

17 June 2010

Consultation paper on the amendments to the Guidelines on Common Reporting (COREP)

I. Background

1. In January 2006, the Committee of European Banking Supervisors issued Guidelines on a common reporting framework (COREP) to be used by credit institutions and investment firms (institutions) when they periodically report their capital requirements to supervisory authorities under Directives 2006/48/EC and 2006/49/EC. The Committee issued a recast version of COREP in October 2006 incorporating several amendments stemming from changes in the numbering of the recast Directives 2006/48/EC and 2006/49/EC (CRD), as well as some wording improvements. In July 2008, CEBS issued amendments to the COREP guidelines on the standardisation of remittance dates and reporting frequencies. The latest version of COREP was published in January 2010 incorporating amendments to the CRD (Directives 2009/27/EC and 2009/83/EC) as well as CRD II amendments (Directive 2009/111/EC)¹.
2. The CRD as amended by Directive 2009/111/EC of 16 September 2009 requires in Article 74 that *"competent authorities shall apply, by 31 December 2012, uniform formats, frequencies and dates of reporting. To facilitate this, the Committee of European Banking Supervisors shall elaborate guidelines to introduce, within the Community, a uniform reporting format at the latest by 1 January 2012. The reporting formats shall be proportionate to the nature, scale and complexity of the credit institutions' activities."*
3. It is in this context that CEBS is developing the revised COREP guidelines.

II. Methodology and scope of the work

4. CEBS is developing its amendments to the COREP guidelines in a manner consistent with the European Commission's "better regulation agenda". In particular, CEBS is following the impact assessment (IA) guidelines

¹ Published by CEBS on 6 January 2010 (<http://www.c-ebs.org/News--Communications/Latest-news/CEBS-publishes-today-the-revised-framework-on-Comm.aspx>).

published by the three Level-3 Committees in April 2008², which help CEBS to describe and explain the decision-making process and to identify policies to be implemented.

5. CEBS is following a two phase approach in producing uniform COREP guidelines as requested by Article 74 of the revised CRD. The present consultation paper highlights the findings of the first phase. In this first phase, CEBS carried out a commonality study on the basis of the implementation of COREP by individual Member States as disclosed in the supervisory disclosure framework. CEBS also carried out a user test survey to capture the usefulness of the data collected and suggestions for further improvements to the framework. CEBS also held regular meetings of the COREP Operational Network as well as two seminars with risk experts aimed at finding ideas on how to improve COREP to enhance its usefulness for analytical purposes.
6. During this first phase CEBS has co-operated with its Industry Expert Group on Reporting (IEG) which is set up as a sub-group of CEBS's Consultative Panel. Two meetings of the IEG were held during this period providing CEBS with the opportunity to consult on the proposed development of COREP and to receive valuable input from IEG participants for its further work on defining uniform reporting formats.
7. The results of the work streams as described above are shown in the revised COREP templates and instructions which are published together with the present paper.
8. In a second phase responses received during the consultation period will be addressed as well as changes relating to European Directives (e.g. CRD III and IV amendments and changes arising from the establishment of the new European Banking Authority and European Systemic Risk Board) will be incorporated into the COREP guidelines. Moreover, the common reporting templates and guidelines developed by CEBS in relation to large exposures reporting will be included in the COREP framework so as to ensure a unified European reporting system.³ The work plan and timeline set up in order to achieve a uniform COREP format is set out in section VII of the present paper.

III. Problem Identification and the case for policy changes

9. Originally national supervisory authorities aimed to mitigate existing market failures (primarily negative externalities and information asymmetries) by implementing national prudential reporting requirements. In financial markets where the domestic dimension was dominant, the adoption of

² Impact Assessment Guidelines for EU Lamfalussy Level 3 Committees, issued in April 2008 and available on CEBS's website under: <http://www.c-eps.org/formupload/30/305f9126-d16e-473e-a843-5733e67687d0.pdf>

³ As published by CEBS on 11 December 2009 (<http://www.c-eps.org/News--Communications/Archive/2009/CEBS-today-publishes-its-guidelines-on-common-repo.aspx>)

national reporting schemes in different EU jurisdictions was not perceived to be a significant issue.

10. However, the increased cross-border activity in Europe of the large financial intermediaries and the growing integration in financial markets uncovered the need for common reporting schemes across jurisdictions, both to reduce the burden on institutions and to produce a more effective supervisory framework with comparable prudential information.
11. In addition, the move from Basel I to Basel II has made the production of reporting information more complex, highlighting the potential benefits of a uniform reporting framework across Europe. In some cases, depending on their organisational arrangements, cross-border groups moved towards centralized data-warehouses and centralisation of administrative functions and favoured the treatment of data within the group on a centralised basis at the group level (top-down approach). Moreover the data needs to be checked and reconciled at each level to verify that they are consistent with the bank's accounting system and reliable.
12. As a result of the adoption of the EU Capital Requirements Directive, CEBS developed the COREP in order to provide a common reporting framework allowing supervisors to check the adequacy of the data used to compute the institutions' solvency ratios. However this common framework allowed reporting requirements to vary depending on the country because of differences in implementation of the CRD in national supervisory models and reporting systems.
13. The existing differences, not only in the templates themselves but also in the definitions used, limit the harmonisation of information and hinder the comparability of data for cross-border analysis. The reductions in reporting costs for cross border active institutions may not have been as great as initially expected as institutions still have to satisfy different national reporting requirements in the various Member States in which they operate. This implies a regulatory failure⁴, which may justify further regulatory intervention through limiting the degree of flexibility currently allowed in COREP.

Scope of the problem and harmonisation challenges

14. There are different aspects to the problem that need to be addressed:
 - a. **Legal differences.** In the current COREP, differences in national legislation, partly due to differences in the implementation and interpretation of the CRD (due to the options and national discretions in the CRD) and differences in accounting rules among Member States, present obstacles to the achievement of uniform data definitions and the development of common dictionaries of terms⁵. This aspect has

⁴ "Regulatory failure" refers to a regulatory intervention whose costs are greater than its benefits, such that the net effect is harmful.

