BARCLAYS

1 Churchill Place
Canary Wharf
London
E14 5HP
United Kingdom

3 September 2014

EBA
Tower 42 (level 18)
25 Old Broad Street
London
EC2N 1HQ

Dear Sir/Madam,

EBA/CP/2014/09

Thank you for giving Barclays the opportunity to respond to EBA/CP/2014/09, "*Consultation Paper on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) 575/2013*". We welcome this initiative; it will be helpful to share a common understanding of the processes and criteria to be considered to determine whether information is material, proprietary, or confidential, and whether it should be disclosed more frequently than annually.

Overall, we agree with the ideas expressed under Title II. Our Disclosure Committee already follows a similar process. The Committee comprises the Group Finance Director (Chairman), Deputy Finance Director, Chief Risk Officer, Head of Investor Relations, Head of Corporate Relations, Group General Counsel, Company Secretary and Group Treasurer. Barclays' Senior Statutory Auditor also attends most Committee meetings. The primary purpose of the Committee is to consider the content and accuracy of Barclays' external financial reports and other significant investor communications prior to publication. In doing so, it considers the materiality of information and determines disclosure obligations on a timely basis. The Committee also evaluates any material developments to determine the appropriateness and timing of any public release of information relating to such developments.

We have some concerns around some of the suggestions on content, as well as on the rationale behind the proposed increased frequency of reporting, which we outline in the answers set out as an annex to this letter. As you point out, banks have voluntarily increased the frequency of certain disclosures. We identify disclosures that are relevant to market discipline and ensure they are understandable.

We spend a considerable amount of time with investors and analysts discussing the appropriateness and validity of our disclosures. We do note that the EBA reached out to this community in the past; however, the small number of public responses makes it difficult to draw firm conclusions. We believe what we hear from our stakeholders is reliable, and we are satisfied that we cater to their requirements. We would recommend that the EBA should take current disclosures by banks to be a good indication of what the investor and analyst community requires.

If you have any questions on the content of this response please do not hesitate to contact Mathieu Veillette (mathieu.veillette@barclays.com).

Yours faithfully,

Meen Adams
Barclays Chief Accountant
Direct line +44 (0) 203 134 3101
meen.adams@barclays.com

Annex – Answers to questions raised in the consultation paper

Q1) Do you agree that the use of the disclosure waivers and the assessment of the need for more frequent disclosures should be framed – for the purpose of Article 431 CRR - within a dedicated process? If not, please state why

We already follow a dedicated process to frame these decisions. While minimal guidance on policy contents will support the clarity of our discussions with regulators, we would encourage the EBA to respect institutions' autonomy in adapting them to their needs.

The process, as outlined, would be onerous. Assessing all potential disclosures for materiality, or whether it is proprietary or confidential, could require producing them to an acceptable standard of precision outside of the disclosure process. This is because given the overriding primary concern that financial information must be timely to be relevant, we must publish as soon as possible and therefore there is not enough time to conduct these assessments as part of the publication process. Accordingly we would ask that some flexibility be built around the implementation of these standards. A pragmatic approach to implementation would be to assess previous year's disclosures and consider how the bank's position has changed, and agree on the current year disclosures based on this analysis. This approach would necessitate some flexibility on the part of supervisors in the first years of implementation while this process matures.

Q2) Do you agree with the features of this process? If not, which ones would you exclude/include?

We support the majority of these features. The one exception is mandatory involvement of Internal Audit ("IA") as a matter of course. Routine reviews of a regular process are not compatible with the "third line of defence" responsibilities of IA; such processes are conformance reviews best conducted by the risk owners. There are more material risks for IA to focus on, and they should have the latitude to independently assess where audits are warranted. Systematically calling on IA to perform supervisory duties can impede their ability to identify emerging threats. Given well established governance arrangements around policies, the seniority of our Disclosure Committee, and the ability of supervisors to query how the policy was applied, the residual risk should be small enough to involve IA in cases of major breaches only.

Q3) Should the guidelines be developed more on what is expected from institutions when an item of information is assessed as material?

We understand that there are no guidelines related to this in the paper. We assume that banks are expected to disclose material elements as per the regulations, and possibly go beyond these requirements if the risk profile of the institution and the needs of users warrant it. If this is correct we suggest stating this in the final guidelines.

Q4) Do you agree with the principles and indicators to be considered in the assessment of materiality? Which additional principles or indicators, if any, would you like to see considered?

The requirements are not too prescriptive, which we welcome. There some risk, however, that such high-level requirements will drive "clutter", as the perceived risk of falling short of regulatory expectations increases with lack of clarity.

Q5) Do you agree with the elements to be considered in the assessment of confidentiality or proprietary? Which additional element, if any, would you like to see considered?

