Fédération Bancaire Européenne
European Banking Federation

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Committee of European Banking Supervisors
Floor 18, Tower 42
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Brussels, 29 April 2005

Subject: **CEBS Consultation Paper on the New Solvency Ratio: Towards a Common Reporting Framework**

Dear Mr Roldán,

The European Banking Federation[1] (FBE) welcomes the opportunity to comment on CEBS' consultation on common reporting (CoRep). We note the steps taken by CEBS to produce a response to the requests expressed by the banking industry in this regard and we view the project to establish a common reporting framework as a positive one. We believe that establishing a framework for common reporting could make a significant contribution to increased supervisory convergence in the EU, ultimately moving towards the establishment of a truly level playing field in Europe.

The FBE has set out a full response to the proposals CEBS puts forward in its consultation paper. We hope that CEBS will take note of the FBE's comments and that we can establish a dialogue to take forward the shape and substance of the common reporting framework in the future.

We would ask CEBS to take particular note of the fact the FBE believes that common reporting within a banking group is a highly desirable option to reduce the administrative burden associated to regulatory reporting to the greatest extent possible. We do appreciate that such measures would take time but we feel they are ultimately achievable and would not distort the single level playing field against a background of increasing supervisory convergence in Europe, facilitated by CEBS.

As regards the specific proposals CEBS sets out in its consultation with industry, the FBE would like to highlight what we consider to be the most important issues CEBS must now address, before taking its common reporting proposals further. Our key messages are:

- the current proposals are too detailed and far reaching; CEBS should aim to consult on *best practice* rather than *all practice*;
- common reporting should be fully harmonised at the lowest possible common

[1] Set up in 1960, the European Banking Federation (FBE) is the voice of the European banking sector. It represents the interests of over 4,500 European banks, large and small, with total assets of more than €20,000 billion and over 2.3 million employees.

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requirements across the various regulatory environments; any superequivalent measures are highly undesirable from a level playing field point of view so must be disclosed through the supervisory disclosure framework;

- the new common reporting framework should focus exclusively on the essential components required to inform supervisors of a given institution's solvency ratio and the scope be strictly limited to Pillar I requirements;

- the CoRep proposals must be aligned with current initiatives also under way such as common Financial Reporting (FinRep) and the results of XBRL Taxonomies Working Group;

- the current draft does not meet CEBS' objective to reduce the industry's compliance burden. Therefore, CEBS should have regard to three additional principles of proportionality, reducing burden on banks and cost-benefit analysis of proposals.

Please find attached our general and more detailed remarks plus specific comments on the templates proposed for the common reporting framework. We look forward to working with CEBS on this very important issue, and other key initiatives, in the future.

Yours sincerely,

Guido RAVOET

Secretary General

Enclosures: 1

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RESPONSE

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

CEBS CP04

INTRODUCTION

1. The FBE is supportive of efforts to introduce greater commonality of reporting approaches so as to reduce the industry's compliance burden, especially for banks operating on a cross-border basis. Furthermore, the FBE agrees with CEBS that common reporting should contribute to removing a potential obstacle to financial market integration. Divergent reporting requirements will jeopardise the benefits of a single market, create unlevel playing fields and increase the administrative costs for internationally active banks. Therefore, the target should be to have one single and simplified CoRep accepted by the home and host supervisors

2. The FBE views the proposals set out by CEBS as a first attempt to address the issue and points out a number of key general concerns as well as more detailed comments on the proposals set out in the paper.

GENERAL REMARKS

Common reporting for banking groups

3. Firstly, whilst the FBE is supportive of the aims of the common reporting, especially where there would be demonstrable advantages for the integration of the Single Market, However, Europe's commercial bankers envisage that the compliance burden for internationally active banks would not decrease under the regime set out by CEBS. Therefore, the FBE urges CEBS to consider an alternative approach, **mutual recognition**, which in our view would achieve the same goals as CEBS' initiatives over time.

4. Specifically, the FBE proposes that banking groups be permitted to use **a single reporting standard** (i.e. that required by the home state) **for the whole group**. The home supervisor should be permitted to set out a common framework and structure of a banking group's capital reporting. This would imply that the supervisors of the banking group in the host state would be required to apply mutual recognition to the reports submitted by the banking group. We believe that applying this form of mutual recognition would be achievable and would not distort a single level playing field against a background of increasing supervisory convergence across Europe, facilitated by CEBS.

Response to CEBS's proposals

5. The FBE is supportive of measures taken by CEBS to facilitate the convergence of supervisory practice in the EU thereby paving the way for increasing integration of Europe's markets in the future. However, the FBE strongly advocates that any

steps taken towards these aims should be done so in a **proportionate** manner and on a **'value-added basis.'** In other words, the costs of implementing measures deemed necessary to harmonise reporting practices should not outweigh the potential benefits for Europe's banking industry.

6. The FBE notes CEBS' stated commitment to reducing the reporting burden for banks. However, the FBE feels that as CEBS' proposals for common reporting are currently drafted there is a real risk that the level of detail and the extensiveness of the required information render the proposals **more burdensome for banks**, than is currently the case. For example, from a practical perspective the FBE notes that CEBS recognises that there would be 167 reports once all combinations have been taken into account, which we could reasonably assume would be the case for a large internationally active bank. If we were to assume that each report would have to be reproduced for all regulated entities of a banking group then that would lead to a large internationally active bank producing in excess of 2,000 reports equalling around 10,000 pages of text. The FBE doubts that such an excessive volume of reporting is CEBS' objective as not only would it represent a significant added burden for banks, national regulators would simply not be able to cope with receiving and analysing this quantity of regulatory reports. Therefore, we strongly encourage CEBS to review the volume of reporting it is proposing.

7. Therefore, the FBE urges CEBS to focus on what the industry deems to be the **essential components** required to inform supervisors of a given institution's **solvency ratio**. We believe that banks only need, and therefore should only be required, to report data relating to risk exposures, weighted assets and banks own funds to arrive at a meaningful solvency ratio. We would therefore encourage CEBS to restrict the components of common reporting to these three areas.

8. We would also urge CEBS to set out what it deems to be best practice for common reporting in Europe. In future consultations issued by CEBS, the FBE would support being given the choice between two or more different proposals in order to determine best practice. This practice is common in certain consultations issued by the Committee of European Securities Regulators (CESR) and is a welcome move. However, in the consultation on common reporting we feel that the proposed reports represent a sum total of every possible combination of requirements, with little or no linkage to actual intended usage. We believe that setting out ***all practice*** **rather than** ***best practice*** not only undermines the quality of the proposals but sets a dangerous precedent for future consultations with industry. We request that CEBS addresses this issue and returns to the industry to seek its opinion on what the Committee deems to be best practice for common reporting.