⁵ This aspect is especially relevant if the cross-border group can use advanced methodologies, since in many cases the risk management systems of the group are

been considered in CEBS's technical advice to the European Commission on options and national discretions and is currently being discussed at European level. The COREP streamlining and harmonization process as presented under section VII will incorporate the outcome of those CRD amendments.

- b. **Reporting differences.** Differences in the reporting templates, frequencies and remittance dates increase the complexity of reporting procedures within cross-border institutions and present obstacles for cross-border analysis. These differences across Member States mainly stem from differences in supervisory practices and in reporting systems and from differing national transpositions of EU Directives.
 - c. **IT differences.** Current differences in the use of data standards for electronic filing as well as in submission requirements increase the reporting burden for institutions. The currently recommended data standard based on XBRL is widely adopted throughout Europe but due to national discretions not accepted in every European country.
15. As a result the key players impacted by the problems identified are mainly the cross-border financial institutions. Institutions which operate solely in domestic markets are not impacted by the differences in reporting formats but rather by the overall extent of the information to be reported and the lack of clear definitions and guidance for filling in the COREP templates.
16. Ultimately these differences in the transposition of EU Directives into national legislation, reporting templates, data definitions, IT formats and taxonomies not only increase reporting costs for cross border active financial institutions but also limit the availability of harmonised data for cross-border analysis of financial institutions. These shortcomings could ultimately have an adverse effect on financial stability monitoring.

Objectives of policy changes

17. Compliance with regulatory requirements, proper risk assessment and macro-prudential analysis are generally regarded as crucial contributions to financial stability. A standardised reporting system contributes by gathering the information that is needed to monitor whether institutions comply with regulatory requirements and to evaluate the risks to which these institutions are or might be exposed, as well as to monitor developments within the credit services sector. The revision of COREP aims therefore to harmonize reporting requirements in order to improve the efficiency of financial supervision, especially of cross-border institutions, by providing comparable information and contributing to the efficiency of reporting procedures within institutions.

centralised. On the other hand, there may be also cross-border groups that do not have centralised approaches and therefore could not take full advantage of simplified reporting procedures.

18. Overcoming differences which currently exist across Member States may additionally contribute to the emergence of a common culture and common practices across the EU supervisory community.
19. Care has been taken that any proposed regulatory intervention does not itself lead to further regulatory failure. Two potential factors leading to regulatory failure are the following:
 - If the proposal sets harmonised requirements for information that are so high that compliance costs for institutions are greater than the benefits for the market as a whole. Compliance costs for institutions can consist of both (i) the cost incurred in implementing the infrastructure necessary to meet the COREP requirements and (ii) the recurrent cost of running the regular reporting process.
 - If the proposal sets too low a ceiling (i.e. if key data are not collected), regulators and institutions (some institutions have indicated that COREP information is also collected and used for internal purposes within the institution) would be no longer able to identify risks effectively, leading to an ineffective supervisory framework and, potentially, to a higher risk of financial instability.

IV. Summary of policy changes

20. The revised CRD has already addressed some of the problems identified in the previous section and implemented through Art. 74 a high-level policy requiring that *"competent authorities shall apply, by 31 December 2012, uniform formats, frequencies and dates of reporting. To facilitate this, the Committee of European Banking Supervisors shall elaborate guidelines to introduce, within the Community, a uniform reporting format at the latest by 1 January 2012. The reporting formats shall be proportionate to the nature, scale and complexity of the credit institutions' activities"*.
21. Thus, the high level policy decision to introduce a uniform reporting format has already been made and is included in the CRD. Since CEBS received the mandate to elaborate COREP guidelines that meet the new CRD requirements applicable to credit institutions and investment firms we have looked at the CRD requirements in more detail and identified that the guidelines should have the characteristics set out in the following paragraphs.

Uniform reporting formats and implementation

22. COREP applies to prudential Pillar 1 reporting requirements on both an individual basis and a consolidated basis. Reporting on an individual basis is mandatory for all institutions regardless of whether they are stand-alone institutions, form part of a group or consolidate themselves⁶. Reporting on a consolidated basis is mandatory for parent credit institutions in a Member

⁶ A parent institution that calculates its capital requirements on a consolidated basis, may (i) not calculate its capital requirements on a solo basis, and therefore will only report COREP on a consolidated basis and (ii) may be exempted from calculating capital requirements for its solo or sub-consolidated subsidiaries.

State, parent financial holding companies in a Member State, EU parent credit institutions and EU parent financial holding companies. Definitions of the above types of institutions and companies can be found in Art 4 (14 – 17) of Directive 2006/48/EC.

23. COREP has been revised on the basis of the amended CRD as published in April, July and September 2009. In order to achieve uniform reporting formats, national competent authorities will no longer have flexibility about the extent of their implementation of the guidelines; the distinction between “Core” and “Details” templates will no longer apply; the number of templates will be uniform across Member States and the degree of implementation will be 100 %. It will lead to a situation where Member states will rely – for regular prudential reporting - only on prudential Pillar 1 information as defined in the new COREP framework and will neither amend defined information templates for national needs nor require additional information that exceeds the COREP framework. Since COREP covers periodic standardised prudential reporting, supervisors will retain the option to require additional ad hoc information from individual institutions, in particular situations.
24. To facilitate uniform implementation and avoid implementation problems, the guidelines incorporate detailed implementation instructions, in particular:
 - a. clear legal references;
 - b. detailed data definitions, in the cases where references to CRD data definitions are not sufficiently clear - however, the COREP guidelines should not be seen as interpreting the CRD and interpretation issues should be identified and forwarded to the responsible CRDTG⁷ of the EU COM;
 - c. links to the FINREP framework;
 - d. reporting examples;
 - e. validation rules (quantitative relations between rows and columns of each template, and among templates); and
 - f. questions regarding data definitions, reporting examples and validation rules that might arise during the implementation phase will be answered by the COREP network.
25. In addition, Supervisory Disclosures are available on CEBS’s website providing a comprehensive view of the way the COREP framework is currently implemented in each country.

