

**EBA Consultation Paper**  
**on**  
**Draft Implementing Technical Standards**  
**on**  
**Supervisory reporting requirements for institutions**  
**(CP 50)**

**London, 20 December 2011**

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## **I. Responding to this Consultation**

EBA invites comments on all matters in this paper and in particular on the specific questions summarised in Section V/c.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices EBA should consider.

Please send your comments to the EBA by e-mail to [CP50@eba.europa.eu](mailto:CP50@eba.europa.eu) by 20.03.2012, indicating the reference 'EBA CP 50' on the subject field. Please note that comments submitted after the deadline, or sent to another e-mail address will not be processed.

### **Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please indicate clearly and prominently in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an e-mail message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

### **Data protection**

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## II. Executive Summary

The CRD IV proposals<sup>1</sup> (and more in particular, the so-called Capital Requirements Regulation - henceforth 'CRR') set out prudential requirements for institutions which are expected to be applicable as of 1.1.2013.

The CRR contains in a number of Articles specific mandates for the EBA to develop draft Implementing Technical Standards (henceforth 'ITS') related to supervisory reporting requirements.

These ITS will be part of the single rulebook enhancing regulatory harmonisation in Europe with the particular aim of specifying uniform formats, frequencies and dates of prudential reporting as well as IT solutions to be applied by credit institutions and investment firms in Europe.

This consultation paper puts forward a draft ITS related to Articles 95 (own funds and financial information) and 96 (losses stemming from lending collateralised by immovable property) of the CRR.

Please note that EBA has developed this draft ITS based on the proposed legislative texts for the CRR, for reasons of efficiency and speediness (as explained further in section III below). To the extent that the text potentially changes as a result of ongoing negotiations among EU institutions, EBA will adapt its draft ITS accordingly to reflect any developments.

### **Main features of this ITS**

The scope and level of application of this ITS follows the scope and level of application of the CRR. However, in relation to financial information, the consultation is currently limited to the requirements to be submitted by credit institutions on a consolidated basis only. The background and rationale for this exception are further explained in section III below.

Uniform reporting requirements are necessary to ensure fair conditions of competition between comparable groups of credit institutions and investment firms and will lead to more efficiency for institutions and more convergence of supervisory practices.

The ITS has been developed on the basis of the COREP and FINREP guidelines, given that these have been implemented already in various Members States and have been proved in practice to improve convergence in the field of supervisory reporting.

Given that there is not as yet harmonisation on the underlying accounting frameworks applied in the various Member States, the ITS has taken this into account when defining the formats and frequency of supervisory reporting. The ITS does not intend to harmonise the underlying valuation measures.

As the ITS will apply to all institutions subject to supervision under CRR, subject to the above mentioned restriction for financial information, reporting requirements have been developed taking into account the nature, scale and complexity of institutions' activities. Proportionality is an integral part of the ITS with certain reporting requirements being applicable only to institutions using complex approaches to measure own funds requirements or to institutions that have significant risk exposures.

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<sup>1</sup> Proposal for a Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms', published on 20<sup>th</sup> July 2011

### **Timing of ITS development and application date**

According to the European Commission (henceforth 'EC') proposals, institutions are envisaged to be required to comply with new CRR requirements as of 1.1.2013. Competent authorities will have to check institutions' compliance with new CRR requirements as of the CRR application date. Therefore, the first regular reporting period thereafter is expected to be Q1 2013 with the first reporting reference date being 31.3.2013.

In order to provide for a sufficiently long implementation period the EBA intends to finalise the draft ITS and submit it to the Commission by 30.06.2012 – 9 months ahead of the first reporting reference date. The proposed submission date assumes that a final CRR will be available beforehand.

Institutions will have to submit a first set of data related to the reference date of 31.3.2013 to national authorities by 13 May 2013.

It is important to keep in mind that dates of the CRR might change which will impact the above dates related to the ITS timeline. In any case, EBA will adapt its draft ITS according to the final version of the CRR text before submitting it to the EC for adoption.

### **III. Background and rationale**

#### **Draft ITS on supervisory reporting and the CRR proposals**

The so-called Omnibus Directive<sup>2</sup> amended the directives that are collectively known as Capital Requirements Directive (CRD)<sup>3</sup> in a number of ways, one of which was by establishing areas where the EBA is mandated to develop draft technical standards. Thus, among others it provided, in Article 74(2) of the CRD, that EBA will develop implementing technical standards (ITS) on supervisory reporting.

In the meantime, on July 20<sup>th</sup> 2011, the European Commission (EC) issued its legislative proposals on a revision of the CRD which seeks to apply the Basel III framework in the EU. These proposals have recast the contents of the CRD into a revised CRD and a new CRR - which are colloquially referred to as the CRR proposals. These are currently being debated by the EU legislators (Council and European Parliament) in the framework of the co-decision procedure.

In anticipation of the finalisation of the legislative texts for the CRR, the EBA has developed the draft ITS in accordance with the mandate contained in Article 95 (2) and Article 96 (3) lit a) of the EC's draft CRR. Article 95 of CRR would replace Article 74 of the current CRD.

This approach, to draft the ITS on supervisory reporting on the basis of what is expected to be the text of the CRR, was deemed a more efficient way forward, as it will allow uniform reporting requirements to be based on the new own funds requirements (contained in the CRR proposals), subject to the specific provisions regarding financial information, set down below. This is a preferred option as it avoids the additional implementation costs that would arise if uniform reporting requirements were in place before the application of CRR. In any case, the EBA will adapt its draft ITS according to the final version of the CRR text before submitting them to the EC for adoption.

#### **The nature of ITS under EU law**

These draft ITS are produced in accordance with Article 15 of EBA regulation<sup>4</sup>. According to Article 15(4) of EBA regulation, they shall be adopted by means of regulations or decisions.

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<sup>2</sup> Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority)

<sup>3</sup> Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions.

<sup>4</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

According to EU law, EU regulations are binding in their entirety and directly applicable in all Member States. This means that, on the date of their entry into force, they become part of the national law of the Member States and that their implementation into national law is not only unnecessary but also prohibited by EU law, except in so far as this is expressly required by them.

Shaping these rules in the form of a Regulation would ensure a level-playing field by preventing diverging national requirements and would ease the cross-border provision of services since each time an institution wishes to take up operations in another Member State it currently has to assess a different set of rules.

