Chapter 1 – Subject matter, Scope and Definitions

1. How would you assess the cost impact of using only the CRR scope of consolidation for supervisory reporting of financial information?

As BAWAG PSK does not produce detailed financial statements on the CRR scope of consolidation, there will be considerable additional costs involved. In addition to the consolidated financial statement according to IFRS, BAWAG would be required to create a second consolidated financial statement based on the scope for consolidation according to CRR. Currently, BAWAG P.S.K. is not able to do so, hence has to set up sufficient technical infrastructure to ensure the financial reporting requirements.

2. Please specify cost implications if parts 1 and 2 of Annex III and Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation.

According to the current EBA draft, BAWAG PSK would be subject to Article IV as IFRS is currently used for publication of financial statements but is required to use national GAAP for supervisory reporting.

Such detailed data requests as shown in Annex III and Annex IV are currently not available, neither for a reporting according to IFRS nor for local GAAP. To be able to deliver all the requested data of Annex III and IV, even for IFRS, BAWAG PSK would have to make considerable extensions of the datawarehouse, amendments of current data delivery tools and fundamental consolidation software extensions. Even more additional cost and effort is envisaged should Annex III and Annex IV be delivered according to local GAAP.

Producing two sets of group reports – one according to CRR scope and one according to IFRS scope – will require significant IT investment and will in addition lead to a permanent increase in personnel costs as these two group reports have to be prepared at the same time. BAWAG PSK is of the strong opinion that producing two sets of group reports – one according to CRR scope and one according to IFRS scope – will bring very few added value to regulators which would not justify the significant costs implied for banks.

As financial statements under Austrian GAAP would differ from financial statements of banks of other European countries in regard of e.g. measurement of financial instruments, this would not support the aim of increased cross-border comparability.
Chapter 2 – reporting reference and remittance dates

3. Financial information will also be used on a cross-border level and aggregated at European level, requiring adjustments to enable comparability. How would you assess the impact if the last sentence of Article 3(2) referred to the calendar year instead of the accounting year?

Not relevant for BAWAG PSK.

4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?

BAWAG PSK is of the opinion that remittance date for reporting date as of December 31, should be end of March to avoid undue burden on both, banks and local supervisory authorities, caused by repeated submissions due to changes in the course of completion of financial statements.

BAWAG PSK is also of the strong opinion that Finrep should remain as consolidated report only. Finrep at individual level would first cause considerable cost and second not increase comparability facing that many different local accounting frameworks are used across Europe.

5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level.

As mentioned above, BAWAG PSK is of the strong opinion that Finrep should remain on a consolidated basis only.

6. When would be the earliest point in time to submit audited figures?

Finrep: As the current suggested Finrep tables are much more detailed as IFRS requirements are, Finrep would never be completely audited. BAWAG PSK would be able to submit partially audited consolidated IFRS figures by the end of April.

Corep: Audit report figures on solo and consolidated level could be submitted by end of April.

7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)

Especially for the reporting dates as of June and December, the suggested remittance dates (August 11th and February 11th) may cause much pressure as usually the same team also has to provide many other reports for regulators, auditors, tax authorities, management board, supervisory board and public.
Chapter 3 – Format and frequency of reporting on own funds requirements and financial information

Questions relating own funds requirements (Corep)

8. Do the proposed criteria lead to a reduced reporting burden?

BAWAG PSK does not see a significant reduction of the reporting burden due to the extension of reporting requirements.

9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold, both in aggregate and separately for each exposure class.

Not relevant for BAWAG PSK as no country exceeds the 10 per cent threshold.

10. What would be the cost implications if the second threshold of Article 5 point 1 (c) ii) were deleted?

Deleting the second threshold would not have significant cost implications.

11. Is the calculation of the threshold sufficiently clear?

Yes.

12. Do reduced reporting frequencies lead to significant reductions in administrative burden? Please quantify the estimated impact of semi-annual reporting frequencies compared to quarterly.

BAWAG PSK is of the opinion that the reduction of the reporting frequencies will lead to a reduction of the reporting burden.

13. Is the calculation of the threshold sufficiently clear?

Yes.

14. Competent Authorities are obliged to disclose data on the national banking sector’s total assets as part of the supervisory disclosure. Do you find these publications sufficient to calculate the proposed threshold? EBA is considering requiring information on own funds as included in part 1 of Annex I (CA 1 to CA 5) with a monthly frequency. However, EBA is cognisant of potential cost implications and is very interested in specific feedback on this point.
An extension of the reporting frequencies is not acceptable and would not reduce the reporting burden.