9. The FBE understands that current reporting requirements vary significantly between European jurisdictions with differences, not just of content, but also of volume of regulatory reporting. Therefore, the FBE feels that there is a real risk that CEBS would harmonise requirements at the highest level of what is currently required to capture all current practices. The banking industry strongly prefers common requirements to be **fully harmonised at the lowest level of reporting** with the content and volume of reports restricted to the strictest minimum necessary. Anything other than full harmonisation at a lowest level would result in a significantly increased reporting burden in a number of important jurisdictions in Europe with no prudential justification.

10. As regards the scope of common reporting, we believe that Pillar II information provided for the Supervisory Review Process should be collected and evaluated in the course of on-site inspections and interviews. We do not consider standardised

quantitative solvency reporting a suitable means of assessing Pillar II elements such as concentration risk and other risks since they are difficult to measure and cannot be adequately captured with only a few figures or ratios. Secondly, the inclusion of Pillar II reporting would be at odds with the definition set out in the proposed Capital Requirements Directive. Moreover, the implications for the inclusion of Pillar II requirements would be great in terms of creating an unlevel playing field. The treatment of Pillar II, particularly any additional capital requirements, will be markedly different in each jurisdiction and provides no basis for comparison as is possible with the actual Solvency Ratio. Therefore, the draft should stick to its mandate and **focus on Pillar I information**.[1]

11. The FBE regrets that the delay to the proposals on FinRep has meant that it has not been possible to align it with the data required under CoRep. Failure to **align the data reporting format between CoRep and FinRep** would, in the opinion of the industry, serve to undermine one of the key stated objectives of the exercise which is to standardise and reduce the reporting burden on Europe's banking industry. Therefore, the FBE encourages CEBS to consider both the CoRep and FinRep proposals in tandem and to align the two as far as possible so to avoid requiring banks to report the same figure twice with no justifiable prudential rationale.

12. We also regret the delay in the issuing of the templates relating to **market risk**, which we only circulated three weeks prior to the end of the consultation period.

13. Finally, we request that CEBS clarifies the **timetable** it envisages for the implementation of CoRep. Some jurisdictions require at least twelve months for full implementation of the reporting requirements following the release of the finalised version of CEBS' proposals.

DETAILED REMARKS

14. Firstly, The FBE believes that specific steps must also be taken to **reduce the reporting burden** and to give more attention to the functionalities and the framework of the reporting. We see the following issues as key to producing reporting that can be readily implemented through IT-systems:

    - regulators should not impose additional reporting concerning Pillar I outside the CoRep framework, be it on consolidated level as well as on social level;

    - each data field should be defined in a unique way and may only be used in one single way. Data fields should not be the object of various subdivisions which differ from country to country. Moreover, the whole of the data fields must cover the full reporting for all of the Member States, which means that national supervisors should not be allowed to add information to be reported;

    - the definition of the notions (e.g. own capital) should be uniform throughout the different European countries, in order to avoid an unlevel playing field and the attendant administrative costs; and

    - to ensure the level playing field concerning capital requirements as well as to reduce the implementation problems, the FBE asks CEBS to develop a level

[1] This would imply that CEBS delete worksheets OTH 1 to 5 as well as rows 152 to 171 of the CA worksheet to maintain the exclusive focus on Pillar I reporting.

playing field in the application of national discretions as well as in the application of IFRS filters.

15. Secondly, the FBE understands that there has to be a certain degree of commonality in the way banks calculate the solvency ratio if common reporting is to be achieved. However, we consider the overriding objective of CEBS' undertaking to be the agreement of a common reporting format principally to alleviate the currently high reporting burden on banks operating on a cross-border basis. Therefore, we request clarification that capital requirements are to be reported in principle on the basis of the banks' internal calculation algorithms approved by the supervisory authorities, not on the data (possibly broken down into classes) in the templates. Calculating risk weights under the IRB approach on the basis of data broken down into classes (PD, EAD, LGD, M) can give rise to discrepancies in the capital requirement compared to calculations of risk weights at solo level. Overall capital requirements calculated in this way can differ by several million euros. In light of this assessment and given that CEBS is developing a **common *reporting* as opposed to a common *calculation* methodology**, the FBE firmly believes that CEBS should restrict setting out recommendations on common calculation to an absolute minimum.

16. The FBE supports CEBS' recommendation to use XML / XBRL (eXtensible Mark-up Language / eXtensible Business Reporting Language) as a **common reporting language** for the solvency ratio. However, we believe that a banks' use of XML / XBRL ought to be on a voluntary basis and used only to report finalised data to an external party. We assert that banks ought not to be required to use XML / XBRL in their internal systems. We feel that CEBS must now refine its proposals in a number of ways to better bring about a proportionate and workable common reporting template.

17. Finally, the FBE believes that CEBS ought to produce some additional **limited guidance** to accompany its proposals for common reporting as it is not clear how or under what circumstances the various templates proposed are to be used. This is especially important for banks engaged in complex and/or cross-border business.

Key principles followed

18. The FBE welcomes CEBS setting out its key principles for the common reporting framework. Over and above those principles listed, the FBE urges CEBS to explicitly refer to the following three additional principles:

    - ***Proportionality:*** CEBS refers to the proportionate nature of the common reporting framework it proposes. The FBE understands this to mean that there would be a direct relationship between the complexity of business and the content and volume of reports banks are required to submit. However, the FBE feels that proportionality as a principle should also encompass the notion that only the most essential data is required by regulators in a common format. The concept of proportionality also underpins the FBE's call to fully harmonise requirements at the lowest level.

    - ***Reducing burden:*** A stated objective of the undertaking to harmonise common reporting is to reduce the reporting burden which banks, especially those banks doing business on a cross-border basis, currently face. Therefore, the FBE urges CEBS to make the principle of reducing the burden to the industry an explicit and central theme so as to ensure that the final common reporting framework achieves the desired reductions in firms' costs of compliance. In this respect, the FBE suggests that for internationally active banks over time a single reporting standard is required by the home state for the whole group according to the principle of mutual recognition.

- ***Cost benefit analysis:*** Over and above having explicit regard to the reduction of costs for banks from using common reporting, the banking industry strongly advocates that CEBS illustrates the economic rationale behind the choices it has made in arriving at the proposals it has set out. The FBE feels that taking such measures would allow banks to see why CEBS arrived at its proposals and then judge them on their relative merits. As the proposals are currently drafted, CEBS' rationale for specific proposals is not always clear and the industry cannot conclude with any degree of certainty how much value the proposals will actually add.