### **Background and regulatory approach followed in the draft ITS**

Originally there were different supervisory reporting frameworks in the various Member States. As this led to inefficient outcomes and increased costs for cross-border firms, national supervisory authorities, in the context of their co-operation within CEBS, the predecessor of EBA developed guidelines regarding supervisory reporting requirements.

In January 2006, the CEBS issued Guidelines on a common reporting framework (COREP) to be used by institutions when they periodically report their capital requirements to supervisory authorities under Directives 2006/48/EC and 2006/49/EC. The Committee issued several recast versions of COREP incorporating amendments stemming from changes in the recast Directives 2006/48/EC and 2006/49/EC (CRD). The latest version of COREP was published in April 2011 on EBA's website.

In December 2005, the CEBS issued Guidelines on a financial reporting framework (FINREP) for credit institutions designed for credit institutions that use IAS/IFRS for their published financial statements. The latest version of FINREP was published in December 2009 on CEBS' website.

In the context of the single European rulebook the harmonisation of supervisory reporting requirements is taking the next step and the CRR proposal requests EBA to develop ITS on supervisory reporting to cover both prudential and financial information, the latter to the extent necessary to obtain a comprehensive view of the risk profile of an institution's activities. With that in mind, the present ITS has been developed on the basis of the COREP and FINREP guidelines, given that these have been implemented already in various Member States and have been proved in practice to improve convergence in the field of supervisory reporting.

Given that there is not as yet harmonisation on the underlying accounting frameworks applied in the various Member States, the ITS has taken this into account when defining the formats and frequency of supervisory reporting. The ITS does not intend to harmonise the underlying valuation measures.

As the ITS will apply to all institutions subject to supervision under CRR, subject to the specific provisions regarding financial information, set down below, reporting requirements have been developed taking into account the nature, scale and complexity of institutions' activities. Proportionality is an integral part of the ITS with certain reporting requirements being triggered by the use of complex approaches to measure institutions' risk, the business model of institutions or a risk based assessment of institutions' activities done by competent authorities. Also, specific reporting requirements of the ITS are triggered by quantitative thresholds with the objective to reduce administrative burden for institutions with insignificant activities while still capturing significant exposures.

## **Level of application of financial information**

The EBA acknowledges that the scope and level of application of the ITS follows the scope and level of application of the CRR, i.e. it applies to all credit institutions and investment firms, regardless if they are subject to consolidated reporting or not (as stand-alone entities), to ensure complete coverage of the entire banking system. However, the requirements regarding financial information as put forward in this consultation paper are limited to credit institutions and only apply only on a consolidated basis. These requirements apply to credit institutions disregarding the accounting framework (i.e. both IFRS and non-IFRS institutions are covered).

The development of requirements regarding financial information on an individual basis will need more time in order to overcome challenges stemming from the application of different underlying accounting standards and issues linked to the reconciliation with statistical, monetary and fiscal reporting requirements. The EBA will continue working on developing these uniform requirements taking into account the final provisions of Article 95 of CRR as approved by the Council and the European Parliament.

If the final CRR provisions confirm that the scope and level of application defined in the CRR needs to be followed by the ITS also in relation to financial information (i.e. that all credit institutions and investment firms in the EU need to submit financial information on an individual level), the EBA will launch a second consultation regarding reporting of financial information on an individual level and on reporting of financial information by investment firms. The information content of that second potential consultation is expected to be based to a large extent on the templates proposed in this consultation package and to be applied in a proportionate manner (i.e. fewer reporting templates than for reporting on a consolidated level). Depending on the timing of its finalisation, the application date regarding financial information on an individual level may be later than for the requirements laid down in this ITS.



## **IV. Draft Implementing Technical Standards on Supervisory reporting requirements for institutions**

In between the text of the draft ITS that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, and/or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

Structure of the draft ITS  
CHAPTER 1 Subject matter, Scope and Definitions  
CHAPTER 2 Reporting reference and remittance dates  
CHAPTER 3 Format and frequency of reporting on own funds requirements and financial information  
    Section 1 Format and frequency of reporting on own funds requirements  
    Section 2 Format and frequency of reporting on financial information  
CHAPTER 4 Format and frequency of reporting on losses stemming from lending collateralised by immovable property according to Article 96 CRR  
CHAPTER 5 Format and frequency of reporting on large exposures  
CHAPTER 6 IT solutions for the submission of data from institutions to competent authorities  
CHAPTER 7 Final provisions

Annex I templates for reporting own funds requirements  
Annex II instructions for reporting own funds requirements  
Annex III templates for reporting financial information according to IFRS  
Annex IV templates for reporting financial information according to national accounting frameworks  
Annex V instructions for reporting financial information  
Annex VI templates for reporting losses stemming from lending collateralised by immovable property  
Annex VII instructions for reporting losses stemming from lending collateralised by immovable property

**Draft**

**Commission Implementing Regulation (EU) No XX/2012  
of XX Month 2012**

**laying down implementing technical standards with regard to supervisory reporting of institutions according to the (proposal for a) European Parliament and Council Regulation (EU) No [xx] of [date] on prudential requirements for credit institutions and investment firms**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the (Proposal for a) Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (hereinafter “CRR”) and in particular to Articles 95 (2), third subparagraph and 96 (3), third subparagraph thereof.

Whereas:

- (1) Current national reporting schemes were developed by national competent authorities taking into account the specific national legal requirements as well as the specificities of their local markets. Thus, reporting regimes differ in many ways. The increased cross-border activity within the Union undertaken by 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.
- (2) Compliance with regulatory requirements, proper risk assessment and micro- and macro-prudential analysis fundamentally contribute to safeguarding financial stability. A standardised reporting system facilitates efficient monitoring of compliance with regulatory requirements, helps to evaluate the risks to which these institutions are or might be exposed and serves to monitor developments within the financial services sector. The harmonization of reporting requirements also aims to improve the efficiency of banking supervision by providing comparable information and contributing to the efficiency of reporting procedures within institutions.
- (3) The development of uniform reporting standards was seen necessary in the context of a single rule book to ensure consistent harmonisation and uniform application in areas specified in the CRR. To reduce reporting burden and provided that the requirements of this regulation are fully met, it may be appropriate for competent authorities to incorporate the unified data requirements into a broader national reporting framework established under their responsibility and which serves other supervisory purposes.
- (4) The provisions in this regulation do not affect/restrict supervisory powers according to Article 64 (h) CRD.
- (5) Maximum harmonisation is limited to the scope and extent of information within this regulation. Hence, the provisions in this regulation do not restrict competent authorities to request institutions under their supervision to submit additional reports for purposes other than the one of this regulation (e.g. prudential reports for reasons other than own funds, reports for CRD pillar 2 purposes, statistical reports, credit registers).
- (6) The provisions of Regulation (EC) No 1606/2002 , which defines the IFRS endorsement process in the European Union and the situations when IFRS shall or may be applied, are directly applicable whereas Directive 86/635/ECC is subject to transposition into national accounting frameworks by Members States. In order to ensure that a comprehensive view of the risk profile of the institutions is obtained, competent authorities may need request additional information on the provisions derived from national transpositions of Directive 86/635/ECC.
- (7) The scope and level of application of this regulation follows the scope and level of application of the CRD/CRR. Equivalent requirements for credit institutions and investment firms are necessary to ensure similar safeguards for savers and fair conditions of competition between comparable groups of credit institutions and investment firms.