We have concerns around paragraph 16, which allows the omission of the names of counterparties under certain circumstances. By implication and as alluded to in 16(b), this suggests that counterparty names should be disclosed in some cases. This would be unprecedented and we believe this is excessive. While we recognise that the example is meant to be helpful, we would suggest removing any references to counterparty names to remove any ambiguity.
Also, it is impractical and onerous to conduct legal analysis to determine whether information is confidential. In the example above, it is clear that counterparty names are confidential as loans result from private contracts. It would be better for banks to disclose when a requested piece of information is confidential; regulators and investors should decide whether such determinations are unreasonable.

Q6) Do you agree with the indicators in paragraphs 18 that should lead institutions to assess their need to disclose information more frequently? If not, which alternative indicators would you suggest?

When determining the frequency of disclosures we consider the cost of producing the information in relation to the benefit to our investors we first ask ourselves whether the information is potentially price-sensitive. In our experience there is no reason to believe that information that does not attract scrutiny when disclosed annually will become relevant when disclosed more frequently. Our frequent interactions with investors suggest that the market does not have the appetite or capacity to absorb frequent, detailed technical information at a quarterly frequency. This is more likely to be of use to regulators, but direct prudential reporting arrangements are already in place for this purpose.

The indicators in paragraph 18 are relevant to determining whether an institution is systematically important. As such we believe they are more relevant to reporting requirements to regulators as distinct from external disclosures to investors.

Market discipline via external disclosures by institutions can only operate when investors believe the disclosures are relevant to the value of their investment. This is because market discipline occurs where prices react to information. Hence, the criteria to be assessed should relate to relevance to investors, and not the elements listed in paragraph 18. We believe that the materiality criteria, taking into account our response to question 4, would be more relevant.
If the criteria in paragraph 18 are meant to exclude smaller institutions so that they do not face onerous costs given their size, we would caution that smaller banks may be more important in specific markets compared with institutions that may be larger overall, but with a limited presence in such markets. These criteria therefore appear to be blunt and may not be effective in promoting market stability by promoting macro prudential oversight. Arrangements for reporting such information to regulators are already in place.

Q7) Do you agree that transparency should be provided on the implementation of the process and on the use of the waivers when this use leads to the non-disclosure of information required by Regulation (EU) 575/2013? If not, why?

We understand that regulators would want to ensure processes are in place, and we are ready to share the results of our internal disclosures processes with them. However we do not believe that it would be necessary to go into much detail in external reports. This would add to clutter; discussion of exclusions is not relevant to investors and would not address the concerns we hear from them. It would be more useful to state than an exposure is negligible in a relevant location within the report.

We would encourage the EBA to adopt a similar approach to that prescribed by IFRS; only material information must be disclosed and banks are not expected to "prove" immateriality in external disclosures. This would lead to clutter, which is widely recognised as a problem.

Q8) Do you agree that information listed in paragraph 19 should be provided in case disclosures are omitted due to immateriality reasons? If not, why? Do you agree that the provision of this information allows for an optimal degree of transparency regarding the use of the materiality waiver? If not, what additional information should be provided?

Please see answer to Question 7. We believe it would be more appropriate to simply state that the exposure is not material, and if applicable provide a range or indication of the scale (for instance, "*less than 0.1% of total exposure*").

Q9) What other techniques, if any, would you use to allow for the disclosure of meaningful information despite concerns about confidentiality or proprietary?

This is highly dependent on the nature of the information in question. We do not anticipate making extensive use of these waivers, but please note our answer to question 5.

Q10) Do you agree with the list of information that institutions should assess whether to disclose them more frequently than annually? If not, what information would you include in or exclude from this list?

While it may appear more realistic to expect standardised quantitative disclosures to be published more frequently, we would reiterate that disclosures should be market driven. Experience tells us that merely increasing the detail or frequency of disclosures does not generate more interest. In particular, in the case of detailed disclosures that generate limited interest from stakeholders (as measured by the number of queries to our investor relations department, for instance) a statement that the risk position has not changed materially from the year-end position should be sufficient.

Q11) Do you agree with the suggested frequency of disclosure for the different institutions meeting the different indicators specified in paragraph 18? If not, which alternative frequency would you suggest?

As stated under question 10, we do not believe that the criteria are relevant to frequency. Investor demand should take precedence in determining contents. We already disclose information that we believe satisfy these criteria on a quarterly basis.

Q12) Do you agree with the proposed implementation date? If not, which alternative date would you suggest?

In the case of disclosures, it is more helpful and less ambiguous to refer to the disclosure cycle. We believe an appropriate implementation date would be in respect of disclosures relating to year-end 2015, and for subsequent quarterly disclosures as appropriate. Assuming that industry feedback will be reflected in the final standards, the proposed date of 1/1/2015 would not leave time to implement these processes, given that the EBA is only prepared to provide the final standards a day earlier. Given all other commitments, banks do not have the resources to implement processes to comply with draft standards that may subsequently change.