Brussels 4th December 2014

Summary of EACB comments
On
Public Consultation
Draft ECB Regulation concerning reporting on supervisory financial information

Proportionality

We particularly appreciate that the draft Regulation takes into account the proportionality principle, which is reflected in the four-tiered set of reporting requirements. We are strong advocates of the implementation of this principle in legislation, and therefore think that this is a step in the right direction.

However, we believe that the introduction of a threshold of €1 billion total-assets value for triggering reduced reporting requirements for less-significant institutions is too restrictive and therefore not appropriate. Indeed, only banks that stand for less than 2% of SSM total assets would benefit from this reduction, which questions the application of the proportionality principle. Setting a higher level, at €3 billion, would be more adequate. Indeed, the complexity of the requirements may lead to high initial implementing and running costs, which would be specially burdensome for smaller institutions. Moreover, bearing in mind the six-fold increase in the amount of data required once the threshold is trespassed (from 500 to 3000 data points), a higher threshold would better reflect the proportionality principle.

Cooperative Group Structure

We appreciate that Article 1(2) waives the reporting requirements for *"entities that have been given a waiver regarding the application of prudential requirements on an individual basis".* We understand that institutions falling under this category only have to report at the consolidated level, i.e. they will not be required to report at solo level. This is certainly an appropriate solution for institutions falling under Art. 10 CRR, since liquidity and solvency management are centralized so that a meaningful decentralized reporting would not be possible. Unfortunately, Art. 1(2) of the draft Regulation refers to Part One, Title II, Chapter 2 of the CRR. This is not the right reference, since Art. 10 is in Part One, Title II, *Chapter 1* of the CRR. This reference should therefore be corrected.

The administrative burden

We also think that one of the main objectives of harmonized reporting should be the reduction of administrative burden for institutions. Therefore, we are concerned about the following issues:

- Those entities reporting in nGAAP, which are part of a group, according to Art. 6(3) and Art. 13(4), should not be obliged to report supervisory financial information according to the nGAAP templates featured in the Annexes. While we

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strongly advocate for maintaining the possibility of reporting in nGAAP for supervisory purposes, we also think that this provision could lead, in many cases, to a duplication, as entities belonging to a group reporting in IFRS will be obliged to elaborate two different sets of reporting (nGAAP and IFRS). In order to avoid such a duplicity in reporting, entities and subsidiaries that are part of a group reporting in IFRS should be given the option to choose between delivering their reports based either on IFRS or nGAAP. Such an option, which should not evolve into an obligation to report only in IFRS, would lighten the burden for those groups and also improve comparability across the SSM.

- National Competent Authorities (NCAs) are still allowed to set additional requirements within the framework of integrated reporting, as provided for in the draft Regulation (Arts. 5(6); 6(7); 10(9); 12(11); 13(10)). We fear that this could limit progress. NCAs can insist on prudential data demanded before this harmonisation, or even create new requirements. We therefore believe that the ECB should take a coordinating role towards the NCAs as to keep control of any complementary data requests in order to avoid any trends towards such a parallel supervisory reporting system.

Implementation challenges

We would also like to raise you awareness about the implementation challenges associated, especially for institutions reporting under nGAAP:

- As the templates provided are based on FINREP (i.e. IFRS), these institutions will experience difficulties providing the data required, which in some cases are not available under nGAAP. Therefore, these templates should be further explored and the Regulation should also clearly state that the information requested will not go beyond what is already required under the applicable reporting framework if there is no specific prudential need.

- We think that NCAs must adopt a leading role in order to ensure the correct application of the provisions in the Regulation. They should provide official guidance regarding the reconciliation and translation of templates and the provisions linked. This makes total sense, as entities will have to report directly to the NCAs according to the official provisions that these should adopt.

- The draft Regulation makes a distinction between those national accounting frameworks that are compatible with IFRS and those that are not. This determines the choice of the template to use featured in Annex I. We would suggest that the Regulation, possibly in an Annex, clearly indicates which accounting frameworks of which jurisdictions fall under each category.

- Institutions will need to fine-tune their reporting systems, which will require an investment of time and resources. We think that the delay allowed under the current proposal in not enough and support longer transposition deadlines.