- (8) Following the principle of proportionality, the frequency and extent of information requirements towards institutions depend on the complexity of institutions' business models and the risk they pose to the financial system taking into account the identification and measurement of systemic risk.
- (9) In order to address existing differences in supervisory practices regarding the assessment of institutions and to avoid posing disproportionate reporting burden on institutions, competent authorities may exempt institutions from specific parts of the reporting requirements.
- (10) As from January 2011 the EBA is responsible for monitoring and assessing market developments and relevant micro-prudential trends, potential risks and vulnerabilities and must also provide all the necessary prudential and financial data to the ESRB to carry out its tasks. The EBA should set a reporting policy applicable to supervised institutions aimed both at having a minimum reporting data set used to perform its tasks and duties and reducing the reporting burden on the banking sector.
- (11) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Banking Authority - EBA) to the Commission.
- (12) EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, has analysed the potential related costs and benefits, in accordance with article 15 of Regulation (EU) No 1093/2010, and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010.

HAS ADOPTED THIS REGULATION:

## CHAPTER 1

### Subject matter, Scope and Definitions

#### Article 1

##### Subject matter and scope

1. This Regulation lays down uniform requirements that all institutions subject to the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (hereinafter “CRR”) must meet relating to the submission of supervisory data to competent authorities for the following areas:

- a) own funds requirements and financial information according to Art 95 of CRR;
- b) losses stemming from lending collateralised by immovable property according to Art 96 of CRR;
- c) large exposures according to Art 383 of CRR.

Explanatory text for consultation purposes

The templates and instructions for point c) on large exposures are not finalised yet and will be subject to a separate consultation which will be launched in the first quarter of 2012.

#### Article 2

##### Definitions

1. For the purpose of this Regulation, the definitions included in Article 4 of CRR shall apply.
2. For the purpose of this Regulation, the level of application according to Part 1, Title II of CRR shall apply.

Explanatory text for consultation purposes

The reporting shall be done on an individual basis and on a consolidated basis as defined in the CRD/CRR. Hence, this ITS takes into account any waivers granted by competent authorities in accordance with Article 6 of CRR. For financial information the reporting in this proposal includes only reporting on a consolidated level.

CRR scope of consolidation is required to verify calculation of own funds requirements and enhance analytical abilities in the combined use of own funds figures and financial figures.

For financial information the scope of consolidation shall therefore also follow the CRR scope

of consolidation. The scope of consolidation used for annual accounts and publication may differ for some institutions, because insurance companies and non-financial corporations are excluded from the CRR scope of consolidation.

1. How would you assess the cost impact of using only the CRR scope of consolidation for supervisory reporting of financial information?

2. Please specify cost implications if parts 1 and 2 of Annex III and of Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation.

3. In addition, the following definition of domestic exposure shall apply.

a) Domestic exposures shall be considered as exposures to counterparties located in the jurisdiction of the competent authority the institution submits data to.

4. For the purpose of this Regulation ‘International Financial Reporting Standards’ (“IFRS”) means International Accounting Standards as endorsed by the European Commission according to the procedure laid down in Article 3(1) of Regulation (EC) No 1606/2002.

## CHAPTER 2

### Reporting reference and remittance dates

#### Article 3

1. The reporting reference dates shall be:

- Quarterly reporting: 31 March, 30 June, 30 September and 31 December;
- Semi-annual reporting: 30 June and 31 December;
- Annual reporting: 31 December.

2. Information reported shall be as at the reference date set out in paragraph 1. Information submitted pursuant to the templates set out in Annex III and Annex IV and according to the instructions in Annex V of this regulation referring to a period shall be reported cumulatively from the first day of the accounting year to the reference date.

Explanatory text for consultation purposes

The proposal enables institutions to use the applicable accounting year for supervisory reporting purposes.

3. Financial information will also be used on a cross-border level and aggregated at European level, requiring adjustments to enable comparability. How would you assess the impact if the last sentence of Article 3(2) referred to the calendar year instead of the accounting year?

## Article 4

1. Reports shall be submitted by institutions to competent authorities by close of business on the following remittance dates at the latest:

- Quarterly reporting: 12 May, 11 August, 11 November and 11 February;
- Semi-annual reporting: 11 August and 11 February;
- Annual reporting: 11 February.

2. If the remittance day is a public holiday, Saturday or Sunday, reporting requirements shall be transmitted on the following working day.

3. The above remittance dates concern the submission of unaudited figures which are figures that have not been assessed by external auditors. Where applicable, audited figures implying changes in already reported data shall be submitted as soon as available. In addition, any errors in the submitted reports shall be corrected by the reporting institution by submitting the necessary revisions to the relevant competent authority as soon as possible.

Explanatory text for consultation purposes

The proposed uniform remittance period is 30 business days for both reporting on an individual and a consolidated level.

4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?

5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?

6. When would be the earliest point in time to submit audited figures?

7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?

## CHAPTER 3

### **Format and frequency of reporting on own funds requirements and financial information**

#### Section 1

#### Format and frequency of reporting on own funds requirements

#### Article 5

#### Format and frequency of reporting on own funds on an individual basis

1. Reporting of the following information shall be done with a quarterly frequency:

- a) information on own funds and own funds requirements according to Part 1 of Annex I and Part II point 1 of Annex II;
- b) information on credit risk and counterparty credit risk exposures treated under the Standardised Approach according to Part 3.2 of Annex I and Part II point 3.2 of Annex II;
- c) information on credit risk and counterparty credit risk exposures treated under the Internal Rating Based Approach according to Part 3.3 of Annex I and Part II point 3.3 of Annex II of this regulation;

Information on the geographical distribution of exposures by country shall be submitted according to Part 3.3 of Annex I and Part II point 3.3.4 of Annex II, where “non-domestic” exposures (in all “non-domestic” countries in all exposures classes) are equal or higher than 10% of total original exposures (“domestic” + “non domestic” in all exposures classes).