15. What would be the cost implications if information on own funds as put forward in part 1 of Annex I (CA to CA 5) were required with a monthly frequency for all institutions.

Please, see answer to question 14.

Questions relating financial information (Finrep)

16. Are there specific situations where this approach (differentiating between institutions using IFRS and national accounting frameworks for supervisory reporting purposes) would not be applicable?

For BAWAG PSK the approach proposed in the ITS will lead to significant additional reporting burden. BAWAG PSK is a credit institution that uses IFRS for publication of consolidated financial statements and is therefore released from the duty to publish consolidated financial statements according to local GAAP (§245a UGB). A single financial statement according to local GAAP is still required by the national authority which is in turn not available according to IFRS.

In other words, BAWAG PSK faces huge problems, if it is required to submit a consolidated financial statement according to local GAAP or if it is required to submit a single financial statement according to IFRS.

In addition to this, EBA proposals would imply that BAWAG PSK would have to prepare one set of consolidated financial statements according to IFRS (as this is required by EU regulation (EC) No 1606/2002) and an additional set of consolidated financial statements according to local GAAP. These additional local GAAP consolidated financial statements would only be used for new Finrep reporting and would not be used by management in the decision making process.

First, submission of Finrep according to local GAAP would decrease comparability of different preparers in different countries and would increase cross-border burdens as this would not be a step into a uniform financial reporting based on the same accounting framework. BAWAG PSK is of the opinion that this probably does not represent what EBA had in mind when it set up CRR to support a consistent and uniform reporting across Europe. Second, Finrep according to local GAAP would double effort and permanently increase staff cost considerably as the second set of consolidated financial statements for Finrep (based on local GAAP) has to be prepared at the same time as the IFRS consolidated financial
statements that have to be published on a quarterly (or internally monthly) basis. The additional value of this should be questioned critically and is in the opinion of BAWAG PSK not worth the effort.

National authorities are considering to switch regulatory reporting requirements (Corep) to IFRS (according to the 2nd Danish compromise proposal, Corep is proposed to remain in local GAAP). Nevertheless, if authorities will decide to switch regulatory reporting requirements to IFRS (which can be expected in the mid term), this changes the situation as this would then result in Finrep according to IFRS. Though, such change in prudential reporting (Corep) would imply significant IT system adjustments and will not be possible before January 2014.

Assuming regulatory reporting (Corep) will be based on IFRS, let’s say in 2015 and further assuming the Finrep implementation date will still follow the current EBA suggestions (to report Finrep in the same accounting framework as Corep is currently reported) would end up in reporting Finrep according to local GAAP for two years only.

BAWAG PSK is therefore of the same opinion as EBF and would like to propose to maintain the current requirement to report Finrep based on IFRS if the consolidated financial statements are based on IFRS.

17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?

The current EBA proposal at least doubles the level of details required in Finrep. This causes significant costs as local datawarehouse has to be extended, current reporting tools have to be amended, subsidiaries must be trained and an increase of workforce would be necessary to fulfill the tables and to ensure quality of data.

If, in addition to the financial reporting on IFRS, Finrep is supposed to be on local GAAP, this would make the situation even more challenging (as already mentioned under question 16).

BAWAG PSK is of the opinion that the currently proposed levels of detail are not justified. EBA should state reasons why it asks for such detailed information. In some cases, EBA asks for more details as IFRS requests from preparers.

In addition to this, Corep templates and Finrep templates should be aligned to decrease reporting burdens and to avoid redundancies.

The CRR proposal requests EBA to require financial information to the extent necessary to obtain a comprehensive understanding of the risk profile of an institution’s activities and should therefore limit its level of details on what the IFRS requires, at a maximum. The current proposed tables would neither increase the understanding of the risk profile of an institution’s activities nor improve comparability between different preparers as this level of detail is likely to lead to data quality issues.
BAWAG P.S.K. proposes to reduce the level of required financial information on what IFRS requires, at a maximum. In addition to this, EBA should state reasons why it is asking for certain information as this knowledge would be helpful in preparing the requested data.

18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly?

Any decrease in the frequency of the reporting reduces the burden although the initial investment needs to be done anyhow. Requested information under Table 10.2 and 10.3 is currently not available on IFRS as current IFRS do not require such level of detail.

19. What is your general assessment of applying reporting standards regarding financial information on an individual level?

In Austria IFRS on solo level do not release preparers from financial reporting on local GAAP for their single financial statements to their national authority. Therefore, BAWAG PSK does not submit its solo accounts according to IFRS but according to local GAAP. As a result, the introduction of Finrep on solo level would lead to a double reporting.

