BUILDING SOCIETIES ASSOCIATION

17 April 2008

Response to a consultation paper from the Committee of European Banking Supervisors on amendments to the guidelines on common reporting (CP 04)

Background

1. The Building Societies Association represents all 59 building societies in the United Kingdom. Building societies have total assets of just under £350 billion and, together with their subsidiaries, hold residential mortgages of £245 billion, more than 20% of the total outstanding in the UK. Societies hold about £215 billion of retail deposits, accounting for more than 20% of all such deposits in the UK. Building societies also account for over 38% of all cash ISA balances. Building societies employ over 50,000 full and part-time staff and operate through more than 2,100 branches.

Summary

2. The Building Societies Association supports in principle the proposal to harmonise the reporting frequency and maximum remittance periods in the European Union. Building societies agree that the application of these proposals should not favour one region, business sector, or size of organisation, over another. But they believe that part of the detail of CEBS's proposals needs to be revised.

Comment on the proposals

3. If CEBS's proposals were adopted, key regulatory returns (called "data items" by the UK's Financial Services Authority) including ones on capital adequacy, credit risk, operational risk and securitisation would be affected:

- all solo and unconsolidated reports would have to be submitted within 15 working days, as against 20 working days, except for data item FSA007 (operational risk), which is annual and has a two-month submission time.
- consolidated reports would be submitted in 35 working days, against the FSA's current requirement of 45 working days

4. Building societies are concerned mainly by the five-day reduction in submitting solo data. It could have a significant impact on societies' ability to submit the returns within the required deadlines; to do so could incur considerable additional costs.

5. Many societies have already committed considerable amounts of resources – human and financial - to cope with the large number of new returns that are being

introduced as a result of the implementation of integrated regulatory reporting in the UK. Any further tightening of deadlines without any obvious business benefit could have a knock-on effect on the interest rates offered to savers and to mortgage holders.

6. One society has pointed out that most accounting data is prepared simultaneously; the accuracy of the individual entity accounts therefore cannot be verified until the consolidation has been completed and checked.

7. It has been suggested that submission deadlines ***over*** 20 days could lead to data becoming unmanageable as a subsequent month's data will be in the accounts, which could create problems.

8. <u>It would therefore seem appropriate for solo and consolidated returns to have the same submission times; for the affected regulatory returns (data items) this would be the current 20 working days</u>.

9. Societies that responded to the CEBS consultation paper report no problems with the proposed reduction from 45 to 35 working days for consolidated data.

10. Societies made no direct comment on the possible application of proportionality to the proposals on reporting frequency and remittance periods. What they would like is certainty so they are not forced to continually update their information systems and processes.