⁷ A dedicated website run by the European Commission provides answers to questions related to legislative acts in the area of the Single Market (<http://ec.europa.eu/yqol/index.cfm?fuseaction=home.home>)

26. The reporting instructions are submitted for public consultation as a working draft. Further improvement of the document is expected before the final endorsement of the COREP package by CEBS.

Question to respondents: Do you have additional recommendations that could be taken up by CEBS in order to achieve uniform implementation of COREP?

Proportionate reporting

27. Although reporting is uniform, according to Article 74 (2) of the amended CRD, the reporting formats must be proportionate to the nature, scale and complexity of the institutions' activities. A first level of proportionality already arises from the approaches used by the institution to calculate its capital requirements which depends on its activities and risk profile. For example, an institution that uses the standardised approach to calculate its credit risk will not report on the IRB templates. An institution that has no commodities risk will not have to report on template MKR COM. As a matter of principle the reporting should follow the risk calculation. The COREP framework already follows this approach.
28. However, CEBS proposes to go beyond this first level of the proportionality principle by introducing a second level of proportionality affecting the reporting frequency of the individual templates. The baseline reporting frequency for COREP – as set out in below – which is applicable to all reporting entities (except to those where the third level of proportionality with an adjusted reporting frequency applies) will be quarterly for most templates, though for some specific templates a lower frequency will be required.
29. Note that Article 35 (2) of amended Directive 2006/49/EC requires investment firms covered by Article 9 to report on a monthly basis. There is no scope to amend the monthly reporting frequency for national investment firms under Article 35 (2) of amended Directive 2006/49/EC.

Domestic-only credit institutions and investment firms

30. The third level of proportionality is a refinement of the second level through an adjusted frequency for certain templates, specifically for less complex national institutions and national groups. For this purpose, national institutions or national groups are those institutions or groups which have no subsidiaries and/or parent company subject to either of the amended Directives 2006/48/EC and 2006/49/EC in other European Union countries or to capital requirements in a third country. In other words, they are solely domestic institutions and groups with no cross-border involvement in the EU or globally.
31. Based on an assessment of the nature, scale, complexity and systemic relevance of institutions' activities, a competent authority can decide to adopt detailed criteria that would lead to the application of the adjusted reporting frequency. CEBS believes it is appropriate that national supervisors are responsible for making this assessment for institutions which have no

cross-border presence and whose impact is therefore restricted to one jurisdiction.

32. The baseline and the adjusted frequencies will be the same in each country and are set out below. The national authority will publicly disclose the detailed criteria for the third level of proportionality on their national supervisory disclosure website.

Cross-border credit institutions and investment firms

33. Given the international scale of their activities, cross-border groups cannot benefit from the application of the last application of the principle of proportionality. Furthermore, the establishment of different reporting requirements for the entities included in a cross-border group may not necessarily lead to a reduction in the reporting burden if a centralized reporting system is in place. On top of that, we believe supervisory colleges should have homogeneous data - with the same frequency - within and between cross-border groups to enable meaningful sectoral, trend or peer review analysis. As a consequence, cross-border institutions will follow the baseline frequencies.

Questions to respondents: What is your assessment of CEBS proposals to address proportionality in COREP – in particular the establishment of national criteria that could lead to lower reporting frequencies for certain domestic-only reporting institutions?

Reporting frequency, reporting reference dates and remittance dates

Baseline reporting frequency

34. The baseline reporting frequencies are presented in the following 2 tables. Given the provisions in the amended Directive 2006/49/EC for investment firms, the baseline reporting frequencies are presented separately for credit institutions and for investment firms.

Table 1 - Credit institutions:

		Individual basis	Consolidated basis
CA		Quarterly	Quarterly
Group Solvency		---	Quarterly
CR SA	Total	Quarterly	Quarterly
	Details	Quarterly	Quarterly
CR IRB	Total	Quarterly	Quarterly
	Exposure classes	Quarterly	Quarterly
CR EQU IRB		Quarterly	Quarterly
CR TB SETT		Quarterly	Quarterly
CR SEC SA		Quarterly	Quarterly
CR SEC IRB		Quarterly	Quarterly
CR SEC DETAILS		Quarterly (*)	Quarterly
OPR		Quarterly	Quarterly
OPR DETAILS		Annually	Annually

MKR SA TDI	Total	Quarterly	Quarterly
	Currencies	Quarterly	Quarterly
MKR SA EQU	Total	Quarterly	Quarterly
	National markets	Quarterly	Quarterly
MKR SA FX		Quarterly	Quarterly
MKR SA COM		Quarterly	Quarterly
MKR IM		Quarterly	Quarterly
Large Exposures		Quarterly	Quarterly

(*)The CR SEC Details template should be submitted by stand-alone institutions and institutions that are part of a group but located in a different jurisdiction than the respective parent entity.

Table 2 - Investment firms except those subject to Article 20 (2) and (3) and Article 21 of amended Directive 2006/49/EC:

		Individual basis		Consolidated basis
		Art.9	Baseline Art.5 (1, 3)	Art.9, Art.5 (1, 3)
CA		Monthly	Quarterly	Semi-annually
Group Solvency		---	---	Semi-annually
CR SA	Total	Quarterly	Quarterly	Semi-annually
	Details	Quarterly	Quarterly	Semi-annually
CR IRB	Total	Quarterly	Quarterly	Semi-annually
	Exposure classes	Quarterly	Quarterly	Semi-annually
CR EQU IRB		Quarterly	Quarterly	Semi-annually
CR TB SETT		Quarterly	Quarterly	Semi-annually
CR SEC SA		Quarterly	Quarterly	Semi-annually
CR SEC IRB		Quarterly	Quarterly	Semi-annually
CR SEC DETAILS		Semi-annually (*)	Semi-annually (*)	Semi-annually
OPR		Quarterly	Quarterly	Semi-annually
OPR DETAILS		Annually	Annually	Annually
MKR SA TDI	Total	Quarterly	Quarterly	Semi-annually
	Currencies	Quarterly	Quarterly	Semi-annually
MKR SA EQU	Total	Quarterly	Quarterly	Semi-annually
	National markets	Quarterly	Quarterly	Semi-annually
MKR SA FX		Quarterly	Quarterly	Semi-annually
MKR SA COM		Quarterly	Quarterly	Semi-annually
MKR IM		Quarterly	Quarterly	Semi-annually
Large Exposures		Quarterly	Quarterly	Quarterly

(*) The CR SEC Details template should be submitted by stand-alone institutions and institutions that are part of a group but located in a different jurisdiction than the respective parent entity.

