July 2008

Feedback statement on the Consultation Paper on amendments to the Guidelines on Common Reporting

CEBS's Public Statement of Consultation Practices states that the Committee will "publish a summary of the responses received and a reasoned explanation addressing all major points raised as feedback" (PSCP 10.iii). The aim of this document is to summarize the feedback received on the Consultation Paper on amendments to the Guidelines on Common Reporting and the ways in which the comments have been dealt with.

Ten responses have been received to the Consultation Paper. The list of respondents is as follows:

- European Banking Federation
- Belgian Financial Sector Federation
- Savings and Local Cooperative Banking Groups in Finland
- Irish Banking Federation
- Austrian Federal Economic Chamber
- Association of Private Client Investment Managers and Stockbrokers
- Investment Management Association
- London Investment Banking Association & British Bankers' Association
- Building Societies Association
- European Association of Public Banks

General comments

Many respondents provide their views on the options analyzed for the convergence of remittance periods. A majority of respondents supports CEBS's proposal to implement a common remittance date in order to provide a level playing field among all institutions, although some respondents prefer other options:

- two respondents support the role of the college of supervisors in setting the remittance date for the institutions within a group; and

- two respondents prefer the minimum remittance date.

Finally, one respondent states their expectations that the amendment will form part of a more comprehensive project to achieve harmonisation in COREP within the European Union.

More detailed information about the general comments and the analysis conducted can be found in Annex 1.

Specific comments

A summary of the main specific comments is as follows:

- Proposal on reporting frequency: general support from respondents for the proposal of a maximum quarterly reporting frequency. However, there are also coincident criticism on the exception foreseen for the monthly frequency in certain jurisdictions.

- Scope of the proposal: some respondents consider that the proposal should only apply to cross-border groups.

- Difference between consolidated and solo remittance dates: there is no consensus among respondents, although a majority of respondents prefer to align both.

- Feasibility of the proposal for remittance dates: respondents agree that the proposal on the remittance date for solo data is not feasible. Additionally, some respondents ask for a remittance period of 45 business days for both solo and consolidated data.

- Timeliness vs. quality of data: a number of respondents question whether the proposal finds the appropriate balance between timeliness and the quality of the information. With longer remittance dates, it is argued, the quality of the data would increase.

- Proportionality: respondents tend to support applying the proposal in a proportionate way to domestic institutions as they obtain less benefit from it.

- Transitional arrangements: there is no common view from respondents, as some prefer to delete the option and others to expand it to cover all countries.

- Future proposal for FINREP: respondents expressed mixed views on the suitability of the harmonisation of the remittance dates for FINREP reports and pointed to the need to take into consideration the relationship between market reporting and FINREP.

More detailed information about the specific comments and the analysis conducted can be found in Annex 2.

Conclusions

The conclusions arising from the analysis of the responses are set out below:

1. Reporting frequency: it is agreed to keep the quarterly frequency. On the other hand, many respondents expressed strong views against the grandfathering exception for monthly frequency for summarised information on the capital ratio due to its incompatibility with centralised reporting processes and the burden created for the institutions. However it is considered that the current supervisory practices in these countries may not be changed in the short term, so it is proposed to keep the grandfathering clause, but to propose 2012 as a deadline for the expiration of this provision. This would provide these countries with more assurance on the quality of the data received and on the new data collection practices.

2. Scope of the proposal: there is agreement on applying the proposal to all institutions. However, in line with the comments raised by respondents, the effects of this proposal may be mitigated by national authorities, as indicated below, for domestic institutions.

3. Distinction between solo and consolidated remittance dates: there is agreement on keeping the current distinction. It is considered that the use of centralised reporting processes to produce both sets of data at the same time is less common than the traditional process, with different dates, normally used in the European industry.

4. Feasibility of the proposal: in line with the proposals above, the remittance periods will be as follows:

    a. The credit institutions and investment firms shall deliver their COREP reports within 40 business days for consolidated data and 20 business days for solo data. This new proposal provides one additional week for both types of reports.

    b. The same remittance periods will apply to reports referred to 30 June and 31 December.

5. Balance between timeliness and data quality: to address the comments raised by the respondents, the following issues can be flagged:

    a. It is relevant to clarify that article 74(1) Directive 2006/48/EC does not require the auditing of the exposures. Therefore the same remittance dates will be applicable across Member States irrespective of the fact that some national authorities may ask for auditing of the exposures.

    b. The XBRL taxonomy developed by CEBS includes a set of calculation rules that can be followed by the Member States in their national reporting implementation.

    c. Use of local GAAPs: the current wording of article 74.1 of Directive 2006/48/EC does not provide for the use of different accounting standards other than those legally applied by each credit institution or investment firm[1].

6. Application of the proportionality principle: the main beneficiaries of the harmonisation of the remittance dates are groups operating in different jurisdictions. Therefore, it is suggested that the remittance date for domestic institutions not belonging to cross-border groups should be a minimum remittance date (i.e. the institutions would not be obliged to report before that specific date). This decision potentially reduces the reporting burden on these institutions, but national authorities may still decide to apply the same remittance date to all firms.

