



BRITISH BANKERS' ASSOCIATION

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Dear Andrea

CEBS Consultation Paper on the New Solvency Ratio: Towards a Common Reporting Framework (CP04)

The British Bankers' Association (BBA) welcomes the opportunity to provide views on the proposed framework for common reporting, as outlined in CEBS consultation paper (CP04), and notes CEBS effort to respond to the banking industry's requests.

The BBA supports the introduction of common reporting which should help reduce the industry's burden of compliance, but also, help achieve greater supervisory convergence and, thereby, contribute to financial market integration in Europe. The principles underpinning the common reporting framework, namely consistency and standardisation, are welcomed.

We have contributed to and, in general, support the comprehensive response submitted by the European Banking Federation (FBE) to the CEBS consultation paper. However, the UK industry has collectively expressed serious reservations around aspects of the proposals, and we outline below some of their material concerns.

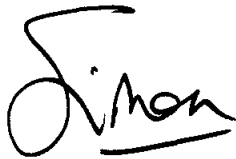
- 1) While we accept the rationale for a common European reporting framework, we are concerned as to the timing of the framework as the Basel II rules in a couple of key areas remain to be agreed. As a result, the complete reporting requirements for solvency ratio can only be finalised after this process. We, therefore, urge CEBS to consider the timing of the framework and delay its implementation until the capital adequacy rules are well bedded in.
- 2) The link between detailed reporting requirements and the intended use of information is unclear. We recommend that CEBS confirms the objectives of the common reporting framework and the reports, and provides data principles and requirements consistent with solvency reporting, for example for risk exposures, risk-weighted assets, banks own funds. The reporting data should add value and be "fit for the purpose" intended. We support common reporting rather than reporting based on common calculation methodology.



- 3) The scope of the reporting framework should be limited to Pillar I requirements as the nature of Pillar II will vary between organisations. Pillar II information requirements should be agreed between individual firms and their regulators based on on-site inspections and interviews, and not requesting quantitative information for Pillar II within the solvency ratio framework which will not assist inter-firm comparisons.
- 4) While we agree with the aim to harmonise reporting practices across Europe, the current extensive and detailed proposals will not help to reduce the compliance burden. It will also be difficult for the industry to incorporate such fundamental changes at this stage of their Basel II implementation programmes, and will add to already significant costs for implementing the new capital regime. We, therefore, urge CEBS to base the framework on 'best practices' rather than the full range of practices, focussing on only core components of solvency ratio agreed between regulators.
- 5) There appears to be limited consideration given to cost-benefit analysis when designing the framework. The proposed granular framework is likely to have significant impact on the industry's systems infra-structure and is likely to require additional systems build. A pragmatic response to industry's concern of compliance costs for cross-border reporting should be based on minimum core requirements for EU and non-EU regulators, which will also help reduce administrative burden for global institutions. We urge CEBS to adopt the principle that the benefits of reporting under the framework must outweigh the costs.

We would welcome the opportunity to participate in subsequent discussions with CEBS either directly or via the FBE. Please do not hesitate to contact me on +44 (0) 20 7216 8861.

Yours sincerely,



Simon Hills