Investment firms subject to Article 20 (2) and (3) and Article 21 of amended Directive 2006/49/EC:

35. Investment firms subject to Article 20 (2) and (3) must report the CA template (to the full extent) and - if applicable - the credit and market risks templates and the Large Exposures template. The respective reporting frequencies can be drawn from Table 2.

Adjusted reporting frequency

36. The table below presents the adjusted reporting frequencies for institutions as referred to in points 30 to 32 of the present paper. Based on an assessment of the nature, scale, complexity and systemic relevance of institutions' activities, a competent national authority can decide to adopt detailed criteria that would lead to the application of the adjusted reporting frequencies set out below.

Table 3 - Credit institutions and investment firms of Article 5 (3) of amended Directive 2006/49/EC

		Credit Institutions		Investment firms Art. 5 (3)
		Individual basis	Consolidated basis	Individual basis
CA		Semi-annually	Semi-annually	Semi-annually
Group Solvency		---	Semi-annually	---
CR SA	Total	Semi-annually	Semi-annually	Semi-annually
	Details	Semi-annually	Semi-annually	Semi-annually
CR IRB	Total	Semi-annually	Semi-annually	Semi-annually
	Exposure classes	Semi-annually	Semi-annually	Semi-annually
CR EQU IRB		Semi-annually	Semi-annually	Semi-annually
CR TB SETT		Semi-annually	Semi-annually	Semi-annually
CR SEC SA		Semi-annually	Semi-annually	Semi-annually
CR SEC IRB		Semi-annually	Semi-annually	Semi-annually
CR SEC DETAILS		Semi-annually (*)	Semi-annually	Semi-annually (*)
OPR		Semi-annually	Semi-annually	Semi-annually
OPR DETAILS		Annually	Annually	Annually
MKR SA TDI	Total	Semi-annually	Semi-annually	Semi-annually
	Currencies	Semi-annually	Semi-annually	Semi-annually
MKR SA EQU	Total	Semi-annually	Semi-annually	Semi-annually
	National markets	Semi-annually	Semi-annually	Semi-annually
MKR SA FX		Semi-annually	Semi-annually	Semi-annually
MKR SA COM		Semi-annually	Semi-annually	Semi-annually
MKR IM		Semi-annually	Semi-annually	Semi-annually
Large Exposures		Quarterly	Quarterly	Quarterly

(*)The CR SEC Details template should be submitted by stand-alone institutions and institutions that are part of a group but located in a different jurisdiction than the respective parent entity.

Questions to respondents: What is your assessment of CEBS proposal regarding the establishment of baseline and adjusted reporting frequencies for individual templates?

Reporting reference dates

37. The reporting reference dates will be:
- a. 31 March, 30 June, 30 September, and 31 December for the quarterly reporting of the templates,
 - b. 30 June and 31 December for the semi-annual reporting of the templates,
 - c. 31 December for the annual reporting of the templates.
38. The above reporting reference dates refer to regular reporting requirements. Credit institutions and investment firms must be ready to provide the competent authority - also in between these dates - with information about the institutions' compliance at all times with the minimum own funds requirements as laid down in the CRD. This info might be provided by means of supervisory reports or in other forms.

Remittance dates

39. On remittance dates CEBS proposes to keep its amendments to the COREP guidelines which were published in July 2008⁸ and set maximum remittance dates for consolidated (40 business days) and individual (20 business days) data respectively, both for credit institutions and investment firms. According to the July 2008 COREP amendment, competent authorities may provide additional time to domestic-only institutions for the preparation of the regulatory COREP reports.

Question to respondents: What is your assessment of CEBS's proposal to maintain its amendments as published in July 2008?

V. Summary of the main changes in the COREP Guidelines

40. The particular changes to the current COREP Guidelines can be seen from the templates attached to this Consultation Paper. In order to show clearly what was changed in the current COREP Guidelines the following colour code has been used:
- a. cells highlighted in red are those cells which will be deleted from the current COREP Guidelines; and
 - b. cells highlighted in green are those cells which will be added to the current COREP Guidelines.
41. The proposal to amend the current COREP Guidelines also incorporates some methodological changes in order to harmonise the reported data to the maximum extent. For further detailed information please see the COREP templates and the COREP reporting instructions.

⁸ An amendment to COREP on the standardisation of remittance dates and reporting frequencies was published on 11 July 2008 (<http://www.c-eps.org/News--Communications/Archive/2008/CEBS-STANDARDISES-COREP-REPORTING-DATES.aspx>)

Reporting on the template CA

42. It was necessary to harmonise the CA template because country specific items, which are in line with Directive 2006/48/EC and Directive 2006/49/EC, had been implemented by Member States. This was done by adding an additional template "CA annex", which groups together all these CRD compliant country specific items. The CA template and the CA annex template are linked so that the sum of the applicable country specific items for the respective Member State is reported in the related cell in the CA template.

Question to respondents: What is your assessment of the inclusion of country specific items through the implementation of an additional template "CA annex"?

Reporting on the template Group Solvency

43. The template for information on Group Solvency now consists of two parts in order to gather different information on entities included in the scope of the consolidation of the reporting entity. The first part of this template, i.e. detailed group solvency information in columns 050 to 110, is designed to gather information on credit and other regulated financial institutions and sub-consolidated sub-groups which are effectively subject to particular solvency requirements on an individual or sub-consolidated basis. The purpose of the second part of this template i.e. information on the contributions of all subsidiaries and sub-groups (including those that are not subject to particular solvency requirements on an individual basis) to group solvency in columns 150 to 240 is to identify which entities within the group generate the risks and raise own funds from the market.

Question to respondents: Do you agree with the amendments to the template Group Solvency? Do you think that the instructions provided for the information on contributions are sufficient?