19. In respect of the principles CEBS outlines, the FBE sets out the following points:

- ***Flexibility:*** The FBE believes that flexibility as one of the basic principles of CoRep, could lead to a high administrative burden for banks and could be construed as at odds with the goal of full harmonisation (at the lowest level of common reporting). Therefore, we urge supervisors to clarify as soon as possible which national discretions will be implemented in particular jurisdictions. The FBE would wish to limit the significant scope for divergence brought about by the number and far reaching nature of national discretions in the proposed Capital Requirements Directive mapped across to common reporting.

  Moreover, the FBE does not understand why it has been necessary to split out common reporting into categories A and B of the model proposed on page 4 of the consultation paper. Country and supervisor specific information requests ought to be either common throughout Europe or re-categorised in local or sector wide taxonomies (category C). We believe that the inclusion of category B in the model adds an unnecessary layer of complexity to the diagram and, at the same time, has introduced a potentially significant scope for divergence in what ought to be a truly common reporting framework.

  Furthermore, we ask CEBS to confirm that all definitions set out in the common reporting framework be aligned with the results of XBRL Taxonomies Working Group to ensure consistency across definitions.

- ***Consistency:*** The FBE welcomes the inclusion of the principle of consistency. We believe that reporting according to a common format would be a significant driver towards reducing costs and facilitating convergence within the Single Market. We urge CEBS however to include under this principle the industry's proposal to permit consistency of reporting within the same banking group, which we feel would be the most significant factor in reducing the compliance burden on banks.

- ***Standardisation:*** The FBE supports CEBS' statement "common reporting should aim at minimising the number of different templates, being aware that this is achievable at the cost of losing some information."

Practical calculation issues

20. The CoRep proposals must be aligned with the common Financial Reporting (FinRep). However, although highly desirable, we question whether full alignment is still possible. As the majority of the problems occur when calculating the risk

weighted volume we make a distinction between the numerator and the denominator of the capital ratio:

- As for the numerator of the capital ratio we believe that the relationship between the components of own funds under the CRD and IFRS should be maintained. A level playing field for the national discretions and the IFRS filters should ensure a common capital requirement for all European banks.

- Although we would like to expand the alignment between CoRep and FinRep to the denominator of the capital ratio, the industry would have difficulty to align the exposure values to the accounting figures. First of all we note that the exposure value under the Standardised Approach is measured on a net basis, while under an IRB approach it is measured on a gross basis through internal models.
- Furthermore, we question if the exposure values under the Standardised Approach and the IRB approach could be calculated following

  - an IFRS book value;

  - a local GAAP book value;

  - the nominal value; and

  - the contractual value;

- We also question if this is different on a consolidated level compared to a social level (institutions use IFRS on consolidated level and local GAAP on a social level)?

21. We believe that the inclusion of IAS adjustments would be meaningless as the basis for reconciliation will be the exposure values to balance sheet assets. From a practical point of view, it would not be possible to leave information on the IAS adjustment on each separate line in the balance sheet as separate financial assets. It would also imply that there would be a completeness check rather than a reconciliation of values as the former would prove to be impossible.

Formats

22. There is a strong preference amongst the banking community to maintain the terms "Tier I, II and III capital". Whilst we appreciate that these terms are not used in the proposed Capital Requirements Directive, the FBE would strongly prefer to use these terms in common reporting as they are also currently used by the majority of national regulators and are well established banking taxonomy.

Other information

23. The FBE does not see the need to include templates to cover "other information." As we understand it, CoRep only received a mandate to draft a solvency reporting framework for Pillar I. The OTH 1 IND and OTH 2 SEC templates, however, request a mixture of large exposure reporting with Pillar I information for an analysis of concentration risk to be monitored under Pillar II. OTH 3 AFF contains a diagram with an overview of reporting at solo level. The regular reporting of these templates will therefore merely duplicate the provision of information which has already been reported to the national supervisory authorities in another form. This imposes an additional burden on the banks without offering any added value. In the

OTH OPR template, the concept of monitoring concentration risk in the area of credit risk is applied to operational risk. We fail to see how this will achieve any useful purpose and consequently consider the template inappropriate.

Concentration risk

24. The CoRep framework does not address concentration risk. As far as collateral allocation for concentration risk is concerned, the introduction of the Basel II framework leads to some implementation issues, especially for IRB-banks. Indeed, the current capital adequacy framework ("CAD II") foresees the following sequence of events for determining the so-called "big exposures" (i.e. those representing more than 10% of the bank's own funds):

- Pooling of all exposures making up a same group of risk ("homogeneous risk");
- Allocation of available collateral (after having applied regulatory haircuts) to eligible entities within a same group of risk;
- Creation of indirect risk exposures as a result of the above;
- Sum of all remaining direct and indirect risks on each group of risk; and
- Use of applicable weights to determine the final weighted exposures/group of risk.

25. Applying the same methodology under Basel II/CAD III leads to some technical hurdles for IRB banks because under IRB approaches, financial collateral is meant to influence the LGD parameter, which in turn impacts the risk weight applicable to the initial counterpart. In this context, the sequence of events described above looks difficult to replicate as such. Therefore, the FBE would welcome implementation guidance from CEBS on collateral allocation and creation of indirect exposures under IRB approaches, especially by highly-collateralised businesses."

Recurring reporting requirements

26. The requirement to break down the information by exposure type (on-balance, off-balance, OTC derivatives/ repo transactions) will not, in our view, deliver data which is really risk-relevant, but will merely increase the volume of information to be reported. Furthermore, this would lead to an increase in systems costs for banks which we would deem to be unjustifiable. Examples of this are the breakdown of credit exposures by on-balance and off-balance transactions (divided into loans drawn on and open lines) and the associated (artificial) allocation of the security for a transaction to these two elements (required by SA CRM, for example).

27. The same is true of the memorandum items on all SA and IRB templates. Listing the number of borrowers provides no useful insight into the diversification of a portfolio since this ratio takes no account of correlation effects. Nor do we understand what purpose will be served by calibrating expected loss (EL) and provisions by class of borrower (IRB templates). An aggregated presentation by risk class or at solo level would be perfectly adequate. We therefore call for the requirement for this information to be reported in the proposed granularity to be dispensed with.

Exposure classes for the Standardised Approach

28. The FBE notes that exposure classes in the reporting templates for the Standardised Approach do not correspond to the requirements in the proposed

Capital Requirements Directive.[2] Instead, the exposure classes required in those templates correspond to what is required for the IRB Approach.[3] Therefore, none of the sub-classes coincide with the exposure classes required for the Standardised Approach. Moreover, we consider that the different sub-classes are difficult to interpret without guidance, for example the breakdown of "Central Governments and Central Banks" sub-class does not map neatly onto "Regional governments and local authorities" and "Other central government and central banks" exposure classes.