Information on the geographical distribution of exposures shall be submitted for each country with total exposures of equal or higher than 0.5% of total exposures (“domestic” + “non domestic” in all exposures classes). This calculation shall be done for each exposure class individually.

Explanatory text for consultation purposes

The threshold of 10 % implies that banks without significant foreign activities will not report the geographical breakdown. Conversely, an institution shall report the breakdown for all exposure classes if this materiality threshold is met, with reference to countries for which the 0.5% threshold is also triggered. The same conditions apply to the financial reporting threshold.

8. Do the proposed criteria lead to a reduced reporting burden?

9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold, both in aggregate and separately for each exposure class.

10. What would be the cost implications if the second threshold of Article 5 point 1(c) ii) were deleted?

11. Is the calculation of the threshold sufficiently clear?

- d) information on equity exposures treated under the Internal Ratings Based Approach according to Part 3.4 of Annex I and Part II point 3.4 of Annex II;
- e) information on settlement risk according to Part 3.5 of Annex I and Part II point 3.5 of Annex II;
- f) information on securitisations exposures treated under the Standardised Approach according to Part 3.6 of Annex I and Part II point 3.6 of Annex II;
- g) information on securitisation exposures treated under the Internal Rating Based Approach according to Part 3.7 of Annex I and Part II point 3.7 of Annex II;

- h) information on all securitisation exposures according to Part 3.8 of Annex I and Part II point 3.8 of Annex II;
- i) information on own funds requirements and losses relating to operational risk according to Part 4.1 of Annex I and Part II point 4.1 of Annex II;
- j) information on own funds requirements relating to market risk according to Part 5 of Annex I and Part II point 5 of Annex II.

2. Subject to prior decision by the competent authority, reporting of the information to be submitted pursuant to Paragraph 1 may be done with a semi-annual frequency where all of the criteria referred to in points (a) to (c) are met. As regards the decision, the competent authority shall take into account the criteria set out in Article 5(3).

- a) the institution is not part of a group with subsidiaries or parent institutions located in jurisdictions other than the one of the competent authority;
- b) the institution does not operate branches located in jurisdictions other than the one of the competent authority;
- c) the ratio of the individual balance sheet total of a particular institution using the Standardised Approach to calculate own funds requirements related to credit risk and the sum of individual balance sheet totals of all institutions under the competent authority's supervision is below 1%. Balance sheet total figures shall be based on year-end figures for the year before the year preceding the reporting reference date.

Explanatory text for consultation purposes

12. Do reduced reporting frequencies lead to significant reductions in administrative burden? Please quantify the estimated impact of semi-annual reporting frequencies compared to quarterly.

13. Is the calculation of the threshold sufficiently clear?

14. Competent Authorities are obliged to disclose data on the national banking sector's total assets as part of the supervisory disclosure. Do you find these publications sufficient to calculate the proposed threshold? EBA is considering requiring information on own funds as included in Part 1 of Annex I (CA 1 to CA 5) with a monthly frequency. However, EBA is cognisant of potential cost implications and is very interested in specific feedback on this point.

15. What would be the cost implications if information on own funds as put forward in Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions?

3. The decision process shall take into account but may not be limited to the following:
- a) the use of the information in regular supervisory risk assessments;
  - b) the risk that an institution poses to the financial system taking into account the identification and measurement of systemic risk;
  - c) the business model of the institution.



4. In addition to the requirements of Paragraph 1, reporting of material losses regarding operational risk shall be done with annual frequency according to the following:
- a) institutions which calculate own funds requirements relating to operational risk according to Part 3, Title III, Chapter 4 of CRR shall report according to Part 4.2 of Annex I and Part II point 4.2 of Annex II;
  - b) institutions which calculate own funds requirements relating to operational risk according to Part 3, Title III, Chapter 3 of CRR shall report according to Part 4.2 of Annex I and Part II point 4.2 of Annex II;
  - c) derogating from lit. b, institutions may report a selection of information items according to Part 4.2 of Annex I and to Paragraph 127 of Part II point 4.2 of Annex II of this regulation where all of the criteria referred to in points (i) and (ii) are met;
    - i. the ratio of the individual balance sheet total of a particular institution and the sum of individual balance sheet totals of all institutions under the competent authority's supervision is below 1%. Balance sheet total figures shall be based on year-end figures for the year before the year preceding the reporting reference date;
    - ii. the competent authority has approved the limited reporting according to Part 4.2 of Annex I of this regulation in accordance with the process specified in Paragraph 3 of this Article.
  - d) institutions which calculate the own funds requirements relating to operational risk according to Part Three, Title III, Chapter 2 of CRR are entirely exempted from reporting information referred to in Part 4.2 of Annex I and Part II point 4.2 of Annex II.

#### Article 6

##### Format and frequency of reporting on own funds requirements on a consolidated basis

1. Paragraphs 1 and 4 of Article 5 shall also be met by institutions subject to supervision on a consolidated basis.
2. In addition to paragraph 1, institutions subject to supervision on a consolidated basis shall semi-annually report information on own funds regarding entities included in the scope of consolidation in the format specified in Part 2 of Annex I and according to the instructions provided in Part II point 2 of Annex II.

#### Article 7

##### Format and frequency of reporting on own funds requirements on an individual and a consolidated basis for investment firms that do not deal on their own account

1. Derogating from Articles 5 and 6, investment firms that do not deal on their own account but hold client money or securities and with total own funds requirements for credit and market risk exceeding fixed overhead requirements shall quarterly submit the following information:
  - a) information on own funds and own funds requirements according to Part 1 of Annex I and Part II point 1 of Annex II;

- b) information on credit risk and counterparty credit risk exposures treated under the Standardised Approach according to Part 3.2 of Annex I and Part II point 3.2 of Annex II;
  - c) information on own funds requirements relating to market risk according to Part 5 of Annex I and Part II point 5 of Annex II.
2. The following investment firms shall only submit information on own funds and own funds requirements according to Article 7 (1) lit. a:
- a) investment firms that do not deal on their own account but hold client money or securities and with total own funds requirements for credit and market risk not exceeding fixed overhead requirements;
  - b) investment firms that do not deal on their own account and do not hold client money or securities.