Reporting on the template CR SA

44. The data to be reported on exposures under the Standardised Approach will be limited. The reporting will comprise:
- a. a total template (CR SA Total), which now also includes a breakdown of total exposures by exposure classes and a breakdown of the exposure value by risk weights, and
 - b. another template (CR SA Details) which will serve as a master template for the reporting of detailed information by the dimensions⁹ Government, Institutions, Corporates and Retail.

⁹ In accordance with the exposure classes listed in Article 79 para. 1 of Directive 2006/48/EC "Government" shall comprise claims or contingent claims on central governments and central banks (a), regional governments or local authorities (b) and administrative bodies and non-

45. The national discretion on the reporting of SA exposures has been deleted. Now all SA exposures must be reported according to the definition of SA exposure classes in Article 79 of the amended CRD. This also includes the partial use portfolio of institutions and groups which apply the capital requirements according to Annex VII of the amended CRD.
46. Further detailed information on other exposure classes will be deleted.

Question to respondents: Do you agree with the amendments to the template CR SA?

Reporting on the template CR IRB

47. Beyond some minor amendments, country-related risk information is incorporated in the CR IRB template. This enables supervisors to analyse particular changes and trends e.g. in risk drivers PD, LGD and risk weights. The data to be reported have been limited to those five countries where the most exposures are originated. The mapping of exposures to regions is based on the home country of the obligor.
48. In addition to the information on "Central banks and central governments" and "Institutions", several sub-exposure classes¹⁰ have been specified for "Corporate" and "Retail".
49. The reporting of a total template will be deleted.

Question to respondents: Are the reporting requirements in relation to reporting country-related risk information and reporting information on the exposure classes Corporates and Retail clear or are there issues which need to be elaborated further?

Reporting of CR SEC Details

50. The template CR SEC Details will be reported for:
- a. Securitisations originated / sponsored by the reporting institution in case it holds at least one position in the securitisation. This means that, regardless of whether there has been a significant risk transfer or not, institutions have to report information on all the positions they hold. Positions held include those positions retained due to Article 122a para 1 of amended CRD.
 - b. Securitisations originated / sponsored by the reporting institution during the year of report¹¹, in case it holds no position.

commercial undertakings (c). "Institutions", "Corporates" and "Retail" refer to (f), (g) and (h), respectively.

¹⁰ Namely, "Corporate-SME", "Corporate-Specialized Lending", "Corporate-Other", "Retail-Secured by Real Estate SME", "Retail- Secured by Real Estate non-SME", "Retail-Qualified Revolving", "Retail-Other SME", and "Retail-Other non-SME".

- c. Securitisations of financial liabilities (e.g. covered bonds) issued by the reporting institution.
 - d. Securitisation positions held in securitisation schemes where the reporting institution is neither originator nor sponsor.
51. Taking into account Art. 122a point 4 of the amended CRD, which establishes that institutions that invest in securitisation positions have to acquire a great deal of information about them in order to comply with due diligence requirements, it is proposed to extend the reporting of this template in part to investors.
52. The columns "Accounting treatment" and "Solvency Treatment: Securitised Exposures or Securitisation positions?" have been included in the template CR SEC Details in order to figure out, in the case of the first column, the amounts of securitized assets kept and the amounts of securitized assets removed from the balance sheet and, in the case of the second column, whether the reporting institution applies Article 94 and Annex IX part 2 points 1a - 1d and 2a - 2d of the amended CRD to the securitization. This information is very useful for both micro- and macro-prudential analysis.

Question to respondents: Are the reporting requirements in relation to reporting additional information with regard to individual securitisations clear or are there issues which need to be elaborated further?

Reporting on the templates on Market Risk

53. In order to limit the reporting burden materiality thresholds will be implemented for the templates MKR SA TDI, MR SA EQU and MKR SA FX. Institutions must report detailed information about a minimum of either 10 currencies / national markets or the currencies / national markets needed to reach a coverage of 90 % of the sum of net long and net short positions. With this materiality threshold only a limited number of dimensions (i.e. 10 currencies -for MKR SA TDI and MKR SA FX- and national markets – for MKR SA EQU) need to be reported in detail. Further details are specified in the templates in the Annex and the implementation instructions for the MKR SA templates.

Question to respondents: Are the reporting requirements in relation to reporting a limited number of dimensions clear or are there issues which need to be elaborated further? To what extent will the proposed materiality thresholds reduce the reporting burden?

54. The template MKR SA COM has been re-designed. In addition to the aggregate information, a breakdown by different types of commodities has been included. Other information, e.g. a breakdown by maturity zones, will be deleted.

¹¹ The data requested to the institutions in this template shall be reported on an accumulated basis for the current year of the reporting reference date (i.e. all data since 1st of January of the current year).

55. In the template MKR SA FX additional information on institutions using an internal model to calculate the capital requirements of market risk positions with regard to all and net positions (long and short positions) will be included.
56. New data requirements on vega and gamma risks have been introduced.
57. The template MKR IM Details will be deleted.

Question to respondents: Are the reporting requirements in relation to reporting market risk information clear or are there issues which need to be elaborated further?

Reporting on the templates on Operational Risk

58. Since Directive 2006/48/EC requires institutions to consider correlations in operational risk losses across individual operational risk estimates, new reporting requirements about diversification effects have been included in the template OPR.
59. Likewise in the template OPR Details, which is applicable to institutions using the approaches in Annex X part 2 and Annex X part 3 of Directive 2006/48/EC, additional information on the sum of five largest losses with regard to the distribution of losses in the tail regions of loss distribution has been included in the COREP guidelines.

Question to respondents: Are the reporting requirements in relation to additional information on operational risk clear or are there issues which need to be elaborated further?

60. The template OPR Loss Details will be deleted.

Reporting on the templates on Large Exposures

61. CEBS has developed common reporting templates and guidelines in relation to large exposures reporting which will be included in the COREP framework so as to ensure a uniform European reporting framework.¹²

Further changes to the COREP guidelines

62. CEBS would like to ask participants in this consultation who believe that the present proposals to harmonise the COREP guidelines have shortcomings or are burdensome to provide suggestions on how these proposals can be amended. Such contributions will deliver very valuable input and give indications of how these guidelines can be improved after the consultation. CEBS would particularly welcome market participants' views on the questions set out at the end of each section.

