REALKREDITRÅDET

FINANSRÅDET

DANISH BANKERS ASSOCIATION

CEBS CP04

29. april 2005

Finansrådets Hus
Amaliegade 7
DK-1256 Copenhagen K

Phone +45 3370 1000
Fax +45 3393 0260

mail@finansraadet.dk
www.finansraadet.dk

File no. 413/10
Doc. no. 123361-v3

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

The Association of Danish Mortgage Banks and the Danish Bankers Association welcomes the initiative by CEBS to harmonize the reporting framework around the solvency ratio.

In principle a common reporting framework has the potential to reduce administrative burdens for cross boarder banks and the new solvency regime is a unique opportunity to reach this objective.

The framework as set out in the consultation paper however is too far-reaching and needs to be revised in a number of ways. Also more work can be done to define what data goes into the different rows and columns in the different templates.

Current practice in some countries is, that IFRS reporting entities has to convert the financial reporting figures to local GAAP when reporting to the supervisory authority on the financial figures and on the solvency ratio. To minimize the administrative burden on financial institutions in the future, it is important, that the accounting rules used for public financial reporting purposes can also be used when reporting on the solvency ratio - taken the necessary prudential filters into consideration. We would like CEBS to make this point clear.

Further, it is a high priority that smaller banks are not unduly burdened by implementation cost due to the proposed reporting regime. A cost benefit analysis of the effect on smaller banks would be desirable.

We concur with the detailed comment letter from the European Banking Federation to the consultation paper and would like to draw specific attention to the following items.

Scope of reporting requirements

The amount of information required under the common framework is far too extensive and should focus exclusively on information deemed necessarily by all supervisors. If national differences in reporting requirements are needed they should be clearly motivated by the supervisor as having a supervisory purpose.

The scope should be restricted to Pillar 1 requirements. The Pillar 2 process is a combination of an internal process in the financial institution and the supervisory review and cannot be adequately captured by standardized reporting requirements. Standardized information risk giving a false picture of the financial institution. A dialogue between the financial institution and the supervisor much better captures Pillar 2. This includes the Pillar 2 information in the CA template and also the information required in the OTH 1 IND and OTH 2 SECT templates.

File no. 413/10
Doc. no. 123361-v3

Specific comments to the templates

CA:

As mentioned above, the Pillar 2 reporting requirements should be removed.

CA IAS:

We see little need for the detailed information in this template. The net result of the IAS related prudential filters for each impact category could be provided directly in the CA template.

SA + IRB:

For institutions using the standardized approach guidance on the treatment of collective provisions under IAS 39 when calculating the exposure value should be added. We would welcome if CEBS would set out such common rules.

For institutions using the IRB approach guidance on how to distribute collective provisions under IAS 39 to the different obligor grades would be necessary.

The breakdown of total exposures into exposure types increases the information requirements significantly and could be an example of information that could be given to the supervisory authority only when it serves a specific supervisory purpose.

Especially for institutions using the standardized approach reporting on the number of obligors seems of little value, but the information could always be shared with supervisors during inspections etc.

Market risk:

We believe commenting on the market risk templates should await the final outcome of the current trading book review.

Yours sincerely

Mette Saabye Pedersen
The Association of Danish Mortgage Banks

Carsten Skelde
Danish Bankers Association