7. Transitional arrangement: given the comments received from respondents, the most convenient solution is to delete the transitional period.

8. Remittance date and reporting frequency for FINREP: there are mixed views among respondents on the way forward for FINREP. However, a number of comments will be useful in the preparation of the proposal:

    a. The proposal should be developed together with the streamlining of FINREP.

    b. The linkages with public financial statements should be taken into consideration as a relevant factor.

[1] In this context, the CRDTG Question 161 elaborates more about the valuation of exposures under the Standardised Approach and IRB models.

Annex1: General comments on the Consultation Paper

Comments Received	Analysis	Action
This proposal should be a part of a comprehensive project to harmonise COREP within the European Union.	CEBS is proposing a timeline to implement an EU-wide reporting format, as required by the ECOFIN. Part of this roadmap is to achieve this objective for COREP. It will be presented to the Council by mid-2008.	N/A
Support for the convergence of remittance dates and reporting frequencies	As explained in the consultation paper, this is the preferred option, since it generates higher levels of convergence between different jurisdictions.	N/A
Remittance dates determined by each college of supervisors will be the most appropriate solution	It was one of the options analyzed during the preparation of the consultation paper. CEBS also recognises the relevance of the colleges for co-ordination and co-operation amongst national authorities. However, this solution would create a major administrative burden for host supervisory authorities.	N/A
Minimum remittance date will be the optimal	As explained in the consultation paper, it was one of the options analyzed.	N/A

solution	However, the disadvantages of the solution outweigh the benefits since it does not create convergence between authorities. However, given that the major beneficiaries of the proposal are cross-border groups, this option is adopted for domestic entities.	
CEBS has adopted a "one size fits all" solution for the remittance dates and reporting frequencies	It is clear that the proposal impacts all institutions. However, CEBS also asked the industry for ways to incorporate the proportionality principle in the final solution, and proposes accordingly certain flexibility for domestic institutions.	N/A

Annex 2: Specific comments on the Consultation Paper

1) *Do respondents consider that a future proposal on FINREP can follow the same approach as for COREP? If not, please indicate the reasons and explain alternative solutions.*

<table>
<tr><th>Comments received</th><th>Analysis</th><th>Action</th></tr>
<tr><td>As a prior condition, there is a need to harmonize the quantity of information required by the different EU-regulators</td><td>CEBS is conducting a streamlining exercise on FINREP. This will increase the commonality so as to achieve a single set of data requirements and reporting dates, as required by the ECOFIN.</td><td>N/A</td></tr>
<tr><td>Follow the same approach for COREP and FINREP</td><td rowspan="3">Mixed reaction on the issue from industry respondents. It seems that there is not a clear position among the industry respondents.</td><td rowspan="4">From the feedback received, there are mixed views on the feasibility of harmonising the reporting dates for FINREP.</td></tr>
<tr><td>Unless a number of issues can be solved (national interpretations of IFRS-rules, national discretions or goldplating, consistency in XBRL taxonomy), keep the current national reporting dates</td></tr>
<tr><td>No need to address this issue in the immediate future</td></tr>
<tr><td>Bear in mind the relationship between market reporting and FINREP</td><td>The relationship between market reporting and FINREP is a variable to have in mind when discussing the proposal for FINREP. However, from the information received, the majority of members receive FINREP reports</td></tr>
</table>

	earlier.	

2) Do respondents consider that the current proposal creates an adequate balance between timeliness and quality of data? Please elaborate the reasons for your answer.

Comments received	Analysis	Action
Primary focus of the proposal should not be to improve the timeliness.	The proposal is not intending to favour the timeliness of the data, but to reach a balance between different national practices. This may imply that in certain jurisdictions the proposal will be more stringent, whereas in other countries it will be the opposite. Indeed, if we consider the flows of information to be received by supervisors, the time intervals between data collection would be the same as previously.	N/A
Current proposal does not allow institutions to report high quality data, particularly for the solo data.	This comment is related to the number of business dates to report the COREP data. It is clear that the respondents find it remarkably difficult to deliver the solo data in 15 business days.	See proposals below.
If supervisors are satisfied with lower levels of quality, an appropriate validation mechanism	It is considered that the validation mechanisms of the frameworks should	N/A

should be determined at EU level .	be agreed at EU level, without any national additions. In this context, members can follow the calculation rules included in the XBRL taxonomy developed by CEBS.	
Auditing of the data is needed in certain jurisdictions	Article 74 of Directive 2006/48/EC does not prescribe any obligation to audit the data provided in COREP. Therefore, the reporting dates included in the proposal do not take this into account.	N/A
The quality of data (approximate, extrapolated or real data) which would be satisfactory for supervisors is not clear	The data provided must be the real figures. However, this does preclude the use of estimates in certain cases.	N/A
The effect of different GAAPs to determine exposure values should be taken into account .	Article 74 (1) sets the accounting framework applicable for the exposures. The influence of the accounting framework on exposures subject to the Standardised Approach is very significant, whereas the effect on exposures subject to IRB models is less straightforward.	N/A

3) Do respondents consider that CEBS should introduce the application of the proportionality principle in the proposal? Please elaborate the reasons for your answer.