## Section 2

### **Format and frequency of reporting on financial information on a consolidated basis**

#### Article 8

Format and frequency of reporting on financial information for credit institutions applying Regulation (EC) No 1606/2002 for supervisory reporting on a consolidated basis

1. Reporting of financial information by credit institutions shall be done with a quarterly frequency by compiling templates in Parts 1 to 4 of Annex III and according to the instructions in Annex V.
2. Financial information described in Part 3 tables 10.2 to 10.3 of Annex III shall be submitted semi-annually.
3. Institutions shall report information on geographical distribution of exposures included in templates included in Part 3 tables 10.1 to 10.3 of Annex III where “non-domestic” exposures (in all “non-domestic” countries in all exposures classes) are equal or higher than 10% of total original exposures (“domestic” + “non domestic”). Information on the geographical distribution of exposures shall be submitted for each country with total exposures of equal or higher than 0.5% of total exposures (“domestic” + “non domestic” in all exposures classes).
4. In addition to points 1 to 3, and subject to a prior decision by the competent authority a credit institution shall submit information described in part 5 of Annex III with quarterly frequency. For this decision the competent authority shall take into account the criteria set out in Article 5(3).

#### Article 9

Format and frequency of reporting on financial information for credit institutions applying national accounting frameworks developed under Directive 86/635/EEC for supervisory reporting on a consolidated basis

1. Reporting of financial information by credit institutions shall be done with a quarterly frequency by compiling templates in Parts 1 to 4 of Annex IV and according to the instructions in Annex V.
2. Financial information described in Part 3 table 10.2 to 10.3 of Annex IV shall be submitted semi-annually.
3. Institutions shall report information on geographical distribution of exposures included in templates included in Part 3 tables 10.1 to 10.3 of Annex IV where “non-domestic” exposures (in all “non-domestic” countries in all exposures classes) are equal or higher than 10% of total original exposures (“domestic” + “non domestic”). Information on the geographical distribution of exposures shall be submitted for each country with total exposures of equal or higher than 0.5% of total exposures (“domestic” + “non domestic” in all exposures classes).

Explanatory text for consultation purposes
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If a credit institution would prepare the financial statements under national GAAP but uses (either by choice or national requirement) IFRS as the basis for supervisory reporting purposes, they would be subject to Article 8. Similarly where a credit institution uses IFRS for publication of financial statements but is required to use national GAAP for supervisory reporting they would fall under Article 9.

16. Are there specific situations where this approach (differentiating between institutions using IFRS and national accounting frameworks for supervisory reporting purposes) would not be applicable?

Article 95 encompasses all institutions, not allowing exemptions based on accounting frameworks used for prudential reporting. However, the EBA is mindful of differences in reporting systems and of the changes a new Article 95 would imply, therefore the EBA is very keen on receiving feedback on these proposals in terms of impact, benefits and costs.

Templates for credit institutions applying national accounting frameworks follow the same structure as templates for IFRS institutions but have been adapted to accommodate national frameworks. Due to the differences in underlying frameworks the proposed set of templates is more limited than those proposed for IFRS reporting institutions. All templates will be part of the integrated data model.

17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?

18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly.

On Article 8(3) and 9(3) see questions 8 to 11 on point (c) of Article 5(1).

The EBA acknowledges that the scope and level of application of the ITS follows the scope and level of application of the CRR. However, the requirements regarding financial information as put forward in this consultation paper are limited to credit institutions and only apply only on a consolidated level.

The development of requirements regarding financial information on an individual level will need more time in order to overcome challenges stemming from the application of different underlying accounting standards as well as problems linked to the reconciliation with statistical, monetary and fiscal reporting requirements. The EBA will continue working on developing these uniform requirements taking into account the final provisions of Article 95 of CRR as approved by the Council and the European Parliament.

19. What is your general assessment of applying reporting standards regarding financial information on an individual level?

20. How would you assess costs and benefits of applying the ITS requirements regarding financial information on an individual level? (Please assess the impact for the two scenarios (i) application of parts 1 and 2 of Annex III and Annex IV on an individual level (ii) application of parts 1 to 4 of Annex III and Annex IV on an individual level (ii)) Would there be obstacles for applying reporting on an

individual level?

21. If the proposal was to be extended, what implementation time would be needed?

## **CHAPTER 4**

### **Format and frequency of reporting on losses stemming from lending collateralised by immovable property according to Article 96 CRR**

#### Article 10

1. Reporting of losses stemming from lending collateralised by immovable property shall be done with a quarterly frequency according to Annex VI and Annex VII.

## **CHAPTER 5**

### **Format and frequency of reporting on large exposures**

#### Article 11

1. Reporting of large exposures shall be done with a quarterly frequency.

Explanatory text for consultation purposes

The templates and instructions for large exposures purposes are not finalised yet and will be published for consultation in the first quarter of 2012.

## **CHAPTER 6**

### **IT solutions for the submission of data from institutions to competent authorities**

#### Article 12

1. Reporting according to this regulation shall be done by institutions in accordance with the specifications included in the following:

- a) The data point model, and
- b) The XBRL taxonomies.

Explanatory text for consultation purposes

The data point model and the XBRL taxonomies will be published for consultation in the second quarter of 2012.

The data point model is a structured formal representation of the data included in the ITS, identifying all the business concepts and its relations, as well as validation rules, oriented to all kind of implementers. It contains all the relevant technical specifications necessary for developing an IT reporting format.

The XBRL taxonomies are IT reporting formats expressing the semantic meaning of reporting requirements included in the ITS. Descriptions in the XBRL taxonomy should ensure unambiguous IT interpretation of the data included in the ITS.

The XBRL taxonomies can be displayed and read with specific tools.

2. EBA shall maintain the data point model and the XBRL taxonomies and provide up-to-date versions on its website.

Explanatory text for consultation purposes

Institutions that will use the XBRL taxonomies published by EBA will automatically comply with the specifications. Using XBRL taxonomies as the data exchange format, however, is no requirement. Institutions can also comply by using another data exchange format or alternative means of data transmission but need to make sure that all validation rules, precision rules and other specifications which are included in the XBRL taxonomies and related standards are fulfilled. In this context the definition of the data exchange formats is at the discretion of the competent authorities.