29. Such divergence from the proposed Directive, would we believe imply that banks on the Standardised Approach would have to build reporting structures and systems to accommodate both the legal and reporting requirements. This will lead to an additional burden on banks. To relieve this burden, we believe that CEBS could either propose using the 16 exposure classes required under the Standardised Approach or map the 16 Standardised Approach classes across to the 7 IRB classes. The 16 exposure classes of the Standardised Approach in the proposed Directive might not be optimal, but any divergence there from could increase the already high administrative burden resulting from keeping to the requirements as set out in the proposed Directive. On the other hand, reducing reporting under the standard approach to seven risk classes could make the reporting framework clearer. Furthermore, a bank's risk situation can be expressed just as appropriately in this way as with a more granular breakdown. Up to now, however, CEBS has given no indication of how the risk classes mentioned in Article 79 of Directive 2000/21/EC are to be reconciled to the seven risk classes for reporting purposes. We therefore oppose any mechanism that would result in a substantial increase in costs.

Annexes

30. As regards the information set out in the annexes, the FBE feels that certain steps must be taken to ensure that the framework is genuinely operable. In particular we highlight that:

- the common reporting framework is not workable for groups doing business on a cross-border basis as we understand that data would have to be reported on a country by country basis. This clearly does not reflect the reality of the business of internationally active banking groups and so would fall short of CEBS stated aim of reducing the compliance burden on banks; and

- the annexes are difficult to use as they are currently set out. Banks have experienced difficulties in finding the appropriate exposure class in each section and practically, there are too many lines to read across in Annexes 1 and 2. We strongly urge CEBS to take account of the end-users of the proposals and set out a clearer and more useable format.

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[2] Article 79 of 2000/12/EC
[3] Article 86 of 2000/12/EC

ANNEX A - Templates

The following comments are comments specific to each template of the proposed common reporting framework.

Common detailed remarks for all reporting templates

- The use of ‘national discretions’ and ‘IFRS-filters’ which are defined on a national basis create competitive distortions between Member States and institutions. We urge CEBS to establish a level playing field in the application of the national discretions and the IFRS-filters.

- As for the calculation of the CRM we find the templates overly burdensome. They are no longer reporting templates but have become calculating templates instead. As the CRM-details are composed within the internal models (approved by the regulator) we do not support such an approach and therefore propose the deletion where necessary of parts of the relevant templates.

- We are of the opinion that the reporting should be restricted to those elements which are strictly necessary for calculating the solvency ratio: risk exposures, weighted assets and own funds of the institution. This means that reporting can be reduced to the templates CA, CA/IAS, SA and IRB.

- We note that an institution may not know exactly its number of obligors, certainly for the retail business which is managed on a portfolio basis (pooled). For this reason, we are not in favour of listing the number of borrowers in the SA and IRB templates (certainly for the retail business which is managed on a portfolio basis). For this reason we have deleted the columns referring to this data item under the SA and IRB approach.

- We would prefer using the nominations Tier I and Tier II capital instead of original own funds and additional own funds as they are commonly used in solvency reporting.

- For the moment it is too early to give any comments on the tables concerning securitisation as the industry is still in discussion with national regulators about how to apply the CRD-requirements concerning securitisation. In the interim, we hope that the final CoRep-templates can take into account the final results of these discussions with the regulators.

General remarks on CRM:

  - o Exposure classes : we do not understand the added value of splitting up ‘Regional governments and local authorities’ in on the one hand ‘central governments and central banks’ and on the other hand ‘institutions’. More in general we query how we should tune this classification in to FinRep?

  - o We find the details about inflows and outflows overly burdensome and have eliminated those columns from the table. It should be sufficient to indicate the amount of guarantors instead.

  - o We query what is meant with the word ‘original’ in ‘original credit and counterparty risk exposure pre credit conversion factor’? We also query if we should use an IFRS accounting value or a local GAAP accounting value. Furthermore we query if we should use IFRS accounting values only on consolidated level and local GAAP accounting values on social level?

Detailed remarks per template

Template CA

- The requested information on regulatory capital is highly detailed and many points are in need of clarification. The question arises, for example, as to how the item "minority interest" in rows 7, 29, 46, 56 and 62 is to be understood, what, in concrete terms, is to be covered by "eligible value adjustments" (cf. rows 38-40) or "capitalized future margin income" (cf. row 17) and how "subordinated loan capital" (cf. rows 57-59) is to be defined. We will therefore refrain from commenting until more specific explanation has been provided.

- The information on risk assets raises the question of where counterparty credit risk in the trading book is to be reported. Trading book performance risk is to be entered in row 143. No separate position, on the other hand, is envisaged for counterparty credit risk. We therefore assume that this is to be included in the presentation of banking book risk assets. Furthermore, we would like to point out that the template envisages no deduction item for any exceeding of the banking book limit for large exposures, but only for trading book exceeding large exposures (row 142). This raises the question of where and in what form an exceeding of the limit for large exposures in the banking book is to be offset. Finally, for the reasons outlined above, we totally reject the memorandum items since this is a Pillar II element.

- Lines 94-107: it is not clear where the "collective provisions" under IAS 39 have to be reported in this worksheet, baring in mind that these provisions are not "general provisions" that are mentioned in this worksheet.

- Line 110 – 117: See paragraph 25 and 26 above, 'Exposure Classes for the Standardised Approach'.

- Lines 145-148: We understand that the different OPR-methods only need to be performed when and only when, the entity makes use of them.

- Lines 152 – 171: These rows ought to be removed from the worksheet, as Pillar II is and should remain a process that banks and there supervisor(s) discuss on a bilateral basis.

Template CA IAS

- According to the consultation paper's explanatory notes, the aim of this template is to provide comprehensive information related to the effects of IFRS on regulatory capital. The effects of adapting IFRS values for regulatory purposes are to be quantified and presented as clearly as possible by means of "prudential filters". CEBS announced the adoption of these filters and of further guidelines for calculating regulatory capital on the basis of IFRS group accounts in a press release issued on 21 December 2004.

- In principle, we consider the idea of applying CEBS's prudential filters for the purposes of regulatory reporting requirements to be appropriate. We believe it is questionable, however, whether the present template will succeed in implementing these CEBS rules correctly. As we understand it, the prudential filters developed by CEBS are supposed to be shown in the columns. One of these filters, for example, requires the regulatory neutralisation of own credit risk in the application of the fair value option. The template, however, also requests valuation effects from the fair value option which do not relate to own credit risk and are thus not a matter for the

CEBS prudential filters. We do not, therefore, consider it appropriate to include this information in the columns of the template. We also feel that both the basic structure of the rows and individual items need clarification. It is not clear, for example, how the item “eligible reserves” is defined in this template and what elements it contains. The same applies to the data in the other rows and to the relationship between the various items. Further explanation and examples would be extremely helpful in this respect.