As the individual financial statement is only available on local GAAP and this is not comparable to other countries this would not put EBA in the position to improve harmonisation of financial reporting in Europe, nor would it be a step into a uniform financial reporting system.

As the additional value of Finrep on solo level must be questioned, BAWAG PSK strongly believes that Finrep should remain on consolidated level.

20. How would you assess costs and benefits of applying the ITS requirements regarding financial information on an individual level? Please assess the impact for the two scenarios (i) application of parts 1 and 2 of Annex III and Annex IV on an individual level (ii) application 1 to 4 of Annex III and Annex IV on an individual level (ii). Would there be obstacles for applying reporting on an individual level?

Producing Finrep on an individual basis would be extremely costly as this detailed level of information is not available, neither for local GAAP (current reports to supervisory authority are not in line with the new Finrep proposals and much less detailed) nor for IFRS (as IFRS is currently only submitted on a consolidated basis all consolidated accounts are not considered). It would create heavy reporting burden and may not replace the various current reporting requirements to the national authority.

21. If the proposal was to be extended, what implementation time would be needed?

At least, until 2014.
Chapter 6 – IT solutions for the submission of data from institutions to competent authorities

22. What cost implications would arise if the use of XBRL taxonomies would be mandatory requirement in Europe for the submission of ITS-related data to competent authorities?

As BAWAG PSK does not use XBRL at present time, this would cause significant additional costs and would substantially delay first time application.

Chapter 7 – Final provisions

23. How would you assess the cost implications of the following two options?

Option 1: Implement the ITS as of the first possible reference date (31/03/2013)
The implementation of the current EBA proposals are an enormous challenge, if not impossible, because of:
- final ITS is not available
- short period of time to implement
- detailed level of information which partially exceeds IFRS requirements
- no group accounts available for requested scope of consolidation (local GAAP) at present time
- no consolidated financial statement according to local GAAP available at present time
- the necessity of substantial amendments of datawarehouse and consolidation software
- enormous increase of workforce as reporting requirements would double (as Finrep (local GAAP) would be in addition to IFRS reporting)

As BAWAG PSK needs time to ensure quality of reported data, the implementation should be delayed until 2014. In regard of all necessary changes mentioned above, the costs will be significantly high anyhow.

Option 2: Delay the implementation of the ITS by 6 months (first reporting based on data as of (30/09/2013) and implement national interim solutions for reporting as of 31/03/2013
The proposed delay will not be helpful as preparers must ensure their accounting systems (e.g. profit or loss data) are in line with the CRR proposals at the beginning of 2013 anyhow. Profit or Loss data has to be collected starting from the beginning of the year, no matter if the first report is due in March or in September. The implementation should be delayed until 2014.

24. 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?

If the ITS is finalised as of June 2012, the implementation date should be January 2014. Upcoming IT challenges are the following:

- Scope of consolidation for Finrep may differ from the scope of consolidation for current financial reporting according to IFRS. A second parallel consolidated financial statement has to be set up in the IT systems. This might affect not only BAWAG PSK itself, it may affect also subsidiaries which would have to create a second parallel sub-group financial statement based on a second scope of consolidation. In addition, the same team will be affected and will have to face their responsibilities to be doubled.
- The relevant accounting framework may be local GAAP instead of IFRS.
- Impossible to manage without hiring external IT consultants which will cause substantial additional costs.

25. What would be the minimum implementation period required for institutions already subject to Finrep reporting at the moment to implement the financial reporting described in this consultation paper?

If the ITS is finalised as of June 2012, the implementation date should be January 2014 (reasons please see above).

26. What would be the minimum implementation period required for institutions NOT subject to Finrep reporting at the moment to implement the financial reporting described in this consultation paper?

Not relevant.

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

As there is no single financial statement according to IFRS available, this would require a longer implementation period. As long as national authorities do not allow IFRS as single
financial reporting framework, Finrep on a single basis would mean massive increase of effort and substantial IT changes to be made.

Therefore, BAWAG PSK is of the opinion that Finrep should remain on a consolidated basis.

**Annex I and Annex II**

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors – displayed in the Corep templates as grey/blocked cells) reduce the reporting burden?

Yes, in terms of the amount of data. Nevertheless, the additional report for the geographical breakdown, segmented according to Finrep, is very confusing because it does not fit with the required Corep data.

29. Compared to previous versions of the Corep templates are there additional reporting requirements which cause disproportionate costs?

Yes the additional reporting requirements will lead to an increase of IT costs.

30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you?

Yes.