Question for respondents

22. What cost implications would arise if the use of XBRL taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?

3. Competent authorities shall define the data exchange formats respecting all specification included in paragraph 1.

## **CHAPTER 7**

### **Final provisions**

#### Article 13

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 31 March 2013 which is the first reporting reference date.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Explanatory text for consultation purposes

According to the European Commission proposals, institutions are envisaged to be required to comply with new CRR requirements as of 1.1.2013. Competent authorities will have to check institutions' compliance with new CRR requirements as of the CRR application date. Therefore, the first regular reporting period thereafter is expected to be Q1 2013 with the first reporting reference date being 31.3.2013.

Competent authorities rely on regular prudential reports from institutions in their daily supervision and in order to perform compliance checks and regular risk assessments. Hence it is crucial NSAs receive data calculated according to the new CRD requirements from the first possible reporting date onwards.

The first reference date of 31 March 2013 is proposed in order to avoid national temporary solutions for reporting own funds requirements and financial information which is needed by all competent authorities in order to check compliance with new capital requirements included in the CRR.

23. How would you assess the cost implications of the following two options?

(1) Implement the ITS as of the first possible reference date (31/03/2013)

(2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2013

Regarding prudential reporting some institutions in Europe have already been subject to reporting requirements based on the guidelines for common reporting (COREP) developed by EBA predecessor CEBS.

24. What would be the minimum implementation period to adjust IT and reporting systems to meet the new ITS reporting requirements? Please elaborate on the challenges which could arise.

Regarding prudential reporting several institutions in Europe have already been subject to reporting requirements based on the guidelines for common reporting (COREP) and financial reporting (FINREP) as developed by EBA predecessor CEBS. Due to the inconsistent implementation of the above guidelines in Europe, the extent of new reporting requirements varies significantly between institutions.

25. What would be the minimum implementation period required for institutions already subject to FINREP reporting to implement the financial reporting described in this consultation paper?

26. What would be the minimum implementation period required for institutions NOT subject to FINREP reporting at the moment to implement the financial reporting described in this consultation paper?

27. Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?

Done at Brussels,

For the Commission

The President/ On behalf of the President

*[Position]*



For Annexes of the draft ITS see the following, separate documentation:

Annex I templates for reporting own funds requirements (*CP50 ITS on reporting Annex I*)

Annex II instructions for reporting own funds requirements (*CP50 ITS on reporting Annex II*)

Annex III templates for reporting financial information according to IFRS (*CP50 ITS on reporting Annex III*)

Annex IV templates for reporting financial information according to national accounting frameworks (*CP50 ITS on reporting Annex IV*)

Annex V instructions for reporting financial information (*CP50 ITS on reporting Annex III, IV, V*)

Annex VI templates for reporting losses stemming from lending collateralised by immovable property (*CP50 ITS on reporting Annex VI*)

Annex VII instructions for reporting losses stemming from lending collateralised by immovable property (*CP50 ITS on reporting Annex VII*)

## **V. Accompanying documents**

### *a. Validation rules*

1. To facilitate uniform implementation and avoid implementation problems, the ITS will include detailed implementation instructions, in particular:
  - a. legal references as included in the templates of Annexes I, III, IV and VI;
  - b. additional data definitions as included in the instructions set out in Annexes II, V and VII;
  - c. validation rules (quantitative relations between rows and columns of each template, and among templates);
  - d. data point model containing all the relevant technical specifications necessary for developing an IT reporting format; and
  - e. XBRL taxonomies to ensure unambiguous IT interpretation of the data included in the ITS.
2. Validation rules will ultimately be included in the data point model and the XBRL taxonomies which will be put forward for public consultation in the second quarter of 2012. However, in order to get feedback on technical details, a first set of validation rules is put forward as an addendum to Annex I of the ITS for consultation purposes.

### *b. Draft Impact Assessment*

#### **Introduction**

1. The CRD requires the EBA to develop draft Implementing Technical Standards (ITS) related to prudential reporting requirements.
2. As per Article 15 (1) second subparagraph of the EBA regulation, any draft technical standards developed by the EBA – when submitted to the EU Commission for adoption - will have to be accompanied by a separate note on Impact Assessment (IA) which analyses ‘the potential related costs and benefits’ (unless such analyses are disproportionate in relation to the scope and impact of the draft ITS concerned or in relation to the particular urgency of the matter). The IA note aims to provide the reader with an overview of findings as regards the problem identification, the options identified to remove the problem and their potential impacts.
3. The present note deals with cost-benefit analysis and impact assessment regarding the ITS on reporting of requirements as mentioned in Articles 95 and 96 of the proposed Regulation on prudential requirements for credit institutions and investment firms as published by the EU Commission on 20 July 2011. For these purposes, the baseline scenario is the situation described in Article 95 of the Regulation, hence a situation where uniform reporting standards are in place.

#### **Procedural issues and stakeholder consultation**

4. Throughout the project EBA has closely followed the work of international organisations dealing with related topics, in particular the Basel Committee on Banking Supervision in charge of monitoring Basel III requirements.
5. During 2009 and 2010 CEBS – EBA’s predecessor - carried out commonality studies on the basis of the implementation of COREP and FINREP 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 reporting frameworks. CEBS also held meetings with experts aimed at finding ideas on how to improve COREP and FINREP to enhance its usefulness for analytical purposes.

6. In June 2010 CEBS started a public consultation regarding its efforts to harmonise prudential reporting requirements. The consultation paper published in June 2010 marked the first cornerstone towards uniform prudential reporting formats.
7. Further, EBA has closely worked with the European Systemic Risk Board (ESRB) in developing a set of risk indicators and in identifying data needs with the aim of amending reporting requirements and thereby enhancing availability and comparability of supervisory data.

### **Problem definition**

#### **Timing of ITS development and application date**

8. Institutions are expected to have to comply with new CRR requirements as of 1.1.2013. From this date onwards national authorities will have to check institutions' compliance with these new requirements. Authorities perform this task based on regulatory data submissions by supervised institutions, which is the subject of this ITS.
9. Sufficient time for implementing ITS requirements is crucial to ensure data availability and data quality for competent authorities to perform their tasks. Hence the ITS publication date as well as the date of the first data submission from institutions to competent authorities need to be considered carefully.

