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Supervisory Reporting

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Among the cooperative banks in Europe there are both large and small ones. The issue of proportionality is important to both the large cooperatives and the smaller ones. In fact, as a result of their cooperative structure it is important that regulators constantly bear in mind that certain measures might affect the cooperative banks, or the local cooperative banks within a group or a network, in a different way than the one impacting joint stock banks. Thus overall, the CRR and CRD, including the reporting requirements, should not create any needless administrative burden for cooperative banks.

In the course of the Basel III implementation which resulted in the new CRR as well as in changes to the CRD banks will be subject to numerous additional reporting requirements. The CRR clearly states that the principle of proportionality shall be taken into account throughout the CRR; this includes the supervisory reporting requirements.

Recital 46 CRR explicitly stipulates that "EBA should ensure that all regulatory and implementing technical standards are drafted in such a way that they are consistent with and uphold the principle of proportionality". The principle of proportionality is addressed with regards in particular to the diversity in size and scale of operations, complexity and systemic relevance of a bank. Thus for smaller and medium sized, less complex cooperative banks, which operate within their community or in a regional context, without access to capital markets and using standard methods of the banking authority (e. g. KSA, BIA etc.) the reporting requirements should be adjusted. The granularity and geographical spread of those cooperative banks also add to the stability of the financial system and serve both their private and SME clients well.

The additional reporting requirements to be expected by the CRR implementation will create considerable additional costs especially for smaller cooperative banks. Due to their size, these banks do not have own in-house IT-services available. Instead, for the purposes of implementing the reporting requirements they draw upon external IT-service providers. For instance, the German cooperative banks established three IT centres for their 1,100 independent banks which assist them in implementing the reporting and other requirements.

The service providers' capacity is being put under strong pressure due to the implementation of the reporting requirements stipulated under the CRR / CRD. In the short term, implementing the IT-solutions for additional reporting requirements is virtually impossible. This means that in many cases in the early stages of implementation banks would have to collate the required data, aggregate and enter them into the reporting templates manually.

Furthermore, for smaller banks, the additional reporting requirements are for the most part redundant. For smaller cooperative banks which conduct their business operations in their community/region and follow a conservative traditional banking model with lower risk appetite, the added value of banks reports for supervisors is overestimated. A cost-benefit-analysis is missing so far, leading to reporting requirements that are not really useful and overdone in many ways.

Against this background the principle of proportionality when applied to small and medium sized banks who are active on a local or regional basis clearly justifies alleviations in the area of supervisory reporting. Examples include:

1. Less significant banks (with balance sheet totals below 30 bn Euros) should be exempted from any additional reporting requirements that exceed the provisions under the CRR / CRD. Moreover, ad-hoc reports to supervisors should be avoided wherever possible.

2. De-minimis-clauses should generally be foreseen to create proprotionate rules. This refer especially to specific reporting items. Example: If a bank's activity in certain types of transactions is rather limited, i.e. remains below a quantitative threshold, the corresponding reporting requirements should be waived. Here below some examples

   i) Waiver for monitoring tools:
      - Maturity ladder (template and instructions);
      - Some additional monitoring tools (templates and instructions) related to:
         a. Concentration of funding by counterparty;
         b. Concentration of funding by product type;
         c. Prices for various lengths of funding;
         d. Rollover of funding.

   ii) Waiver of additional reporting, e. g. IP Losses, asset encumbrance reporting;
   iii) Waiver of operational issues, LCR: regular sales, no liquidity treasury unit;
   iv) Waiver of intraday monitoring when passing a defined threshold level (LCR>100%, or other threshold);
   v) Permanently using the simple method for measurement of the leverage ratio (no monthly average).

3. There should be a waiver for reports which prudential supervisors might gather from their own data pool. For instance, in the ITS on asset encumbrance reporting, banks that are subject to national supervision should be granted a waiver for additional reporting requirements as the national supervisor has already access to the corresponding banking data. Banking statistics (for monetary purposes) and supervisory reporting should complement each other in a meaningful way, and double reporting should be avoided to keep the administrative burden for banks and thus for the economy as a whole manageable.

   Moreover, for smaller banks there should be no need for a separate reporting scheme on non-performing loans with a pretedermined breakdown. The relevant information on NPL could be taken from the general reporting scheme from which changes in assets which are most vulnerable to default and the loan loss ratios of loans collateralised by real estate can be derived. At this point, the proposed separate reporting requirement – especially of very granular sub-positions – would represent a disproportionate requirement.