¹² The guidelines and templates regarding the reporting of large exposures are available on CEBS website (<http://www.c-eps.org/News--Communications/Archive/2009/CEBS-today-publishes-its-guidelines-on-common-repo.aspx>)

Question to respondents:

- *Do you have comments on the amendments specified in the different templates of the COREP guidelines?*
- *Are the implementation instructions clear or are there issues which need to be elaborated further? Please provide concrete examples where the implementation instructions are not clear to you.*
- *Do you agree with the way the implementation questions, which are currently published on CEBS's website, were incorporated in the implementation instructions?*

VI. CEBS's proposal on maintenance of the framework and taxonomy

63. New regulatory standards, supervisory needs, market conditions or the evolution of information technology may impact the COREP framework and/or the XBRL taxonomy. These impacts will be analysed in a standardised way as follows.

64. CEBS will hold a list with:

- a. the description of the change as mentioned above and
- b. the impact on the framework, taxonomy, guideline (e.g. add a line, remove a line, modification of the guidelines, update the taxonomy).

65. This list will be published on CEBS's website for the information of CEBS's stakeholders. Once a year, based on this list, CEBS will evaluate the changes and decide whether there is a need to update COREP (i.e. framework, guidelines, taxonomy). Stability and cost-effectiveness will still remain among CEBS's priorities when taking a decision whether to update COREP.

VII. Work plan and timeline towards uniform COREP formats

66. To achieve the goal of an uniform COREP, so that in future no additional requirements will be imposed nationally, the following next steps and timeline have been identified:

- a. June – September 2010: Consultation on COREP package;
- b. Q4 2010: Revision and endorsement by CEBS of the new COREP package based on the assessment of the responses received;
- c. Q2 – Q3 2011: Consultation phase on the COREP revisions in order to take into account the new requirements related the CRD IV amendments and establishment of the ESRB/EBA;
- d. Q3 – Q4 2011: Finalisation of the uniform COREP and endorsement by CEBS;

- e. 2012: Implementation phase; and
- f. 31.12.2012: Application of the uniform COREP.

67. CEBS will assess the impact of the CRD III amendments on the COREP framework published in January 2010 and incorporate changes as soon as the CRD III amendments have been endorsed by the EU Parliament. If the application date of CRD III amendments is aligned with CRD IV amendments, the CRD III amendments will be incorporated in the revised COREP package as outlined in the work plan above.

VIII. Harmonisation at IT level

68. CEBS develops and maintains the COREP XBRL taxonomy and recommends the use of XBRL across its Member States in the COREP guidelines. To complement the XBRL taxonomy, CEBS will incorporate and recommend IT best practices on cell definitions in order to standardise conversions to decimal values, precision, percentages, threshold/tolerance margins, identification of reporting institutions, and administrative codes, among other factors.

IX. Invitation to comment

69. CEBS welcomes comments on the appropriateness and the feasibility of the proposal included in this Consultation Paper. Respondents are kindly requested to indicate clearly the paragraphs to which their comments are referred. The reasoning behind the comments is also welcome.

70. Comments should be made in English and should be submitted by 16 September 2010 to CP04rev2@cebs.org. Unless respondents request otherwise, comments received will be published on the CEBS website.

Annex 1: Impact Assessment - Assessment of likely costs and benefits

71. This section focuses on how achieving the policy objective would alleviate/eliminate the problem and the likely costs and benefits the policy changes will produce.

72. Uniform format and implementation:

a. How would this policy help to solve the problem?

Uniform reporting means that all institutions will report the same range of information. The differences in the reporting templates of the Member States resulting from the flexibility which is currently inherent in the COREP guidelines, due to the core and detailed information within the guidelines as well as the absence of a fixed maximum, will disappear. All Member States will have to implement the same reporting templates.

Refining references and data definitions, as well as providing reporting examples and validation rules, should result in a more uniform information content in the templates. This should reduce the reporting burden by facilitating the development of uniform XBRL taxonomies and common dictionaries of terms that can be used in the institutions' databases.

On the other hand, the degree of administrative burden depends not only on a uniform COREP, but first and foremost, on the harmonisation of supervisory practices and the transposition of both Directive 2006/48/EC and Directive 2008/49/EC.

b. What are the main benefits to regulators, institutions and the market?

i. Consider whether the benefits are likely to be material or not, and explain why.

Regulators will benefit from a uniform reporting format as it will ensure reliability and formal comparability of data and ease information-sharing across Member States, which may ultimately help the decision-making process. Furthermore regulatory disclosure to international institutions (e.g. ECB, CEBS) will be simplified, because a uniform reporting format will eliminate inaccuracies which result from different levels of implementation.

Uniform implementation of the templates will also enhance the reporting quality and reduce the number of reporting mistakes. Consequently the numbers of corrections should be positively impacted as well. Both regulators and institutions will gain in time.

Institutions will benefit from a uniform reporting format since it will contribute to the objective of reducing the administrative burden. The benefit of a uniform reporting format is especially material for multinational financial institutions since it will enable them to implement a fully consistent reporting procedure for the whole group. On-going

reporting costs resulting from changes to the COREP guidelines will be minimised as those changes, if any, will be uniform across Member States.

On the other hand, the benefit for institutions which operate mainly in a national market is lower and largely depends on the extent of the information requirements applicable to them.

A uniform reporting format will contribute to the European Commission's objective to further develop an integrated and efficient Single Financial Market with more transparent and efficient supervision. A level playing field is created for multinational financial institutions as well as for domestic institutions because the required reporting format is uniform across Member States.

c. What are the main costs to regulators, institutions and the market?

- i. Consider whether the costs are likely to be material or not, and explain why.

Any changes to the current reporting framework will cause implementation costs which will depend on the current level of implementation and the flexibility of the reporting systems in use.

From a supervisory point of view, costs depend on the staff involved in the design process, costs of legal implementation and costs concerning changes to the infrastructure. Costs of legal implementation are not likely to be material, whereas infrastructure costs may be costly (possible changes to regulatory software, data bases).

