



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

The voice of 3.700 local and retail banks, 56 million members, 215 million customers

EACB AISBL – Secretariat • Rue de l'Industrie 26-38 • B-1040 Brussels

Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19
www.eachb.coop • e-mail : secretariat@eachb.coop



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 your 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 is not enough and support longer transposition deadlines.



PUBLIC CONSULTATION
DRAFT ECB REGULATION CONCERNING REPORTING ON SUPERVISORY FINANCIAL INFORMATION
TEMPLATE FOR COMMENTS

Name of Institution/Company	EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS (EACB)	Country	Belgium
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COMMENTS ON THE DRAFT ECB REGULATION CONCERNING REPORTING ON SUPERVISORY FINANCIAL INFORMATION

Issue	Article	Comment	Concise statement why your comment should be taken on board
Reconciliation between nGAAP and IFRS	1(4); Annex I, III, V	Amendment	<p>We welcome the explicit mention that this draft Regulation “shall not affect the accounting standards applied”. We understand that this provision shall avoid the creation of a parallel IFRS-based reporting framework for institutions reporting nGAAP.</p> <p>However, the templates provided for entities reporting under nGAAP are based on IFRS and their filling-in is therefore quite challenging. Indeed, the majority of the templates of “simplified supervisory financial reporting” as well as “supervisory financial reporting data points” cannot be filled without reconciliation guidance. The comprehensive assessment exercise supposed an increased burden for those banks reporting nGAAP and showed the difficulties linked to this kind of templates. Therefore, more nGAAP-friendly templates, to be elaborated in coordination with the NCAs, are to be further explored.</p> <p>In addition, we think that the draft Regulation should mention that only the information that is already requested under nGAAP can be requested in the templates annexed to the text.</p>
Waiver	1(2)	Amendment	<p>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 will only be requested to provide reporting at the consolidated level, i.e. they will not be required to provide reporting 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,</p>

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			Chapter 1 of the CRR. This reference should therefore be corrected.
Definition of “significant institution”	2	Clarification	According to the proposed text, the definitions contained in Regulation (EU) No 468/2014 (“SSM Framework Regulation”) are the ones applied in the draft ECB Regulation. However, there seems to be an inconsistency with the table provided in page 10 of the consultation document, where it is not clear whether “less significant” refers to institutions below the asset-value threshold of €1 billion, which goes against the provisions in Article 6(4) of the SSM Regulation and Part IV of the SSM Framework Regulation. A clarification on this issue would be welcome.
nGAAP entities part of IFRS group	6(3); 13(4)	Amendment	According to these Articles, significant and less significant entities, respectively, which are part of a group and which report in nGAAP, shall report supervisory financial information according to the nGAAP templates features in Annexes 1 and 2, respectively. This would lead to a duplication, since those entities belonging to a group reporting in IFRS will be obliged to elaborate two different sets of reporting. 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 would lighten the burden for those groups and also improve comparability across the SSM.
Proportionality LSI: €1 billion threshold	12(7); 13(7);	Amendment	The draft Regulation addresses proportionality, firstly by reducing the level or break-down of data required for smaller entities (taking the full set of supervisory financial reporting –FinRep-, as adopted by the EBA ITS, as reference), and secondly by setting a threshold of total assets value of €1 billion, below which less significant supervised groups and entities shall apply supervisory reporting data points. In this vein, entities falling within the latter category will report ca. 500 data points, as shown in the templates provided in annexes IV (IFRS and IFRS-like reporting) and V (national GAAP reporting) of the draft Regulation. We welcome the intention to address proportionality and consider that it is a step in the right direction. However, we question threshold at €1 billion total-assets value for triggering reduced reporting requirements. This threshold will determine whether reporting will be done according to the already mentioned supervisory financial reporting data points, or according to the simplified supervisory financial reporting (ca. 3000 data points). Therefore, trespassing this threshold will represent a non-negligible six-fold increase in the amount to data required. However, banks representing less than 2% of SSM total assets would benefit from this reduction. Bearing this in mind, we think that it is important to set a threshold level that truly lives up to the spirit of the proportionality principle whose implementation is being pursued. Considering the additional burden linked to the next level of reporting, a threshold of €3 billion



			or €5 billion would be more adequate. As an example, we suggest to consider the recently proposed Commission Delegated Regulation to calculate the contributions of banks to the Single Resolution Fund , that incorporates reduced contributions for entities bellow total-assets value of €3 billion .
Flexibility - NCAs	5(6); 6(7); 10(9); 12(11); 13(10);	Clarification	<p>The SSM is composed of the ECB, the NCAs and the institutions supervised. The draft Regulation establishes a reporting chain that requires a good level of coordination in order to both guarantee a smooth running of the supervisory activities and to ensure that the principle of proportionality enshrined in the draft Regulation is lived up to. This means that the ECB should make sure that proper communication channels are established with the NCAs to avoid that a parallel reporting system emerges. At the same time, this coordination should make sure that proper reconciliation or “mapping tables” are made available by NCAs in order to favour consistent reporting in line with the requirements laid our in the draft Regulation.</p> <p>However, the draft Regulation states in several parts that “NCAs may collect the data to be submitted to the ECB [...] as part of a broader national reporting framework which [...] includes additional supervisory financial information and also serves purposes other than supervisory purposes, such as statistical purposes”.</p> <p>In our opinion, this leaves an open door for NCAs to set additional requirements, which could lead to a situation where the proportionality principle reflected in the draft Regulation is not properly implemented. Coordination between the ECB and NCAs should aim at eliminating unnecessary additional reporting requirements and to make sure that the reduced requirements are properly endorsed by NCAs.</p>
IT language	16	Clarification	The draft Regulation states that NCAs shall transmit the information required in accordance with the XBRL taxonomy, which is used by significant groups under IFRS. We would welcome the possibility for other institutions to keep their reporting in the less severe XML format.
First reporting reference dates/ transposition deadlines	17	Amendment	<p>The draft Regulation establishes provisional first reporting reference dates, that for the case of significant supervised groups and entities not part of a supervised group fall on 31st December 2015 (cf. Art. 17(1)). Considering the language and reconciliation needs, especially for those entities applying national GAAP, this deadline is, in our view, too optimistic. The transition between two reporting frameworks is not an easy task that can be imposed overnight. Therefore, a minimum of 18 months should be allowed for NCAs and institutions to adapt to the new requirements.</p> <p>Regarding less significant groups and entities, the first reporting reference date should be postponed one year, i.e. to 30th June 2018. These institutions are and will be occupied in the next</p>



			year with the implementation of new reporting requirements (Leverage ratio, Liquidity Coverage Ratio, NSFR, etc.), making it a necessity to allow them more time to implement the changes provided for in this draft Regulation.
Scope of consolidation	n/a	Amendment	As regards the scope of consolidation, we gather from the text that it is based on supervisory standards (i.e. CRR consolidation approach). We think that this should be clearly mentioned in the draft Regulation.
Additional information beyond accounting framework requirements	n/a	Amendment	The Regulation should clearly point out that only information deriving from the applicable accounting framework is to be reported.
Compatibility of accounting frameworks with IFRS	Annex I	Clarification	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.