- The proposal to calculate gains and losses separately (gross) is not in line with ED 7, 21 (a) which asks for a disclosure on a net basis. Such an approach my also lead to unwanted effects such as the realisation of unrealised losses in order not having to compensate with capital. For these reasons – and because we don’t support a disclosure on a gross basis – we –propose merging the gains and losses for each category to one column.

    - In the case CEBS would not support our approach on a net basis, we query if the template takes account of the fact that for the application of certain IFRS-filters non realised losses are adjusted to Tier I and certain non realised gains to Tier II?

    - We would prefer a level playing field in the haircuts applied to the non realised gains. This remark forms part of a more general remark for a level playing field of the IFRS-filters.

- We note that fair value changes of financial instruments recognised under the fair value option pass through P&L and not through equity. We don’t think it’s useful to trace down the changes in equity after allocation which originate from fair value changes of instruments recognised under the fair value option. For this reason we propose to eliminate the fair value option from this template.

- We query if – under Subsection 1.2 – it is possible to fill in an amount in every single column.

- We query if and how this table takes into account the effect of national taxes? Is it for this reason necessary to calculate the unrealised gains per legal entity and not on a consolidated basis? As noted in our general remarks we are not in favour of national differences in the application of IFRS-filters.

- All in all, we consider the selected matrix presentation highly complex, detailed and unclear. We believe a radical simplification and detailed explanation of the template is needed to ensure that the effects of the prudential filters are accurately calculated.

<u>Template SA</u>

- In order to optimise the CRM-techniques we are of the opinion that it is better to calculate the exposure beforehand and add the CRM-impact only at a second stage. For this reason we are of the opinion that column 9 ‘exposure value’ should not be deducted from the ‘fully adjusted exposure value or E*’. The formula proposed seems to exclude CRM on off-balance sheet items.

  We propose column 4 going after columns 5 till 9. Column 9 should contain ‘exposure value due to off-balance items’. It’s content should be calculated after using the CCF on the values in columns 5 to 8: (9) = 0.2*(6) + 0.5* (7) + (8) The result of this, together with the on-balance exposures in column 3, then should be submitted to the CRM to result in the relocated column 4 ‘fully adjusted exposure value E*'.

- The FBE requests that reporting should be confined solely to columns 4, 9, 10 and 11.

- In columns 1 and 2, the notation is not clear and we require clarification of certain terms, for example, "Original credit and counterparty risk exposure pre-credit conversion factor" in column 1 and "Value adjustments and provisions associated with the original exposure." We also seek clarification on which items ought to be included under the definitions relating to the first two columns.

- We ask CEBS to confirm that in columns 1 till 3 no haircuts are applied.

- We are of the opinion that columns 12 and 13 are not useful and therefore propose to eliminate these columns. Regarding IAS related adjustments, see 'IAS impacts and adjustments' paragraph 20 above.

- Please explain the differences between column 12 'IAS related adjustments to the exposure value' and column 2 'value adjustments and provisions associated with the original exposure'.

- Last line 'Other risk weights (according to national discretions)'. Please confirm that a new line needs to be created for each RWA defined on the basis of a national discretion.

- Regarding exposure classes, See paragraph 25 and 26 above, 'Exposure Classes for the Standardised Approach'.

- Exposure class breakdown: please confirm that:

  - Multilateral Development Banks (MDB) weighted at 0% is to form part of '1.2. Other central governments and central banks';

  - Supranational institutions and the ECBF are to form part of '1.2. Other central governments and central banks';

  - The portion of unpaid capital subscribed in the European Investment Fund (CRD, Annex VI, part. 1, § 22) are to form part of '2.2. Administrative bodies and non commercial undertakings';

  - MDB weighted as banks are to form part of '2.3. Other institutions';

  - As equity doesn't exist as a separate 'exposure class' under the SA, we ask for confirmation that the reference to this exposure class is limited to equity under which benefits from the grandfathering clause under IRB.

<u>Template SA SEC 1 and SA SEC 2</u>

- All the securitisation templates request extremely detailed information on ABS transactions and, in particular, require a number of interim calculation steps to be shown. The intricacy of the information far exceeds what is required. Dividing the templates into true sale and synthetic is unnecessary from a risk angle since the only difference lies in the credit protection to the underlying assets. We therefore recommend consolidating the two templates.

Investors

- Securitised positions in which standard approach banks have invested are first to be divided into three different classes according to their rank (most senior, mezzanine and first loss). A further distinction is made within each of these classes between rated and unrated tranches.

- The proposed breakdown is largely unnecessary, in our view. Rank plays no role whatsoever in calculating capital requirements for rated securitised positions in the standard approach. With unrated positions, rank is relevant only if the method of calculating capital requirements for securitised positions in an ABCP programmed described in Annex IX, part 4, paragraph 12 is applied. Such positions must be at least second loss.

- In contrast to the Basel capital adequacy framework, the look-through approach (Annex IX, part 4, paragraph 11) is not confined to the most senior-ranked positions. It is therefore sufficient to differentiate between rated and unrated positions. Unrated positions could, if necessary, be divided into positions which are deducted from capital and positions for which capital requirements are calculated under the methods described in paragraphs 11 and 12.

- For each class of securitised positions, the exposure values net of the applicable value adjustments then have to be calculated (column 4). These values must possibly be further reduced by the effects of credit risk mitigation techniques and the result entered in column 7. We would point out that credit risk mitigation techniques do not always lead to a reduction in the exposure value. This is normally only the case with funded securitisation. With unfunded securitisation, the securitisation effect is captured by adjusting the risk weight. Column 6 can therefore be deleted.

- Column 15 is for positions which are to be deducted from Tier 1 and Tier 2 capital, while positions that will be deducted from Tier 1 only are to be entered in column 16. The draft directive allows banks the option of either assigning securitised positions with a 1250% risk weighting to the weighted risk assets or deducting them from the components of non-consolidated own funds. A capital deduction of securitised items from core capital is not envisaged in the directive. Column 16 can therefore be deleted. Regarding IAS related adjustments, see 'IAS impacts and adjustments' paragraph 20 above.

- In columns 17 to21, the exposure values for rated securitised positions in column 7 are to be distributed according to the risk weightings in Tables 1 and 2 of Annex IX, part 4, paragraph 6. The reference in brackets to "(BB or above)" should be deleted since risk weights are allocated to the various risk classes only at a later date by national supervisors.

- Unrated securitised positions that are not deducted from capital can either be assigned a risk weight of 1250% or – if certain conditions are met – treated with one of the two look-through approaches in Annex IX, part 4, paragraphs 11 and 12. The cross-references and commentaries should indicate which risk weights are meant by the "average risk weights" in column 23.