In addition, if all the extensions to the guidelines that countries may have made in order to meet national regulatory requirements were to be deleted, there may be additional and important costs for regulators and supervisors as a consequence of being unable to ask on a regular basis for certain information needed to assess the fulfilment of such country-specific rules. Accordingly, insofar as the CRD does not prohibit the existence of certain country specific rules, it should be understood that:

- the reporting framework must be uniform incorporating all "country specific items"; and
- national implementation of COREP can exclude those "country specific items" that are not applicable.

The level of the implementation costs for the institutions will depend on the extent of the changes (in terms of the range of information) between the current national implementation and the future European implementation. The closer the two versions are, the smaller the implementation costs will be for the institutions.

The operating costs for the multinational financial institutions should diminish as a uniform database can be used for reporting in multiple

countries as fewer manual interventions are likely to be needed. The positive impact on institutions operating only in a national market is smaller and depends on the current extent of reporting. The positive impact of uniform definitions applies to all banks.

In conclusion, the movement of the current COREP framework towards a uniform reporting format should decrease operating costs for both regulators and cross border active financial institutions. The cost impact on institutions operating only in a national market is smaller and depends on the current extent of reporting.

- ii. Consider whether the costs are likely to be distributed differently by firm type, firm size or by country.

The costs are distributed differently by country and the impact depends on the current implementation of COREP. Since COREP was implemented in its full version in only a few countries the impact is expected to differ significantly.

Uniform reporting means that all institutions regardless their type and size will report the same range of information. The information to be reported will depend on the nature, scale and complexity of the institutions' activities which is reflected in its approach to calculating capital requirements (e.g. for credit risk - institutions that apply the IRB approaches will report a different set of templates to institutions applying the SA approach).

- d. What is the net impact of the policy - is there a clear CBA case for/against the policy? (i.e. clear evidence of benefits materially greater than costs.)

The net impact will depend on the number of changes in the country-specific implementation for both regulators and institutions.

The net impact on regulators mainly consists of enhanced data reliability/quality and comparability for cross-border analyses.

The net impact on institutions differs depending on whether it is a multinational financial institution or a domestic institution. A net benefit certainly results for multinational institutions; the result for domestic institutions will depend on the change to current COREP implementation.

In total there is a clear CBA case for implementing this policy.

73. Proportionate reporting depending on approach (SA, IRB, IRBA, BIA, TSA, AMA):

- a. How would this policy help to solve the problem?

The requirement of proportionality established for reporting purposes in Article 74 (*"The reporting formats shall be proportionate to the nature, scale and complexity of the credit institutions' activities"*) is a basic

principle of Directive 2006/48/EC and Directive 2006/49/EC, and, therefore, it was already taken into account in the current COREP guidelines. The proportionate reporting referred to in this section is related to the so-called first level of proportionality stemming from the approaches applied by the institutions to calculate capital requirements.

- b. What are the main benefits to regulators, institutions and the market?
 - i. Consider whether the benefits are likely to be material or not, and explain why.

Proportionate reporting as referred to in point a, guarantees that regulators receive information which is material for adequate regulation and supervision. In principle, the more advanced the approaches used by institutions, the more detailed and advanced is the information that regulators need.

The main benefit for institutions is that they are not forced to provide information that is not relevant to their nature and complexity of activities.

- c. What are the main costs to regulators, institutions and the market?
 - i. Consider whether the costs are likely to be material or not, and explain why.
 - ii. Consider whether the costs are likely to be distributed differently by firm type, firm size or by country.

The distribution of costs will not be different by country as the reporting will be uniform.

As for size, the decision to use more advanced approaches may not necessarily depend on it.

In any case, if an institution decides to change its approach to calculating the capital requirements for a particular risk it must have sophisticated and efficient risk management tools as part of the models approved by the supervisors. It is unlikely that the necessary investment to meet the new reporting requirements will be material, at least in comparison with all the other investment costs that would be implied by a such decision.

- d. What is the net impact of the policy - is there a clear CBA case for/against the policy? (i.e. clear evidence of benefits materially greater than costs.)

Proportionate reporting as referred to in point a does not produce additional benefits or costs for either institutions or regulators compared to the requirements which are contained in the current COREP guidelines, since the current COREP guidelines already reflect the principle of proportionality.

If an institution decided to change its approach to calculating capital requirements there would be a positive net impact for both regulators and institutions.

74. Proportionate reporting depending on thresholds:

- a. How would this policy help to solve the problem?

Thresholds that trigger reporting requirements based on the relevance of the risk area will ensure that banks only have to report on certain COREP templates when their exposures are relevant from a supervisors' point of view or will be subject to a lower frequency of reporting.

- b. What are the main benefits to regulators, institutions and the market?

- i. Consider whether the benefits are likely to be material or not, and explain why.

The main benefit for institutions is that they are not forced to provide information that is not relevant to their nature and scope of activities or will be subject to a lower reporting frequency. Institutions will see a reduction in their reporting burden due to the reduced reporting frequency. The lower reporting frequency has a positive impact on recurrent costs but not on implementation costs (the changes to internal reporting systems).

- c. What are the main costs to regulators, institutions and the market?

- i. Consider whether the costs are likely to be material or not, and explain why.
- ii. Consider whether the costs are likely to be distributed differently by firm type, firm size or by country.

Migration into or out of the "threshold reporting" would lead to confusion for supervisors and create an additional burden in analysing institutions' risk profiles and for the assessment of the banking sector unless a clear procedure for migration is provided. In order to reduce the reporting burden for entities, it is necessary to ensure that their position above or below the threshold is not temporary and that they know their reporting requirements in advance.

On the other hand this principle could limit the on-going reporting costs by requiring the submission of certain information on a less frequent basis.

What is the net impact of the policy - is there a clear CBA case for/against the policy? (i.e. clear evidence of benefits materially greater than costs.)

Thresholds based on the relevance of institutions' activities in terms of relative risk exposures are likely to increase the complexity for

supervisors while reducing the reporting burden for institutions. In total, no clear CBA case for/against introducing this policy can be identified.

75. Uniform reporting frequency for each individual template:

- a. How would this policy help to solve the problem?

