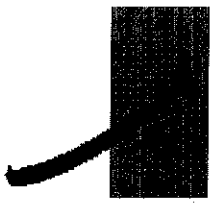

FEDERATION
BANCAIRE
FRANCAISE

# ANSWER TO THE CONSULTATION PAPER ON THE AMENDMENTS TO THE GUIDELINES ON COMMON REPORTING (COREP)

## Uniform reporting formats and implementation

Question to respondents : Do you have additional recommendations that could be taken up by CEBS in order to achieve uniform implementation of COREP ?

Although we welcome the initiative of re-implementation a unified common framework of reporting, we believe that the persistence of national discretions is the main obstacle for adequate reporting harmonisation within EU.
These national discretions may occur in prudential definitions used (e.g. corporate/retail frontier) in which case any uniformization of the formats will end up being useless because of the non-comparability of data for cross-border analysis.
As far as uniform reporting formats are concerned, we do not welcome the creation of a CA annex template as it is maintaining those national discretions.

We also note that the propositions issued by CEBS with the main objective of harmonization of reporting require an important number of additional data to be reported compared to the original 2006 COREP framework, especially on the securitization topics. We draw your attention on the fact that this additional information will require important changes in IT systems and in the reporting process that are not consistent for the time being with the high frequency and short delays of reporting requested.

## Proportionate reporting

Question to respondents : What is your assessment of CEBS proposals to address proportionality in COREP – in particular the establishment of national criteria that could lead to lower reporting frequencies for certain domestic-only reporting institutions ?

The proposal to introduce proportionate reporting is appropriate.
Nevertheless we consider that the criteria proposed for proportionate reporting (domestic vs cross-border institutions) should be reviewed. On the one hand, some domestic institutions can indeed have a large enough footprint to be subject to frequent supervision. On the other hand, cross-border institutions can be of very limited relevance in some of the domestic markets they are involved into.
As a consequence, concerning proportionate reporting, institutions should not be subject to a segmentation based on the cross-border vs domestic nature of their organisation but primarily on criteria consistent with §§ 30-31 of the amended guidelines (e.g. their size measured according to RWA, deposits,,, share in the domestic market, ...).

From a regulation point of view, the same frequency should be required from domestic institutions and cross border ones in order to perform regular enough macroprudential studies.

**Reporting frequency, reporting reference dates and remittance dates**

**Adjusted reporting frequency**

Question to respondents : What is your assessment of CEBS proposal regarding the establishment of baseline and adjusted reporting frequencies for individual templates ?

We welcome the improvement consisting in the suppression of monthly reporting in a number of countries, due to harmonization.

Based on the CEBS study of October 2007, the proposed reporting frequency implies a significant increase in the reporting burden for a number of institutions, notably concerning the Group Solvency and CR SEC Details templates that were not applied in a number of EEA countries and whose items where very partially used.

In this context, the CEBS proposals involve heavy IT changes and a greater workload for numerous institutions. Consequently, in the framework of a "better regulation" (i.e. costs vs benefits), it would be convenient that the reporting frequency for each template be re-examined and that each template only includes information really useful for the supervisors. Besides, the new requests should be implemented progressively.

Furthermore, some of the frequencies amended, notably for subconsolidated reportings have been doubled compared to the present situation (notably Spain, Italy, Luxemburg), unless these entities benefit from an adjusted reported frequency.
In this respect, we would like the CEBS to issue common guidelines also concerning the criteria (nature of activities, scale, complexity, systemic relevance) leading to the application of the adjusted reporting frequency, rather than let this issue as a national discretion (§36 of the amended guidelines).
We recommend taking into account for adjusted reported frequency the same type of criteria as those proposed above for proportionate reporting (e.g. balance sheet size, share in domestic market,...).

**Remittance dates**

Question to respondents : What is your assessment of CEBS's proposal to maintain its amendments as published in July 2008 ?

We are more than disappointed that CEBS maintained its July 2008 proposal. As a matter of fact, cross border banks explained at that time that these remittance dates are not in line with the processes of a centralised structure. Remittance date on individual basis (D+20) before the date for consolidated reporting (D+40) does not correspond to the consolidation and reporting process adopted by a number of groups. In a large group using advanced methodologies, consolidated data are not the result of the aggregation of individual data.

Individual data are the result of a centralised calculation and a centralised reporting process in the same way as consolidated data are.

In order to guarantee the consistency of data between consolidated and individual basis reporting and taking into account the fact that the internal models calculation and final data validation, is done on central level, the remittance date on individual basis within the same Group should be aligned to the date of consolidation reporting.

