BIRD project, we believe that the Bank’s Integrated Reporting Dictionary covering AnaCredit should be published prior to the publication of the AnaCredit regulation and before 2016 year end. Thus, banks and NCBs would be more in capacity to include BIRD’s definitions when designing reporting processes and templates for AnaCredit in order to ensure consistency of aggregated data at ECB level.

## Implementation timing

We have the following concerns:

- The AnaCredit regulation should enter into force only once the work undertaken on the BIRD will have been fully completed.
- The AnaCredit should not be implemented earlier, especially regarding credit data, than the IFRS 9 standard has been applicable in the EU.
- The date of the first reporting is 31 March 2018. The Draft Regulation allows that national central banks could request data from June 2017. Such disposal will reduce the implementation period of the project. It will also introduces divergent applications of the Draft Regulation between entities and Member States. Early implementation of the project should not be permitted.

## Reporting threshold.

We question the reporting thresholds that are significantly low, notably the one for “non-performing instruments” (€ 100) that could capture a significant number of additional commitments and debtors.

## Data Attributes Comments

### Definitions.

Article 1 should clarify notions of “reporting agent” and “observed agent” by providing some examples.

### Statistical reporting requirements.

Article 4 states that shall be reported instruments that “*give rise to credit risk for observed agent*”. The explanatory note explains that “*any deposits received by the observed agent are not part of the data collection (as these would not give rise to credit risk for the observed agent)*”. The scope of the deposits that should be effectively reported should be clarified.

Credit exposures of natural persons are excluded from the scope of the Drat Regulation. Is it the case for credit exposures of individual entrepreneurs and members of liberal professions?

### Reporting requirements on an individual basis

Article 6 states that the reporting will be submitted on an individual basis. So as to leverage on IT architecture submission set up for FINREP purposes we would prefer to report Anacredit on an individual basis but under IFRS instead of local GAAP. Assuming that for statistical purposes the use of IFRS would not go against the goal of Anacredit.

In addition, even though the issue is out of the scope of this draft regulation it would permit large cross border banks to prepare the reporting on a consolidated basis leveraging on what's been built for stage 1.

### Identification of counterparties.

Article 9 states that the reporting agents shall inform NCBs of any changes to reference data. What is meant by changes?

### Timeliness

As far as the frequency of the reporting is concerned, shall data be reported on a month-end basis or are they any daily data flow to be reported?

### Mergers, divisions, reorganisations and new reporting agents

For reporting agents that will have to report for the first time after the adoption of the Regulation, the temporary derogation to report statistical information should be extended to 18 months instead of 12 months. So that reporting agents would have sufficient time to upgrade their IT systems and procedures to fulfil their obligations.

## Data to report and templates

### Template 1

#### Counterparty reference data

- **Country** : we understand the country of residence of the counterparty is required (so as to stick to FINREP/COREP requirements)
- **Institutional sector**: we regret that still the list of institutional sector does not stick to other statistical reporting requirements as for instance CBS/BIS and for future I-A required by the FSB neither to EBA reporting. This lack of alignment of the counterparty classification is very burdensome in third party referential data base that have to be enhanced over the Group. Can we take the opportunity for this new reporting to align to counterparty sector that already exists for CBS either FINREP?
- While, the reporting agent should provide the **LEI indicator** to avoid confusion regarding the counterparty, other data related to the counterparty reference data should be filled up by the NCBs.
- **Number of employees**: This data is required in addition to enterprise size (that combines also number of employees). These are public data unless mistaken for listed companies, ECB could be provided with this information with other providers than banks. Regarding small enterprises (cf. enterprise size) the data is encompassed in the type of enterprise size and this submission is hence duplicated.
- **Balance sheet total**: The draft regulation does not precise whether consolidated asset size or social asset size is expected. At this stage we would report consolidated asset size for groups and social asset for a singleton company
- **Annual turnover** : same remark as above

#### Instrument Data

- **Type of instrument**:
  - **Credit card debts**: delayed credit cards and cards provided loans with both convenience and extended credit. The notion of convenience credit and extended credit is also required within the financial data. This requirement appears to be redundant.
- **Correlation product** : As no derivatives are concerned in this draft regulation we question the relevance of requiring this data
- **Project Finance loan** : we question this item not to be encompassed in the type of instrument
- **Settlement date**: we understand this data as the date at which loans can be withdrawn by the debtor for balance sheet items. Regarding off balance sheet items we understand this date as being the inception date i.e. the date on which the bank is engaged irrevocably in the contract.

- **Purpose**
  - **Construction investment:** no regulatory reference is written down, we understand this value as loans granted by the banks to NFC whose business is to build real estate? Could you precise what's expected? Aren't they duplication with project finance loan (for other construction?)
- **Fiduciary instruments:** we question the aim of submitted this data for statistical purposes.

## Financial data

- **Transferred amount:** we question the relevance of this data for statistical purposes. Most of the assets transferred but not derecognised are repos that are out of the scope of Anacredit (securities)
- **Convenience and extended credit** (cf. Credit card) : we consider this data as redundant and to be removed

## Template 2

### Accounting data

- **Accounting classification:** Classification should be reviewed taking into consideration IFRS9 that will come into force on 01/01/2018, AFS, HTM should be removed.
- **Balance sheet recognition:** we question the relevance of this data as securities are excluded from the regulation (cf. transferred amount above). In addition should the loan is derecognised, it is not part of the balance sheet anymore. The reporting is on a stock basis and not on a flow basis.
- **Accumulated W/O:** this data is very burdensome to report, we question the goal of reporting it as once the loan has been written off (full either partial) it has been offset against its outstanding amount.
- **Status of forbearance and renegotiation:** we understand the need of reporting the forbore status as required by FINREP (680/2014), but we question the relevance of the renegotiation status, out of the Regulation 680/2014 that defines only forbearance. Does it mean commercial renegotiation only are concerned? (renegotiation of the loans in a low rate environment)

### Instrument protection received data

- **Protection allocated value** : we understand this data as being the amount of the protection received further prioritization, allocation and capped to the outstanding amount of the loan (as reported for COREP purposes)