Originators

- In principle, exposures retained or repurchased by originators are to be reported using the same system as that for investors. The above comments therefore also apply here.

- In addition, we advocate using the same terminology for the division into the various exposure classes and the corresponding explanatory notes (e.g. subordinated loans/mezzanine loans). Furthermore, we see no obvious benefit in reporting ABCP positions separately in the off-balance sheet items; these rows should be deleted.

- For the reasons outlined above, both templates need to be fundamentally revised. At the same time, a number of issues require clarification:

    - Does "nominal amount" mean the exposure value/EAD?
    - Does the term "value adjustments" refer to individual value adjustments and general value adjustments for the pools underlying the relevant ABS positions?
    - Where are the value adjustments for the underlying exposure pool to be entered?
    - Does risk provisioning have to be calculated before application of the cap? How should capping at transaction level be reported?

<u>Template IRB</u>

- Column 1 'obligor grade': we propose to delete this column as this division is different from institution to institution and so not comparable. We also ask CEBS for confirmation that each institution will use its own PD-classification of obligors. As such we propose to organise the template on the basis of the PD range (columns 2 and 3).

- Column 5: the effect of credit conversion factor should not be included in the figures, but it is not clear in which other column it should be included. One measure to increase clarity is to create a separate column for the effect of the Credit Conversion factor.

- We would suggest inserting an additional column between columns 5 and 6 showing original credit and counterparty risk exposure (Pre-CRM) to link back into the balance sheet.

- Column 7: Confirmation would be useful as to the components of "Exposure Value".

- Columns 8 and 9: We consider that this information does not belong under Pillar I and so should be excluded from the template. Failing this, please provide clarity as to how this is calculated.

- Column 10: Are the figures for Risk Weighted Exposure Amount inserted or derived from a separate column/template?

- Heading, 'exposure class': Is each table to be assigned to the exposure classes of the obligors or to the exposure classes of the guarantor? Secondly, if an institution receives a guarantee from another exposure class; where does one classify this one?

- We query where to classify 'non credit related exposures'?

- Column 10 and 11: Under the IRB approach, capital requirements (column 11) and risk-weighted assets (column 10) are calculated using the PD, LGD, EAD and (if necessary) M risk parameters in the respective capital function. With this in mind, we consider it would be sufficient to indicate these parameters only (PD –

column 4, LGD – column 8, EAD – column 7 and, if necessary, M – column 9). In addition, we would appreciate clarification that the scaling factor (currently 1.06) should be taken into account in column 10.

- In principle, the banks are obliged merely to calculate an average PD for each borrower class (Annex VII, part 4, paragraph 59). The directive does not require all banks to indicate the PD range, however. This is mandatory only for banks whose corporate portfolios are concentrated in a specific market segment and a specific PD range. These banks have to ensure there are a sufficient number of borrower classes within the PD range to avoid an excessive concentration of borrowers in certain classes. If there is a significant concentration in one borrower class, the bank must demonstrate that this class covers a sufficiently narrow PD range (Annex VII, part 4, paragraph 8). In these cases, the PD range has to be indicated for each individual borrower class. A general requirement to indicate PD ranges should be dispensed with, however. This should be mandatory only in cases in which there is a "significant concentration" in one borrower class. For retail portfolios, we believe paragraphs 16 to 19 of Annex VII, part 4, offer no basis for a requirement to calculate PD ranges. A breakdown by range for these exposures could therefore be dispensed with.

- Column 13: Please confirm that we calculate the expected loss as follows: (13) = (4) * (8) * (7)

- There is no sound reason, in our view, to divide EL and LGD in columns 13 and 8 respectively into loans drawn on and open lines (on-balance and off-balance transactions). This would not deliver any meaningful information.

- Column 14: we query if general provisions are included in this amount? If so, it seems impossible to break this down into different PD ranges.

- Column 16: We do not see the need to report the number of obligors per grade as this increases the administrative burden whilst not adding value to the Pillar I minimum capital requirements. Reporting in this column we feel is more related to Pillar II which we feel ought not to be included in the scope of common reporting.

- It is not clear in which template and in which column the residual value of an operational lease transaction should be captured.

  Please confirm that these columns need to be filled in for all exposure classes and not only for exposure classes submitted to the test 'EL-provisions'?

Template IRB SLOTT

- Please confirm whether all five categories of specialized lending are incorporated into the one template.
- Clarification as to whether the output of this template feeds into the CA template.

Template IRB EQU 1

- Since the PD/LGD approach is essentially the application of the IRB basic approach to participations, the template is very similar to the IRB template. Our comments on the latter therefore also apply here. In particular, we believe it would make good sense to confine reporting to columns 4, 5, 8, 9, 10 and 11. Reporting the average LGDs in column 7 would provide no information of relevance in prudential terms since the weighted LGDs involved are only those prescribed by supervisors. The allocation to the two possible alternatives is already indicated in columns 8 and 9.

- One of the deductions from Original Own Funds as set out in Article 57 is holdings in other credit and financial institutions amounting to no more than 10% of their capital. This is not referenced in the CA template and it would make sense to make reference to this in all three of the IRB EQU returns and link back to the CA Template. This point relates to Templates IRB EQU 1-3.

- A second issue that arises and relates to all three IRB EQU templates is the definition of Provisions. The definition provided in the Directive is in credit risk terms and in practice, provisioning is not usually made against equity exposures.

Template IRB EQU 2

- A point of clarification that arises from the CRD and not specifically from the proposed reporting framework is whether the Exposure Value under the Simple Risk Weight Approach is equal to the current book value or the nominal value?

- A second issue which derives from the CRD is the failure to make a distinction between drawn and undrawn equity exposures i.e. equity positions which have been committed to but not drawn.

Template IRB EQU 3

- Only columns 1, 4 and 5 should have to be reported. Column 3 contains the same data as column 4 multiplied by 12.5. Reporting these figures will generate no added value.

Template IRB SEC 1 and SEC 2

Investors

- Securitised positions in which IRB banks have invested also have to be divided first into three different classes according to their rank (most senior, mezzanine and first loss). A further distinction is then to be made within each of these classes between rated and unrated tranches.

- It is true that, when calculating capital requirements for securitised positions under the IRB approach, distinctions must be made between rated and unrated items and between different ranks. We do not, however, agree with the method of making these distinctions proposed in the template.

- With rated positions, special risk weights apply under the IRB approach for the most senior tranches. It therefore makes sense to distinguish between “normal” and senior positions in these cases.