As a reminder, please find EBF comments from 2008 on the CEBS proposal for standardisation of remittance dates and reporting frequencies for supervisory reporting (COREP), which were not listened to:

> p.3
> "The CEBS proposals seem to start from the presumption that, as under Basel I, solo reporting is being prepared first and that reporting on a consolidated level is prepared subsequently by adding up solo data. This may still be true for some banks which apply the standardised approach under Basel II. However, banks which have organised their risk management systems in a centralised way or which have a centralised reporting platform inevitably need to proceed exactly the other way around: subsidiaries send their rough data to the parent which computes them in a centralised way to prepare consolidated figures. Solo figures are ultimately derived from the consolidated figures. Therefore, it is essential that institutions would not be required to deliver data on a solo level before those on a consolidated level.
> This means that it would not be appropriate to distinguish between solo and consolidated reporting in this area. This was also the main message which cross-border banks conveyed at the COREP Workshop which CEBS organised on 29 June 2007."
>
> (...)
> p.4
> "In general, we believe that the minimum time to produce and deliver data of a sufficient quality level would be 45 business days – which is in line with practises prevailing in a majority of Member States."

Therefore, we believe that there should be no difference between the remittance dates at solo and consolidated level. Both deadlines should be set at 45 business days. There is no consistency in requiring additional qualitative reporting within shortened delays.

Too short remittance dates would decrease drastically the quality of data sent to supervisors, both home and host.

We recommend to align reporting practices on practices concerning other prudential elements, that are governed by the principle of regulators colleges, where the home regulator plays a coordinating role. Hence we recommend that consolidated reporting drives local ones.

**Reporting on the template CA**

Question to respondents : what is your assessment of the inclusion of country specific items through the implementation of an additional template « CA annex » ?

Although the CA annex template is a consequence of the national discretions remaining in the CRD, we believe this table does not allow full harmonisation of the CA templates. As a matter of fact, cross border institutions will have to calculate as many CA tables as countries they are present in. We believe that an adequate solution would be to integrate an additional line in the CA template that would increase or decrease the amount of own funds, based on national discretions, for each section. More information could then be given to the regulators on an ad-hoc basis, outside any reporting constraints.

As far as France is concerned the CA Annex template does not provide any additional detail to the CA template cells, as for each country-specific line of the CA template there is only one corresponding line in the CA Annex.
The only additional information provided in the CA Annex template consist in memorandum items, without link with the CA template.

If CA Annex is required, we will suggest to report only memorandum items in the CA Annex template for France. Concerning memorandum items each line should then be attached to the relevant particular section to which it refers, and not as an undifferentiated bulk at the end of the CA Annex template.

We do not understand the relevance in the CA template of the line #1990 "Country specific memorandum items / of which-positions" which is always empty, as referred items are not additive. We suggest the deletion of this line.

Could you please also confirm if the line #1220 with ID 1.6.LE.01"Country specific memorandum item: Total own funds relevant for the limits of large exposures when additional capital to cover market risks is used" is deleted from the template CA? This line is included twice in the template and one of these lines is "red". In addition in CA Annex there is no additional country-specific items for this line.

**Reporting on the template Group Solvency**

Question to respondents : Do you agree with the amendments to the template Group Solvency ? Do you think that the instructions provided for the information on contributions are sufficient ?

Several questions are raised regarding the scope of entities to be reported in this template.
We would advocate that only significant regulated entities be reported by the parent company, in reference to the proportionate reporting principle, based on criteria to be defined (e.g. 1% of own funds or RWA in contribution to the Group).
Should the criterion be too low, the reporting burden for large groups would be unrealistic and with very questionable relevance.

- ✓ Could you precise in the following table which information should be reported by a parent company consolidating different type of entities and based on which criteria?

| | | Local requirements | Contribution |
|---|---|---|---|
| Regulated entity in the country of parent entity | Solo | | |
| | Subconsolidated | | |
| Regulated entity in other country of EEA | Solo | | |
| | Subconsolidated | | |
| Regulated entity outside EEA | Solo | | |
| | Subconsolidated | | |

- ✓ Does the notion of "regulated" entity refer to regulated entities only in the country of the parent company or at large in EEA countries where the CRD is applicable only? If the subsidiary is not subject to CRD, how should the related figures be reported?

- ✓ If an entity is regulated on a solo and sub-consolidated basis in a given EEA country, should the mother company also report the sub-consolidated contribution in the Group Solvency template?

