Consultation paper on Draft Implementing Technical Standards on Supervisory reporting requirements for large exposures (CP51)

Introduction
The Swedish Bankers' Association welcomes the opportunity to comment on the consultation paper on the draft ITS on Supervisory reporting requirements for large exposure.

As a member of the European Banking Federation (EBF) we support the comments and conclusions in the EBF response to the consultation paper. However, from the perspective of Swedish banks we want to emphasize the following comments to the consultation paper.

The Swedish Bankers' Association are in favour of enhancing regulatory harmonisation for credit institutions in Europe and we therefore support the introduction of uniform formats, frequencies and dates of prudential reporting as well as IT solutions. The introduction of uniform reporting will, if properly introduced, be of great importance for improving efficiency in reporting procedures for especially cross-border banks. Many of the Swedish banks have activities abroad and especially in the other Nordic countries. The principle of proportionality is also welcomed as it will reduce the reporting burden for less complex and domestic banks.

However, when implementing the ITS in all its parts, one must bear in mind how
extremely extensive this reporting will be and allow for sufficient time to make the implementation. In addition, implementation of other regulations (IFRS, ECB, EU Directive, Basel III, etc.) should be taken into account when deciding on the reference dates.

Main comments regarding the ITS on Supervisory reporting requirements

- The implementation period until 1st January 2013 is not realistic and leaves no room for major changes or delays. Institutions would need at least one year of implementation to be able to prepare IT-systems for the new extensive and challenging reporting requirements. Also the new reporting system has to be carefully defined and tested in order to secure high quality of the figures. Consequently, the implementation would preferably be moved to the 1st January 2014.

- A remittance period of just 30 working days is a very short period for the banks to report a complete set of reporting figures, especially for the year end figures. Swedish Bankers' Association suggest instead a remittance period of 40 working days. Irrespective of this, with such an extensive change of reporting as suggested, a transition period with longer remittance periods should be introduced. The transition period should be at least two years.

- In general there are many parts of the instructions that are not clear enough. The Swedish Bankers' Association think it is of utmost importance that there will be a readiness from the supervisory authorities to answer questions from the institutes. It would be a clear advantage if the questions could be handled by the supervisory authorities in the different countries.

Detailed comments following the questions in the consultation paper

Chapter 5, Article 11, paragraph 2: “Exposures to be reported are the following: a) [...] b) Every exposure not considered large exposure according to Article 381 CRR with an original exposure value larger than or equal to 150 million EUR.”

The above reporting criterion, that all exposures over 150 million EUR should be reported even if they are not considered large exposures, is a new reporting request. There is, to our knowledge, no demand for collecting this information in the CRR. There is also no motive why this new figures are demanded by the supervisory authorities and why the threshold has been set at 150 million EUR.

The Swedish Bankers' Association is of the opinion that the above reporting of exposures over 150 million EUR should not be imposed. Even if the threshold of 150 million EUR is manageable for most smaller and middle sized banks, it is too low for many larger banks. Larger Swedish banks could be forced to report more than 100
groups and substantially more than 1 000 exposures with this new reporting requirement and it would imply a considerable increase in reporting burden.

If the above reporting is not removed, a much more reasonable approach compared to the fixed amount of 150 million EUR would be to set a relative requirement based on the capital base. The criteria could be in range 3-5 % in order to complement exposures besides those included in other reports.

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.**

Swedish Bankers' Association is of the opinion that the minimum implementation period would be 12 months after the EU decision on ITS, i.e. when the technical solutions, such as validating rules, taxonomies, etc have been implemented. The institutions need to rebuild IT systems to be able to report according to new extensive reporting templates. New internal reporting systems must be carefully defined and tested before taking into use, in order to ascertain quality and timely reporting.

2. **What would be the minimum implementation period required for institutions NOT subject to large exposures reporting at the moment to implement the large exposures reporting described in this consultation paper?**

Pleases see above answer to question 1.

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

Yes, normally it must take place within same scope due to different interdependencies.

**Annex VIII and Annex IX**

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

The new reporting requirement in chapter 5, article 11, paragraph 2b, which means that all exposures over 150 million EUR should be reported, can lead to increased reporting costs for, above all, larger banks. For larger banks, where the threshold of 150 million EUR is a comparably low figure, the cost would increase.
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.

Whether or not the instruction is sufficiently clear is something that will show when the IT solution is being built and when test period starts. A complete answer cannot be given at this stage.

However, there will always be questions arising regarding the reporting. The Swedish Bankers’ Association think it is very important that the local regulators will be prepared to answer these questions from the institutions. It would be a clear advantage if the questions could be handled by the supervisory authorities in the different countries.

One example where the instructions are unclear is column 050 “Sector of the counterparty” and column 060 “NACE code”. What exactly should be written in the cells? Defined codes or names? If names, which names exactly?

Another example where the instructions are not totally clear is the columns 090 and 100, debt instrument and equity instrument exposures. The instructions (Annex IX) say that the instruments should be defined according to FINREP. Does this connection to FINREP exist today? If not there could be a problem as the normal definitions of large exposures are according to COREP.

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

In general additional information will add to costs. The size of the costs depends on the institutions systems, etc.

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

See answer to question 6 above.

8. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?

See answer to question 6 above.

9. Would other classifications be more suitable or cost efficient?
It would be a clear advantage if the classifications could be limited to the already existing COREP definitions. If new reporting is classified with other types of definitions, e.g. FINREP, the reporting cost will most probably increase.

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