Uniform reporting frequencies at the level of individual templates can still allow some templates to be collected less frequently than others. Furthermore, it ensures more appropriate and tailored analysis.

- b. What are the main benefits to regulators, institutions and the market?

- i. Consider whether the benefits are likely to be material or not, and explain why.

The COREP framework is a tool to assess the risks held by an institution and reflect the calculation of the capital adequacy ratio. In principle, all templates that materially affect such calculations should be sent to supervisors with the same frequency (on individual or consolidated basis). On the other hand, qualitative and complementary/detailed information may be required less frequently.

This is material because it would increase the comparability and ease the exchange of data between Member States and would reduce information asymmetries and improve the quality of supervisory decisions.

Uniform reporting formats coupled with uniform remittance dates gives clear benefits to multinational financial institutions as they can follow a top-down approach when calculating their capital adequacy ratio.

A lesser frequency decreases recurrent costs but not the implementation costs.

- c. What are the main costs to regulators, institutions and the market?

- i. Consider whether the costs are likely to be material or not, and explain why.
- ii. Consider whether the costs are likely to be distributed differently by firm type, firm size or by country.

For regulators, more frequent reporting will require more staff to assess the data. Moreover, IT costs may increase as more resources would need to be provided.

Material costs to the market could occur if institutions did not report in a timely manner, as regulators need to get the relevant information as soon as possible in order to take timely measures.

For institutions, the deviation from the current standard national way of reporting in terms of frequency and remittance dates may imply costs which may sometimes be difficult to justify.

- d. What is the net impact of the policy - is there a clear CBA case for/against the policy? (i.e. clear evidence of benefits materially greater than costs.)

The net benefit is very difficult to assess as the impact is not equally distributed amongst supervisors and amongst institutions. For some stakeholders the impact seems to be materially positive and for others negative.

76. Development of XBRL taxonomy and harmonisation of IT standards

- a. How would this policy help to solve the problem?

A XBRL Taxonomy based on a unified set of data will be the solution for reinforcing the harmonization effects of the COREP described in point 1. The XBRL Taxonomy acts as a kind of dictionary of prudential terms providing a common IT solution for data definitions and calculation methods harmonized within all European Union supervised institutions. Definition of all mathematical relationships within data sets will be included in the formula linkbase of the XBRL taxonomy, ensuring that no divergence in calculating synthetic capital adequacy data can occur. The reference linkbase of the XBRL Taxonomy will contain all significant references to the European Union law and comments. It should help to produce a better understanding of the legal background to the prudential reporting data and make data analysis much easier for both the institutions and regulators. Development of the common XBRL Taxonomy should decrease the reporting burden for institutions and supervisors.

- b. What are the main benefits to regulators, institutions and the market?

- i. Consider whether the benefits are likely to be material or not, and explain why.

Benefits from the development of a single unified COREP taxonomy will be material and rational. The expensive and time-consuming process of national adaptation of the XBRL Taxonomy due to national discretions will not be needed anymore (as it used to be in the case of the present XBRL COREP Taxonomy). A unified Taxonomy without national versions will allow software vendors to work out a universal methodology for its implementation. Universal implementation solutions available for all EU countries should provide much lower Taxonomy implementation costs (with economy of scale a universal "mass" product will be always be cheaper than tailor-made ones for each country). On the other hand a universal implementation methodology and the possibility of buying a unified product should lower costs for the supervised institutions. A single unified COREP taxonomy should also allow for a single implementation solution of data transposition from data warehouses within a banking group with subsidiaries in each and every EU country

(under the present COREP taxonomy due to national discretions this is impossible and causes much effort for cross-border banking groups to fit data from their data warehouse into several different taxonomies). Defining a complete reference linkbase should lower costs connected with legal interpretation problems, with the possibility of centralizing this process in one unit responsible for controlling the compliance of data with the CRD for the whole banking group. According to an impact assessment performed by a consortium of consultancy firms at the request of the EU Commission,¹³ the possible reduction in the reporting burden in countries that already make use of XBRL is 20 %, whereas the potential reduction is 35 % in countries where XBRL is not yet used.

- c. What are the main costs for regulators, institutions and the market?
- i. Consider whether the costs are likely to be material or not, and explain why.
 - ii. Consider whether the costs are likely to be distributed differently by firm type, firm size or by country.

Costs arising from the development of the COREP XBRL Taxonomy will be borne by the CEBS¹⁴. These costs should not be higher than those connected with the present version so no additional costs are likely to be incurred because of this policy.

Implementation costs are expected to differ significantly across countries, regulators and institutions depending on the current IT systems used for reporting.

- d. What is the net impact of the policy - is there a clear CBA case for/against the policy? (i.e. clear evidence of benefits materially greater than costs.)

A clear CBA case can be identified for this policy proposal. The harmonisation of the data formats fosters the market for IT reporting solutions which reduces the administrative burden on the financial

¹³ EU project on baseline measurement and reduction of administrative costs regarding the recommendation on the Financial Services Priority Area "Harmonise the use of XBRL for prudential reporting", 31st March 2009

¹⁴ IT harmonization and XBRL Taxonomy developments have been carried out since 2005 by CEBS experts in collaboration with the non-for-profit association XBRL Europe and volunteer experts, in the *Eurofiling* joint venture. The modest sum required for supplies is granted in full by the European Commission. XBRL is in growing use in BE, DE, DK, EE, EI, ES, FI, FR, IT, LT, NL, PL, RO, SE & UK, usually for IFRS, GAAP and Supervision. The goal is to achieve significant reduction of costs and risks for institutions and regulators, by using a data format based on an open financial business reporting standard relying on XML, thus allowing automated data collection at the institutions and automated data processing by the regulators by means of standardized reporting software. A full set of tools is available from many different providers, small and large, European and International, open source and proprietary, including Supervisors providing appropriate data entry, converters, web forms and different solutions. Full details are available at www.eurofiling.info, www.xbrl.eu and from national stakeholders.

institutions and enables the disclosure of financial information for both supervisory and non-supervisory purposes. The common data formats enhance the comparability of data collected for effective analysis of the institutions.