- ✓ Could you precise whether only the top consolidated level of a cross-border group report this table or whether it should be produced for each legal entity, subject to a regulation on an individual basis

We would like to stress that the additional requirements have an important impact on the reporting systems as own Funds and RWA calculated according to local regulatory requirements are not systematically available in consolidation systems. This reporting will be even more problematic in France due to the increased frequency of the reporting (quarterly compared to annual previously).

To our understanding, column 110 should be the sum of columns 70 to 100. Validation rules should thus be corrected (some formulae refer to the wrong cell).

**Reporting on the template CR SA**

| Question to respondents : Do you agree with the amendments to the template CR SA ? |
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The requirement to report the template CR SA based on standardised approach exposure classes doesn't reflect the way the credit portfolio is analysed and controlled by the management, because it does not allow a global vision of this portfolio by asset classes and thus risk components, regardless of the calculation approach applied.
For institutions using a dual calculation approach and that are aiming at increasing the share of their scope of consolidation to be covered by advanced methods, this evolution is clearly a regression. We do not see either the advantages in terms of information provided to the regulators in a purpose of better regulation (cost vs benefits).

In the French case, the requirement to report the template CR SA based on standardised approach exposure classes, in addition to the introduction of the inflows/outflows mechanism will require significant IT changes, that are both time and money consuming.

Could you also explain the reason of the reporting of long settlement transactions with derivatives in CR SA (as well as CR IRB) template? What is the benefit for regulators of such modification?

We note that CR SA Total template is not consistent with CR SA Details templates in the definition of the exposure class. The breakdown by exposure classes (lines 240 – 420) of CR SA Total template refers to the classes used in RWA calculation in Standardised approach. Thus line #300 "Corporates" reports the amount of exposures on the class "Corporates" that **are not past due**. At the same time CR SA Details template on Exposure class "Corporates" present the amount on Exposure class "Corporates" **including past due** and secured by real estate exposures, which are in fact separate exposure classes and are required to be reported in the lines 120, 170 and 210 ("past due") and 130,190 ("secured by real estate"). Could you review the consistency of the definitions and the guidelines on the scope of reporting of each template ?

**Reporting on the template CR IRB**

| Question to respondents : Are the reporting requirements in relation to reporting country-related risk information and reporting information on the exposure classes Corporates and Retail clear or are there issues which need to be elaborated further ? |
|---|

The requirement to provide the information on country related risk is not consistent with Pillar 1 requirements. This information is available within Pillar 2 and Pillar 3 frameworks.

The information on number of obligors (column 200) for cross-border and multi-business lines groups is not relevant. Besides this information can be misleading and will require implementation of feeding per obligor to centralised reporting systems used for COREP reporting which is highly costly and will not represent a significant gain comparing to the necessary investments.
The indicators of risk concentration are indeed fully available in other frameworks than Pillar 1 and should not be required additionally in COREP as their burden is too costly compared to the expected improved regulation benefits.

**Reporting of CR SEC Details**

| Question to respondents : Are the reporting requirements in relation to reporting additional information with regard to individual securitisations clear or are there issues which need to be elaborated further ? |
|---|

We understand that the scope of the 3 securitization templates (CR SEC SA, CR SEC IRB and CR SEC Details) is limited to the banking book, until CRD3 is implemented. We would like to warn that at that time, some of the elements of the trading book, especially correlation positions should be excluded from the scope of these templates.

The introduction in the CR SEC SA and CR SEC IRB templates of a breakdown by CQS at inception boils down basically to require information typically collected in the due diligences performed by institutions when investing in securitization tranches, as requested per CRD2.

Nevertheless, in CRD2, securitization tranches, when acquired before first application, do benefit from a grandfathering clause that exempt institutions to have performed those required due diligences.

As a consequence we consider the breakdown by CQS at inception to be required only for those securitization programs concerned by the due diligences requirement. For securitization programs not concerned by the due diligences requirement of CRD 2, a separate line "without breakdown by CQS at inception" should be added in the CR SEC SA and CR SEC IRB templates, in order to maintain the exhaustivity of the templates within the securitization framework as well as their internal consistency between the breakdown by CQS and the breakdown by role in the securitization (originator, investor, sponsor).

The scope of the CR SEC Details template has been very significantly extended in the proposed amended guidelines, as this template, previously restricted to the scope of the efficient securitization programs only arranged or originated, now encompasses all securitization programs irrespective of the existence of a significant risk transfer. This implies the extension of the scope to:

- efficient securitization programs where the institution plays the role of an investor
- inefficient securitization programs (no significant risk transfer)

As a general matter of fact, the institutions are highly sceptical on the necessity to gather such detailed information by program for all institutions, as required in the amended guidelines.