31. CR IRB – What is your assessment of cost implications of the new lines for „large regulated financial entities and to unregulated financial entities“? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

The relevant information are more or less available in our systems therefore cost implications are relatively minor.

32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most efficient way of incorporating this kind of information in the reporting framework?

See answer to question 31.
33. Are the templates included in Annex III and Annex IV and the related instructions included in Annex V sufficiently clear?

Table 1.1 (Annex IV)
- It is not clear what the difference between „Financial assets held for trading“ and „Trading financial assets“ is supposed to be.
- It is not clear what the difference between „Financial assets designated at fair value through profit or loss“ and „Non-trading non-derivative financial assets measured at fair value through profit or loss“ is supposed to be. The first does not necessarily exclude the second.

Table 1.2 (Annex IV)
- It is not clear what the difference between „Financial liabilities held for trading“ and „Trading financial liabilities“ is supposed to be.

Table 4.1 (Annex IV)
- It is not clear what the difference between „Specific allowances for individually assessed financial assets“ and „Specific allowances for credit risk“ is supposed to mean.

Table 17.5 and others (Annex IV)
- Differentiating between gains or losses on financial instruments at fair value is not in line with the way these instruments are valued and recognised. An accounting system must be able to recognise gains or losses in dependence of the development of market values either on “gain-accounts” or respectively on “loss-accounts”. Current IT systems are not able to do so.

Regarding comments on Annex III, please see the EBF response on Draft ITS on Supervisory reporting requirements for institutions.

Generally, Finrep should be aligned with IFRS. EBA should pay attention to the ongoing IASB discussions with the result that requested data that is going to be changed in the near future should be kept as simple as possible. It is not understandable, why preparers should invest in e.g. IT amendments that only apply for a very short period of time.

If Finrep would be aligned with IFRS, this would reduce unnecessary redundant reporting burden and would ensure that Finrep and external financial reporting show the same amounts, totals and subtotals (e.g. in regard of breakdowns).

34. Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden?
We assume that question 34 refers to Article 9 (3) instead of 11 (3).

For cross border banking groups the provision of Article 8 (3) and 9 (3) cannot reduce reporting burden. The provisions of these articles may reduce the reporting burden only for small national institutions.

35. **What are the cost implications of introducing a breakdown by individual countries and counterparties?**

Preparers will have to calculate the full requested information for each country and to pick out the ten biggest which probably ends up in manual processes as this is difficult to automatise. The cost for building up an automatic system will be high.

Especially the request in table 14.3 to break down e.g. net interest income by countries would cause disproportional effort and costs.

While residence of the counterparty of risk exposure could be provided given that this information is used in the risk management, the residence of the liability holders is not known, in particular if traded on a market.

The requested data are asked in Corep and Finrep and therefore this leads to duplication of work. As this information is already asked on solo level, BAWAG PSK is of the opinion, that it is not necessary to ask also for this information on group level.

36. **What are the cost implications of introducing a breakdown by individual sector by using NACE codes?**

As NACE codes are not available in BAWAG PSK’s accounting systems, these information must be identified in non-accounting databases and linked with financial information. The cost for building up an automatic system will be high.

37. **Would other classification be more suitable or cost efficient?**

38. **What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown?**

BAWAG PSK thinks differentiating only between domestic and foreign exposures would reduce the reporting burden.

39. **What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?**
It is likely that this will be a normal process as countries may change every year which will be expensive for BAWAG PSK to automatise. This information should therefore only be required once a year.

40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world?

The requested data are asked in Corep and Finrep. This leads to inadequate duplication of work.

41. Would application of a materiality threshold similar to Article 8 (3) and 11 (3) (reporting the breakdown only if foreign exposures exceed 10% of the total exposures) reduce reporting burden?

No, as banks will have to calculate the threshold anyway to know whether they are obliged to report or not.

42. What would be the difference in cost implications if breakdown would be requested only with differentiating between domestic / foreign or alternatively country by country with similar threshold than in Article 8 (3) and 11 (3)n compared to the proposal in the Consultation Paper?

BAWAG PSK thinks differentiating only between domestic and foreign exposures would reduce the reporting burden.

43. Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates?

44. Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in the held for trading portfolio?

The IAS 7 definition of cash equivalent does not follow the practice used in the published balance sheet, it is only used for the Statement of Cash Flows that is not meaningful for a financial institution.

Besides, a majority of the currently proposed balance sheet structure gets irrelevant when IFRS 9 will be effective which is supposed to be in 2015 or 2016.
45. How do you assess the impact of reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss always under interest income and interest expense?

No impact for BAWAG PSK.
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