#### **Extent of financial information within the ITS**

10. In 2009 CEBS published its revised version of its guidelines on financial information (FINREP), which sets explicit minimum and maximum reporting requirements based on a common set of formats ("templates") and data definitions. Upon adoption, national authorities must rely exclusively on financial information defined in the FINREP framework; they may neither modify the templates based on national needs, nor require additional information that exceeds the fixed maximum.
11. However the FINREP guidelines were not adopted in several European jurisdictions and the level of harmonisation in this area remained low.
12. This low level of application and the limited extent of minimum requirements (2 out of 25 templates) resulted in problems for EBA and ESRB in developing and collecting data for performing its tasks. In particular data availability and comparability were among the main problems which in turn were the product of non-harmonised reporting frameworks.
13. Article 95 of the proposed CRR covers financial information necessary to obtain a comprehensive view of institutions' risk profile and an assessment has to be made as to which extent financial information should be part of the ITS.

#### **Uniform reporting frequency within the ITS**

14. Article 95 of the CRR requests the ITS to specify uniform reporting frequencies. Not all Institutions though require the same level of supervision due to different nature, size and complexity of activities. Also, some information might be more stable over time and therefore could be subject to less frequent reporting.
15. An assessment has to be made whether some form of proportionality could be incorporated as regards reporting frequencies. A balance has to be found between timeliness of reported data and data quality.

#### **Proportionate reporting reflecting nature, scale and complexity of institutions' activities**

16. CRR applies to all institutions regardless their size, risk profile etc. Article 95 of the CRR requests the uniform reporting format to be proportionate to the nature, scale and complexity of institutions' activities.

17. The right balance between the required level of detail of the submitted information and the nature, scale and complexity of institutions' activities has to be found.

### **XBRL taxonomy and harmonization of IT standards**

18. Article 95 of CRR requests EBA to also develop uniform IT solutions for the reporting of own funds requirements in order to eliminate differences in the use of data standards for electronic filing as well as in submission requirements which increase the reporting burden for institutions.
19. This requires an assessment of whether the currently recommended data standard based on XBRL should be applied on a mandatory basis.

### **Analysis of policy options**

#### **Timing of ITS development and application date**

20. Institutions will have to comply with new CRR requirements as of 1.1.2013. From this date onwards national authorities will have to check institutions' compliance with these new requirements. Authorities perform this task based on regulatory submissions of supervisory data by supervised institutions, which is the subject of this ITS.
21. Any time gaps between the first reporting date of the ITS and the application date of the CRR would necessitate the need for national authorities to find interim solutions in order to check institutions' compliance with new CRR requirements. National interim solutions are likely to be valid only for 1 or 2 reporting dates and would lead to additional implementation costs.
22. Delaying the first ITS reporting date would also have negative impacts on EBA's and ESRB's ability to perform its tasks in various analytical areas which rely on supervisory data. Data quality and availability for analysis on a European level are expected to improve after ITS application.
23. Hence the first regular reporting period for ITS requirements will be Q1 2013 with the first reporting reference date being 31.3.2013. This means that institutions will have to submit a first set of data related to the reference date of 31.3.2013 to national authorities by 12 May 2013.
24. In order to provide for a sufficiently long implementation period the EBA intends to finalise the development of ITS on supervisory reporting and submit those to the Commission by 30.06.2012 – 9 months ahead of the first reporting reference date.

#### **Extent and level of application of financial information within the ITS**

25. According to the CRR requirements financial information shall be included in the ITS to the extent necessary to obtain a comprehensive view of the risk profile of an institution's activities. The necessary information should cover accounting information with necessary details on income statement and balance sheet and data on institutions' on- and off-balance sheet exposures and impairments and credit risk to enable competent authorities to have a comprehensive view of institutions' risk profiles.
26. The EBA and the ESRB has been assigned tasks to follow potential risks and vulnerabilities and to monitor and assess systemic risk posed by institutions both on micro-prudential and macro-prudential level. In order to perform these tasks high quality comparable data from the institutions is necessary. Peer group and EU-wide data on financial information will further enrich the data available for supervision of institutions. The extent and coverage of financial information to be required by the ITS should allow the EBA and the ESRB to base their regular reporting needs on commonly available data with uniform definitions. This would eliminate the problem identified regarding data availability and comparability for calculation of key risk indicators.
27. The extent of financial information should reflect the existing differences in national accounting frameworks and especially on institutions applying them on an individual level and the often less

complex business model. The objective for medium term should be to bridge these differences and develop a comprehensive framework addressing all supervisory needs.

### **Uniform reporting frequency within the ITS – a proportionate approach**

28. As requested by Article 95 of CRR the ITS shall specify uniform frequencies of reporting.
29. However, the frequency may differ for certain type of information. For example a quarterly frequency may not be needed for data points that are likely to remain stable for a period exceeding 3 months. For example, details on the composition of consolidated groups are expected not to change frequently. Such differentiations help in reducing reporting burden for institutions.
30. Also, the frequency for particular data requirements may differ depending on the type of institution and an assessment of the nature, scale, complexity and systemic relevance of institutions' activities. For example, small institutions that are not considered systemically important and that do only operate within the borders of one authority's jurisdiction may be subject to a different reporting frequency than institutions operating across borders or that are systemically important.
31. Given the international scale of their activities, cross-border groups cannot benefit from the above. The establishment of different reporting frequencies for 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, 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.

### **Proportionate reporting reflecting nature, scale and complexity of institutions' activities**

32. Although reporting requirements will be uniform they must be proportionate to the nature, scale and complexity of the institutions' activities.
33. 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 information on IRB exposures. The ITS reporting framework follows this approach which is based on the inherent proportionality of the CRD.
34. In addition, certain reporting requirements of the ITS are triggered by the use of complex approaches to measure institutions' risk, the business model of institutions or a risk based assessment of institutions' activities done by competent authorities.
35. Furthermore, information should only be reported by institutions that have material exposures in specific areas. For example, institutions that have a significant level of non-domestic exposures should submit information on the geographical distribution of those exposures while institutions with predominantly domestic activities will be exempted from such detailed reporting requirements. Materiality thresholds therefore can play a crucial role in reducing reporting burden for institutions.

### **XBRL taxonomy and harmonization of IT solutions**

36. The objective of developing uniform reporting requirements is to achieve higher quality and better comparability of data as well as to reduce administrative costs faced by institutions in dealing with diverging reporting frameworks in several jurisdictions.
37. Providing clear references to underlying legislation and data definitions in the ITS will help increasing harmonisation but are no guarantor for achieving the above.
38. Higher data quality and a more effective data production process will only materialise if the implementation of the reporting requirements is based on uniform specifications on a granular level of detail.