Furthermore, this scope extension introduces an inconsistency between the CR SEC SA and CR SEC IRB templates on the one hand and the CR SEC Details template on the other hand, as the securitization structures that provide no significant risk transfer are reported in the credit templates (CR SA and CR IRB), as their RWA are calculated on the basis of the securitized exposures and not on the basis of the securitization positions.

Moreover, when a securitization programme is fully subscribed by the issuing entity (as is the case for securitization structures issued for sole funding purposes, in order to have readily available senior tranches as collateral to obtain refinancing at the ECB) the risk profile of the transaction (not even speaking of the RWA calculation) does not belong to a securitization framework. There is indeed no risk transfer, no external rating of the tranches.

For these two reasons, we would strongly advocate a restriction of the CR SEC Details scope to the securitization programs with significant risk transfer, implying the notable exclusion of autosubscribed programs, in order to keep consistency with figures and analysis of securitization type capital charge calculation.
This reduced scope, compared to the proposed amended guidelines, would already consist in a broad extension of the actual scope as all programs where the institution acts as an investor would be encompassed, which is not the case today.

As most of the new information required (securitization structure, details on off balance sheet items and derivatives for securitization positions) is not readily available in the central reporting systems but only at a business line level, this template would require extremely significant, long and costly investments in order to collect the information on each securitization program as requested at a consolidated level.
The difficulty to collect and centralise data from business line level is all the more important since, for a number of institutions, part of the securitisation business is monitored among distressed and extinction assets.

Finally it is very doubtful that this information could ever be collected concerning investor programs, as these elements mainly pertain to the execution of due diligence requirements only required by CRD2.

For the same reasons as those invoked concerning the CR SEC SA and CR SEC IRBA templates, we ask the new information to be required only for those securitization programs, where the institution is an investor, when they are concerned by the CRD2 due diligences requirement. Otherwise, there would be a risk that these fields will be left blank.

We have also the following questions regarding the template:

- It is stated that "CR SEC Details" should be submitted by stand-alone institutions and institutions that are part of a group but located in a different jurisdiction than the respective parent entity". We understand that the entities supervised by the same regulator that the parent company will not declare CR SEC DETAILS template.
- If several entities are involved in a programme is it required to report the information separately for each entity? How should this information be disclosed? Does that mean that several lines can be declared for the same program corresponding to each entity?
- At which date should the securitization structure be reported: on the date of the acquisition or on the origination date of the program?
- It is mentioned in the Guidelines (§101) that columns 120 to 140 should be reported also by investors. At the same time, we understand from the detailed definition of columns that the scope of columns 120 to 190 is limited to "securitised exposures "originated" (when the institution is only Originator). Can you confirm our understanding?

**Reporting on the templates on Market Risk**

| Question to respondents : Are the reporting requirements in relation to reporting a limited number of dimensions clear or are there issues which need to be elaborated further ? To what extent will the proposed materiality thresholds reduce the reporting burden ? |
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We do not believe that the limitation in the number of dimensions or the proposed materiality thresholds would reduce the reporting burden as details that are proposed to be deleted need to be calculated in order to provide the final results.

| Question to respondents : Are the reporting requirements in relation to reporting market risk information clear or are there issues which need to be elaborated further ? |
|---|

We do not understand why IM banks (whose VaR is covering the exchange rate factor) should report their FX positions in a Standardized method template such as MKR SA FX concerning foreign exchange risk (cf. rows 090-01 to 090-10, Memorandum items: Currency positions TOP XX CURRENCIES for IM BANKS).

We understand also that MKR SA TDI and MKR SA EQU templates should be filled in either for 10 currencies at minimum or either with a number of currencies covering 90% of the sum of net long and net short positions. Could you correct the comment in the Excel templates that states that both conditions should be satisfied?

**Reporting on the templates on Operational Risk**

| Question to respondents: Are the reporting requirements in relation to additional information on operational risk clear or are there issues which need to be elaborated further? |
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Regarding the OPR template, the additional information about diversification effects (column 110) raises some methodological issues.
There is no clear guideline on how to identify/disclose the diversification effect of the AMA. Each financial institution applying AMA could identify a diversification effect based on its own model and organisation. There is no precise definition of the "operational risk class" referred to in the guidelines definition of column 110, as this term is no where used in the CRD. If this term refers to an internal definition used in the institution's internal model, the data reported across institutions will not be comparable. Could you then precise what is the relevance of this additional data?

This alleviation mechanism could be calculated at a consolidated level but faces drastic and computational issues when looked at single entities level.

Regarding the OPR Details, we welcome the precision about the date at which the gross losses should be registered for reporting in this template, i.e. first accounting date of the loss.