- Unrated positions must be deducted from capital regardless of their rank unless the SF is applied to them. When applying the SF, however, no distinction is made on the basis of rank. Although the rank certainly plays a role in the SF, this is reflected in the credit enhancement level (L), which is determined by calculating the ratio of junior positions to the total securitisation volume. A distinction between most senior and other tranches can therefore be dispensed with for unrated positions.

- In the columns 18 to 25, the rated exposure values in column 8 are to be distributed according to individual risk weightings. The wording in brackets ("BB or above") should be deleted, since risk weights are allocated to the various risk classes only at a later date by national supervisors.

- Furthermore, the data required in columns 15 to 18 will result in the risk weights, which differ for rated positions according to the granularity of the underlying exposures or the rank of the securitised tranche, being mixed, thus rendering it untransparent. When allocating the exposures to the individual risk weight classes, it is not clear whether the amount of the exposures or the risk-weighted assets are to be entered. Furthermore, the division into the indicated risk weights seems arbitrary.

Originators

- For the originators, it is not possible to enter any amounts in the two columns for the internal ratings based approach (28 and 29). Since the internal ratings based approach is also to be applicable to balance sheet items, we believe it must also be possible with originators to calculate on-balance sheet positions in ABCP securitisations under the IRB approach and enter these on the template.

Off-balance sheet assets

- Rows 26 and 27 are for entering the exposure values or "average risk weights" calculated by applying the look-through approach under Annex IX, part 4, paragraphs 11, 12 and 14. We would point out that these rules apply only to the standard approach. The IRB approach only provides for look-through under Annex IX, part 4, paragraph 57. This is a special rule in the event that banks, in their capacity as sponsors of liquidity facilities, are not in a position to apply the SF or IAA. An "average risk weight" is not, however, calculated in this case. On the contrary, the risk weight applied is the highest risk weight of the securitised exposures.

In summary, we would suggest thoroughly revising these templates

<u>Template SA CRM</u>

- The structure of all the CRM templates is highly complex, which undermines their information value. Sufficient information about the transfer of risk between the approaches and about credit risk mitigation is provided by columns 3, 4, 5, 6, 7, 8, 9, 14, 19, 20, 21 and 26. The remaining columns, particularly those for memorandum items (22-25) are deemed unnecessary as they merely show individual calculation steps, whose accuracy should be monitored in the approval process.

- We would like to point out, in this context, that the calculation required by column 22 will not produce the desired result. We assume that the purpose of the calculation is to determine the collateral value C by comparing columns 21 and 22. If the maturity mismatch haircut h is calculated by h = Cva x (1-(t-t*/(T-t)), however, as indicated in the legal references & comments, this will not give the desired result.

<u>Template FIRB CRM</u>

- For the same reasons as those outlined above, we also consider this template too complex and reject the requirement to show interim calculation steps. We therefore suggest limiting the template to columns 1, 2, 3, 4, 5, 6, 11, 19, 20, 21, 22, 28, 30 and 32. Especially, the requested information about the distribution of LGD estimates in columns 33 and 34 will not serve any useful purpose since we are dealing here exclusively with LGDs prescribed by supervisors.

- Columns 6 and 11: reporting these outflows and inflows on a monthly or quarterly basis significantly increases the reporting burden of banks, while providing a limited insight into the composition of Foundation IRB minimum requirements. Therefore, we propose that the inflows and outflows be reported on a less frequent, e.g. annual, basis.

Template AIRB CRM

- See 'General remarks on CRM', page 9 above.

- The breakdown in sub-exposure classes is very detailed and is in some cases broken down in up to five levels. The breakdown is far to detailed and some of the subclasses could be excluded. Some of the subclasses are also hard to interpret or to separate, e.g. "regional governments and local authorities" and "other central government and central banks".

- Columns 1, see template SA above.

- Columns 3 to 4, see comments on template SA CRM above.

- We are of the opinion that the details of the credit risk mitigants are overly burdensome. Although these parameters were taken into account when building the internal models they are not available for reporting, only the end result is. At the moment it is impossible to change quickly the output of those internal models so it is not possible to fill in those columns.

- Reporting should be confined to columns 1, 2, 3, 4, 5, 6, 11 and 19, for the reasons outlined above in our comments on the FIRB CRM template. The item "credit risk mitigants affecting LGD* estimates" (columns 20-31) will deliver no additional risk relevant information beyond the actual LGD estimate. We assume this information is being requested with the aim of investigating the plausibility of the LGD estimates. Their accuracy should be verified in the approval process, however, and not in the context of standardised reporting.

- Columns 6 to 11: reporting these outflows and inflows on a monthly or quarterly basis significantly increases the reporting burden of banks, while providing a limited insight into the composition of Advanced IRB minimum requirements. Therefore, we propose that the inflows and outflows be reported on a less frequent, e.g. annual, basis.

- We query if columns 32 and 33 are useful?

Template CRM I-O

- We propose to delete this table. We are of the opinion that is not important to know if a risk is guaranteed by a central bank or by a corporate or another party. What is important is the probability of default of the guarantor. This template does not add any value in determining the risk for a given exposure. As a consequence we find the added value of the information not proportionate with the burden of developing it.

<u>Template MKR IM</u>

- We template that the prudential trading book is not identical to the IFRS-trading book. We therefore query if macro hedges which do not qualify for trading under IFRS are part of this table?

- We assume that the amounts to be filled in are market values enlarged with an add-on for residual duration? Is this assumption correct?

- We query if the amounts to be filled in have to be multiplied with a credit conversion factor?

- It is not clear whether banks must also produce a back test report for equity positions in the *banking* book or whether this requirement is solely intended for equity positions in the *trading* book. If the former is required, some banks will not have sufficient data to do this, as a monthly Value-at-Risk (VaR) for equity in the banking book is calculated and daily Profit & Loss information for these positions are not yet available.

- Annex 3 of the CP04 document mentions a "MR Surcharge" in the Internal Models Overview. We assume that this is the surcharge for *specific* risk, but we would like to have this confirmed;

- The same Annex 3 mentions a column "Universal list". The banks currently do not have sufficient data to report daily information on *book level*. They are, however, able to report this information on business line/product line level.

<u>Template MKR IM Daily</u>

- This template does not appear to offer supervisors any additional information value. Authorisation and testing procedures already provide supervisors with sufficient information about the specifics of the banks' models. The suitability of any significant changes to the models also has to be confirmed by the competent authorities.

- Given the title of the template ("Daily"), we wonder at what intervals CEBS intends the information to be reported. The data in columns 11, 12 and 14, for example, is monitored and updated only once a year. More frequent reporting would therefore offer no additional information value. The data on the internal value at risk calculation, on the other hand, consists of Pillar II elements, which should have no place in solvency reporting. We therefore advocate dispensing with this template.