Comments received	Analysis	Action
It may be inappropriate if this means higher frequencies or stricter remittance periods for small institutions	CEBS is not intending to create a greater reporting burden for smaller institutions, so any application of the proportionality principle would be focused on reducing the reporting burden.	Indeed, for domestic institutions it is proposed to have a minimum remittance date.
There is no need to apply the proportionality principle	No clear view among respondents on ways to incorporate the proportionality principle. However, CEBS considers that the proportionality principle should only be applied to small institutions.	N/A
Proportionality may mean applying the proposal only to cross-border groups, avoiding any changes for domestic institutions.		
Proportionality is applicable also to large institutions, so as to require longer remittance periods for them.		
Use of national remittance dates for institutions included in the fast statistical reporting list of the ECB	Two potential problems with this proposal: • Subsidiaries of cross-border groups should not be included in the list. • It probably does not cover institutions located in non-Euro countries.	The suggestion will not be included.
Definition of smaller institution according to the Guidelines on ICAAP.	ICAAP is Pillar 2, whereas COREP is for Pillar 1 information.	N/A

4) ***The proposal on common remittance dates will be applied to all reporting institutions, but making a distinction between solo and consolidated reports. Do respondents agree with this decision? If not, please elaborate your answer (e.g. circumstances in which this distinction is not valid).***

Comments received	Analysis	Action
No need to apply it to domestic institutions	It is clear that the proposal will mainly benefit cross-border groups, while domestic institutions may be positively or negatively influenced.	Include in the proposal that the remittance dates agreed shall be considered as minimum remittance dates for domestic institutions, subject to the approval of the competent authorities.
Agree with the distinction CEBS proposes	Positive feedback from respondents with a domestic profile.	CEBS considers that the need to align the consolidated and solo dates seems to be more the exception than the general rule. Therefore, it is proposed to continue with the current distinction between solo and consolidated data.
Solo and consolidated remittance dates should be aligned	The negative feedback received on the differences derives from the institutions implementing top-down approaches	

	with centralised data warehouses. This approach implies that the calculation of capital requirements is conducted first on a consolidated basis and later the calculations are derived for the individual institutions.	

5) ***Do respondents consider the proposal as feasible? If not, please indicate the reasons, the costs associated with the changes and the minimum time that would be needed to produce the data. Please distinguish between solo and consolidated reports.***

<table>
<tr><th>Comments received</th><th>Analysis</th><th>Action</th></tr>
<tr><td>Solo remittance date is too short</td><td>Calculations based on the survey show that the EU average is around 20-25 business days, which is later than the proposed date for solo data.</td><td rowspan="3">Modify both remittance dates (40 and 20 business days for consolidated and solo data respectively)</td></tr>
<tr><td>Consolidated remittance date is too short</td><td>Calculations based on the survey show that the EU average is around 40 business days, which is later than the proposed date for consolidated data.</td></tr>
<tr><td>Consolidated remittance date is feasible</td><td>Positive feedback from respondents with a domestic profile.</td></tr>
<tr><td>Different remittance dates for year-end and half-year data</td><td>6 countries provide more time for year-end data and 2 for half-year data. In one case, the additional time will be</td><td>• For year-end results: since there is not a legal</td></tr>
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	covered by the proposal for consolidated data.	mandate to audit the figures, it is not considered to be especially burdensome, since firms can provide data which are reliable enough. • For half-year results: it is considered that the remittance date does not create a major burden.

6) ***The proposal includes a transitional arrangement for EU-parent institutions. Do you agree with this proposal? If not, please indicate the reasons and suggest alternative proposals.***

Comments received	Analysis	Action
Agree with the proposal	There are mixed reactions about the transitional arrangements, with proposals even to extend them. In this context, maybe the idea expressed by the corridor does not provide major benefits and it may create confusion.	It is proposed to drop the corridor (i.e. by the implementation date all authorities shall switch to the final arrangement).
Disagree with the proposal, since it does not provide additional benefits		
Corridor to be widened and to cover all institutions		
National authorities shall not be allowed to reduce		

the corridor		

7) ***Do respondents agree with the harmonisation of maximum reporting frequency? If not, please indicate the reasons and suggest alternative proposals.***

Comments received	Analysis	Action
Agree with the quarterly frequency as the maximum frequency	Respondents generally agree with CEBS's proposal, which does not preclude lower frequencies for the COREP templates.	Clarify that this maximum frequency does not mean that all templates shall be reported quarterly.
Disagree with the proposal for a maximum reporting frequency, which may create divergences within a group.	This may be possible, but it can be discussed among the competent authorities for the group.	N/A
Delete the monthly reporting frequency for the CA template on a solo basis.	It is acknowledged that the proposal implies the preparation of the whole COREP reporting on a monthly basis. Currently, a number of countries are using this reporting frequency. Although the problems created are recognised, supervisory practices in certain jurisdictions cannot be modified in the short term.	Keep the option, but propose a deadline by which the exception will expire.