39. This could be achieved by describing the business concepts and its relations in the necessary detail, and by specifying all the relevant technical specifications necessary for developing IT reporting formats and common dictionaries of terms that can be used in the institutions' databases.
40. The IT reporting format used should be described in a clear and logical way and should not provide the possibility of diverging interpretations. These criteria seem to be met if descriptions are based on XBRL taxonomies<sup>5</sup> which are based on internationally accepted standards developed for financial reporting and express the semantic meaning of reporting requirements using XML technologies.
41. The XBRL Taxonomy acts as a kind of dictionary of prudential terms providing a common IT solution for data definitions and calculation methods. 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 a common XBRL Taxonomy should decrease the reporting burden for institutions and supervisors.
42. A common XBRL Taxonomy will allow software vendors to work out universal methodologies for implementation of new reporting requirements. 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.
43. A common taxonomy should also allow for common implementation solutions 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,<sup>6</sup> 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.

#### *Facilitating uniform implementation*

44. EBA will develop and maintain a formal data model as well as XBRL taxonomies that incorporate the requirements of the ITS. These products will be publicly available and need to be used by competent authorities and institutions when implementing ITS requirements.
45. However EBA will not make the use of its XBRL taxonomies mandatory for institutions as it may be appropriate for competent authorities to collect data as part of a broader reporting framework which the competent authorities establish under their responsibility and which also serves other supervisory purposes, provided that specifications included in EBA’s data model and taxonomies are met.

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<sup>5</sup> The eXtensible Business Reporting Language (XBRL) is a member of the family of languages based on XML, or eXtensible Markup Language, which is the international standard for the electronic exchange of data between businesses on the internet. XBRL is in use by EU competent authorities since 2006 and by major Regulators worldwide. EIOPA publicly consulted about XBRL in July 2011.

<sup>6</sup> 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”, 31<sup>st</sup> March 2009.

46. An integration of new ITS reporting requirements into existing reporting frameworks seems beneficial as ITS related information covers only a small part (approximately 10 %) of the whole reporting-package of an individual institution which consists of several parts (among others: Monetary statistics, Interest rates statistics, and Credit registers). The benefit of integrated reporting solutions for the majority of reporting entities is a national unique format for the whole reporting-package.

## *c. Overview of questions for Consultation*

### **CHAPTER 1**

#### **Subject matter, Scope and Definitions**

1. How would you assess the cost impact of using only CRR scope of consolidation for supervisory reporting of financial information?
2. Please specify cost implications if parts 1 and 2 of Annex III and of Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation?

### **CHAPTER 2**

#### **Reporting reference and remittance dates**

3. Financial information will also be used on a cross-border and on European level, requiring adjustments to enable comparability. How would you assess the impact if the last sentence of point 2 of Article 3 referred to the calendar year instead of the accounting year?
4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?
5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?
6. When would be the earliest point in time to submit audited figures?
7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?

### **CHAPTER 3**

#### **Format and frequency of reporting on own funds requirements**

8. Do the proposed criteria lead to a reduced reporting burden?
9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold as well as the total number of countries per exposure class.
10. What would be the cost implications if the second threshold of Article 5 (1) (c) (ii) were deleted?
11. Is the calculation of the threshold sufficiently clear?
12. Do the provisions of Article 5 (2) lead to a reduced reporting burden for small domestic institutions?
13. Is the calculation of the threshold sufficiently clear?
14. Competent Authorities are obliged to disclose data on the national banking sector's total assets as part of the supervisory disclosure. Do you find these publications sufficient to calculate the proposed threshold?
15. What would be the cost implications if information on own funds as put forward in Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions?



### **Format and frequency of reporting on financial information**

16. Are there specific situations where this approach (differentiating between institutions using IFRS and national accounting frameworks for supervisory reporting purposes) would not be applicable?
17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?
18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly.
19. What is your general assessment of applying reporting standards regarding financial information on an individual level?
20. How would you assess costs and benefits of applying the ITS requirements regarding financial information on an individual level? (Please assess the impact for the two scenarios (i) application of parts 1 and 2 of Annex III and Annex IV on an individual level (ii) application of parts 1 to 4 of Annex III and Annex IV on an individual level (ii)) Would there be obstacles for applying reporting on an individual level?
21. If the proposal was to be extended, what implementation time would be needed?

### **CHAPTER 6**

#### **IT solutions**

22. What cost implications would arise if the use of XBRL taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?

### **CHAPTER 7**

#### **Final provisions**

23. How would you assess the cost implications of the following two options?
  - (1) Implement the ITS as of the first possible reference date (31/03/2013)
  - 2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2013.
24. What would be the minimum implementation period to adjust IT and reporting systems to meet the new ITS reporting requirements? Please elaborate on the challenges which could arise.
25. What would be the minimum implementation period required for institutions already subject to FINREP reporting to implement the financial reporting described in this consultation paper?
26. What would be the minimum implementation period required for institutions NOT subject to FINREP reporting at the moment to implement the financial reporting described in this consultation paper?
27. Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?

#### **Annex I and Annex II**

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors - displayed in the COREP templates as grey/blocked cells) reduce the reporting burden?

29. Compared to previous versions of the COREP templates are there additional reporting requirements which, cause disproportionate costs?
30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.
31. CR IRB – What is your assessment of cost implications of the new lines for “large regulated financial entities and to unregulated financial entities”? What is the most cost efficient way of incorporating this kind of information in the reporting framework?
32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

### **Annex III, Annex IV, and Annex V**

33. Are the templates included in Annex III and Annex IV and the related instructions included in Annex V sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

#### *Template 10 (Annex III and Annex IV)*

34. Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden?
35. What are the cost implications of introducing a breakdown by individual countries and counterparties?
36. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?
37. Would other classification be more suitable or cost efficient?
38. What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown?
39. What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?

#### *Template 14 (Annex III and Annex IV)*

40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world?
41. Would application of a materiality threshold similar to Article 8 (3) and 11 (3) (reporting the breakdown only if foreign exposures exceed 10 % of the total exposures) reduce reporting burden?
42. What would be difference in cost implications if breakdown would be requested only with differentiation between domestic/ foreign or alternatively country by country with similar threshold than in Article 8 (3) and 11 (3) compared to the proposal in the Consultation Paper?

#### *Templates for reporting financial information according to national accounting frameworks*

43. Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates?

#### *Instructions in Annex V*

44. Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in held for trading portfolio?

45. How do you assess the impact of reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss always under interest income and interest expense?