<u>Template OPR</u>

- We propose to calculate gross income per year and not per semester. When calculating a 3 year average figure (so for the first time over the years 2004, 2005 and 2006) one should take into account that as from 2006 some banks will no longer have accounting figures following local GAAP. This will lead to an average based partially on local GAAP figures and partially on IFRS-figures. However, we do not support an eventual demand for developing local GAAP figures (consolidated) as from 2006.

- If the AMA is applied, reporting requirements should be confined to that which is necessary to allow supervisors to evaluate whether the bank is complying with the rules. If a bank wants to reduce capital requirements for operational risk on the grounds that EL is covered by alternative means, Annex X, part 3, paragraph 8 of the draft directive amending Directive 2000/12/EC requires it to demonstrate that appropriate measures are in place. An obligation to report a concrete amount cannot be inferred. Such a requirement is therefore to be rejected.

- Questions on how to interpret the 'AMA memorandum items':
  - <u>With 'Banking activities subject to AMA', does CoRep require a single figure for the entire institution or a separate figure for each institution business line?</u>
  - What is meant with an 'AMA **due to expected loss**'? Is CoRep referring to the expected loss amount that has been statistically derived from an aggregated loss distribution?
  - What is meant with '**expected loss captured in business practice'**? Is CoRep referring to the expected loss that has been budgeted by an institution?
  - When asking for an '**excess on limit** for insurance capital alleviation' we query what the limit is for insurance capital alleviation and how it is calculated.
  - What is meant with an 'AMA **due to** an allocation mechanism'? Is CoRep expecting a yes/no answer or is CoRep asking for the diversification benefit that has been allocated?
- We note that the definition of gross income under IFRS is not identical to the prudential definition. This may cause differences and thus an unlevel playing field in the capital to be set aside between IFRS-institutions and other institutions.
- A precise definition of Gross Income for Operational Risk under IFRS standards must be provided to avoid any misinterpretations.

<u>Template OPR Loss</u>

- This template contains the 7x8 business-line/event-type matrix from Annex X, parts 2 and 5 of the draft directive amending Directive 2000/12/EC. According to Annex X, part 3 paragraph 14 of the draft directive amending Directive 2000/12/EC, the reporting of the losses shown in the business-line/event-type matrix has to be submitted to the competent authorities only on request. If it is intended as a basis for regular mandatory reporting, therefore, the template must be rejected.
- Should the template, however, be intended as a basis for information which may, on occasion, be requested by the authorities, it should first be clarified that presentation in this form is only necessary under the AMA. In addition, the requirement to indicate the highest single loss and the number of losses for each business-line/event-type must be deleted. The draft directive envisages no such requirements; nor would they provide supervisors with any information value.
- We note that the definition of the business lines is not in line with the current business lines of the institutions. This creates a serious mapping problem. We would like to see that the each institution can use its own internal business lines.
- The event type classification should respect the banking 'best practices' standards, i.e. the ORX standards with is event categories and classification methodology.

- The threshold cannot be given by Basel Business Line, as within an institution it is usually defined at the level of the internal Business Lines. This column should be deleted or the reporting should allow for a reporting by internal business line.

Template OTH 1 IND

- As this template relates to Pillar 2, we request to delete this template.

- Secondary remarks:

  - Columns 13 & 14: Please explain how Weighted Average PD and Weighted Average LGD are computed i.e. is it weighted by exposures?

  - We understand that 'concentration risk' should currently not be calculated following the IRB-approach. However we find it difficult to derive this from the current table. More specifically we query if columns 11 till 15 should take into account any collaterals received or not? We would appreciate some examples on how to fill in this template.

  - As regards columns 2 and 3, we are of the opinion that the name of the parent company of the counterparty should appear first before the name of the counterparty. The reason for this is that major counterparty exposures will be defined on the group level of the counterparty of the group level.

  - We query what is meant with the word 'original' in 'original credit and counterparty risk exposure pre-credit conversion factor'? We also query if we should use here an IFRS accounting value, a local GAAP accounting value, a nominal value or a contractual value. Furthermore we query if we should use IFRS accounting values only on consolidated level and local GAAP accounting values on social level?

  - We assume that in columns 4 to 10 one uses gross figures before taking into account any credit risk mitigation. Is this assumption correct?

  - We query how columns 27 and 28 relate to columns 16 to 26?

Template OTH 2 SECT

- We propose to delete this template as it concerns Pillar 2 requirements and is too detailed. Some banks use internally dozens of sectors and on top of that dozens of sub-sectors. The table can only be maintained if it is strictly limited to a small number (e.g. 5) of sectors.

- In case the template is maintained our proposal is per that of columns 2 and 3. We are of the opinion that the name of the sector should appear first before the name of sub sector in order to reduce the number of data.

- Even in case the template is maintained, we would propose to delete the columns 16 to 29 because they are too detailed.

Template OTH 3 AFF

- We are of the opinion this template should be deleted. By filling in this table the group is obliged to transfer information from affiliates already available with other regulators. Regulators should organise themselves in order to obtain the necessary information. An institution should not be obliged to give the same information more than one time.

Template OTH 4 OPR

- We advocated the deletion of this template. The proposed reporting requirements go far beyond those prescribed by Annex X, part 3 paragraph 14 of the draft directive amending Directive 2000/12/EC. A bank's major losses should be captured and discussed in the course of the qualitative supervisory review process.

- If the template were to remain, we query what is meant with 'unrealised gross loss' in column 4 compared to 'gross loss recorded' in the title of the template?

- Please indicate what is meant with the '**major** operational risk losses' in the title of the template. Does one has to provide all operational risk losses above a certain amount (which seems not to be an adequate criterion as the importance needs to be evaluated in function of the size of the institution) or does one has to provide only a number (e.g. 10) of most important operational risk losses?

- Please indicate what is meant with 'operational risk losses **that are still open'** (title of the template). We query how this can be mapped with the accounting requirements under IFRS for provisions. Under IFRS provisions cannot be recognised for future operating losses so the necessary data for evaluating the operational risks are not available in the accounting.

- Column 7: what is meant with '**other** loss mitigation'?

- Column 10-17: the columns regarding the business lines should be converted to cover internal business line only.

- Column 18: the risk event type should be in line with banking 'best practices' standards, i.e. ORX standards

- Column19-Colum 21: the definition and meaning of dates need to be clearly provided. More precisely, with 'recognition' does COREP mean discovery date or accounting date (first or last)? Which date needs to be provided if an insurance payment is received in several times (first payment, last payment). With respect to these definition we recommend to utilise the banking 'best practices' standards, i.e. ORX standards.

- Comment: What additional information is here required

Template OTH 5 SEC

- We advocate the deletion of this template.