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To the European Banking Authority

Reference: ITS (CP51)

EBA consultation paper on draft ITS on supervisory reporting requirements for large exposures

The EBA has published a consultation paper on draft Implementing Technical Standards (ITS) on supervisory reporting requirements for large exposures (CP51).

The Federation of Finnish Financial Services respectfully gives the following statement:

1. General remarks

The Federation of Finnish Financial Services supports the goal of uniform reporting templates for all credit institutions in EU member states. It will ensure a level playing field and will streamline the reporting for cross-border groups.

By giving these remarks we would also like to refer to our comments given to CP50 consultation.

2. The EUR 150 million threshold

We strongly believe that the €150m threshold is far too low for larger banks. However, for smaller banks it is fair to have an absolute limit rather than a proportional threshold.

We propose that EBA gives two different thresholds to choose from: either €150m, or 10% of own funds. This would substantially reduce the reporting burden for larger institutions.

3. Overview of questions for Consultation

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.

The first large exposures reporting is expected to be Q1 2013 with the first reference date being 31/3/2013. EBA intends to finalise the draft ITS and submit it to the Commission by 30/6/2012.
The timeframe for implementing CP51 is challenging since other huge reporting implementation projects are scheduled at the same time (CP50 for FINREP and COREP reporting). Institutions should be provided with sufficient time – at least one year – to design and test all new tables. We propose that implementation is carried out at the same time as new COREP implementation, which would hopefully be at the beginning of 2014 (except own funds, which could be reported in Q1 2013).

Therefore we propose that the first LE reporting takes place in January 2014 at the earliest.

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

In template 2, original exposures and eligible risk mitigation (CRM) techniques will both have to be broken down by instruments. These requirements will demand IT changes and will cause relatively high costs.

The proposed €150m threshold would cause disproportionate costs (see also point 2).

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.

Accurate definitions of instruments are lacking in both templates. For example, both templates have a new column “of which defaulted” for total original exposures. However, there is no clear definition for “default” in this context. It depends on the definition how this cell eventually affects IT changes.

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

This requirement is relatively easy to implement, because it is the basic customer classification criterion and can be derived from the current IT systems. There will naturally be implementation costs but they are expected to be reasonable.

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

This requirement is relatively easy to implement, assuming it refers to the official sector code. Official sector code is a basic customer classification criterion and can be derived from the current IT systems. There will be implementation costs but they are expected to be reasonable.
8. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?

We would prefer official sector codes instead of NACE codes, because NACE codes are not available for all customers.

Federation of Finnish Financial Services

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