

A. Introduction

Deutsche Börse Group welcomes the opportunity to comment on EBA’s Consultation Paper “Draft Implementing Technical Standards on Supervisory reporting requirements for large exposures (CP 51)” issued on 13 February 2012.

DBG is operating in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and as such mainly active with regulated Financial Market Infrastructure providers.

Among others, Clearstream Banking AG, Frankfurt/Main (CBF) and Clearstream Banking S.A., Luxembourg (CBL), who act as (I)CSD¹, are classified as credit institutions and are therefore within the scope of the European Capital Requirements Directive (CRD). Clearstream subgroup is supervised on a consolidated level as a financial holding group. Furthermore, Eurex Clearing AG as the leading European Central Counterparty (CCP) is also implicitly affected by CRD as it is treated as a credit institution under current German law and, as the future need for a banking license is currently also seen as being necessary in the context of EMIR, it will be within the full scope of CRD most likely also in the future.

This paper consists of a management summary / general comments (part B), responses to the questions for consultation (part C) and detailed comments on reporting templates (part D).

B. Management summary / general comments

The proposed ITS marks a further step towards a harmonized implementation of a uniform European reporting system. In view of the tight overall schedule regarding the implementation of the CRD IV requirements, we welcome EBA’s approach of an early consultation on the ITS. From an institution’s point of view, it is highly desirable to have a finalized ITS specified as soon as possible.

CRD II (Directive 2009/111/EC) already stated in Article 111 (2) that the competent authorities should apply uniform formats, frequencies and dates of reporting from 31 December 2012. To facilitate this, the Committee of European Banking Supervisors has been requested to elaborate guidelines to introduce a uniform reporting format within the Community before 1 January

¹ (International) Central Securities Depository

2012. In this context the reporting formats should be proportionate to the nature, scale and complexity of the credit institutions' activities. CEBS has taken up this responsibility and issued in 2009 respective guidelines². These CEBS guidelines now form the solid basis for CP 51.

Therefore, the proposed revised large exposure guidelines do in principle not address unexpected fundamental changes. However, some additional aspects have been incorporated into the proposal which differentiates it from the former CEBS guidelines. This is creating additional reporting burden and some topics for clarification. Furthermore, CRD IV in its current status proposes some (minor) changes content wise and the current CRD IV proposal still includes some rules for national discretion. In addition, late changes to CRD / CRR as well as changes to the technical standards / formats are expected. Those changes in relation to the underlying business and the technical requirements for data transmission and report structure will entail additional effort and implementation time.

We welcome the consideration of an adequate preparation period for the first reporting based on the final ITS once endorsed by the Commission. Contrary to our position on the implementation of COREP and FINREP (we refer to our reply to CP 50), based on our comments above we consider a first reporting reference date on large exposures as of 31 March 2013 to be less problematic. However, as the finalization of the legal framework (CRD and CRR) will most likely not occur before the second half of 2012, the assumptions of EBA as presented in the hearing on 20 February 2012 related to implementation timeline (existence of the final CRD and CRR by end of April) turn out to be unrealistic. Taking into account additional national steps for implementation of necessary technical transmission details and handling of counterparty IDs, the intended first reporting date 31 March 2013 (to be reported mid May 2013) is also unrealistic for large exposure reporting.

In addition, as it is the intention of EBA to put forward an integrated ITS (related to the Article 95, 96 and 383 CRR), we propose to align the first reporting reference date with the requirements of COREP (especially in case national interim solutions are introduced for COREP). Given the limited resources in regulatory reporting departments as well as the given cycles for any IT implementation, we want to point out that any change in reporting requirements leads to additional burden for the institutions and that implementation risks increase disproportionate the more the implementation time is reduced. In consequence, any reporting requirement should be limited

² CEBS guidelines on reporting requirements for the revised large exposures regime issued 11 December 2009.

to the content absolutely essential for supervisory purposes. Information requests for statistical purposes – which we see not being covered by CRD – should also be limited to the extent absolutely necessary. A more coordinated approach of regulators and supervisors of any kind as well as central banks and other requestors for statistical data with a long-range roadmap and an integrated reporting would be desirable in that context.

Moreover we would appreciate the one template approach instead of the proposed two template approach. Template LE 2 provides all necessary information on the composition of the group(s) of connected clients (identification of the single clients and the respective total net exposures). Template LE 1 ONLY sums up the individual detailed information. We therefore propose to waive template LE 1 in order to reduce data volumes and costs as well as sources for mistakes as a consequence of added complexity. The summary of the LE 2 data by group of connected clients can be done by both, the reporting institution and the supervisor based on their individual needs and in their desired formats (we refer to our consultation comment on CEBS Consultation Paper 26 in that regard).

Finally, we want to point out that the instructions for some items in Annex IX refer to the definitions of FINREP. The scope of Article 95 CRR is according to our understanding currently in discussion within the legislative process and FINREP will most likely be limited to IFRS groups only. As IFRS in principle will not be used elsewhere, references to FINREP will implicitly imply necessary IFRS know how which cannot be taken for granted. Therefore references to FINREP should be removed (see also our comments to CP 50, management summary and question 43).

C. Responses to the questions for consultation

1. 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.

An implementation period in a range of 6 to 12 months after the final publication of the ITS is considered appropriate taking into account the basis of the CEBS guidelines on reporting requirements for the revised large exposures regime which are already known since 11 December 2009. However, the additionally required details (NACE-code, residence of the counterparty, etc.) is adding complexity and will need further implementation time. We see the possibility to achieve synergies if COREP would be implemented in parallel.

The various parallel legislative procedures on different levels, which are currently underway and in discussion with nearly synchronous time schedules are challenging. These are for example (1) on EU level: CRD IV, EMIR, CSD-Regulation and MiFID-review; (2) on international level: CPSS-IOSCO principles for Financial Market Infrastructures and additional BCBS consultations; (3) technical standards (ITS and RTS) from EBA and ESMA; (4) on national level: adjustments to the regulatory and statistical reporting and implementation of the above mentioned changes. Due to these parallel activities and implementation efforts the proposed time schedule of the ITS on reporting is in our opinion generally unrealistic.

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

As we already report large exposures we cannot comment on this question. The implementation period and efforts strongly depend on the individual business, current IT infrastructure and available master data. Implementation time is supposed to be substantially larger compared to institutions currently already subject to large exposure rules.

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

No. In general the implementation efforts on an individual basis are less complex as on group level. On an individual basis the data processing and

building single client data and of groups of connected clients is less extensive. On consolidated basis the aggregation of client data or of data related to groups of connected clients is more complex as it needs to be grouped across legal entities using more IT-systems. Due to the higher degree of complexity and necessary aggregation steps, the implementation will take more time.

Annex VIII and Annex IX

4. Compared to previous versions of the large exposures templates are there additional reporting requirements which cause disproportionate costs?

Yes. All of the additional reporting requirements listed below create disproportionate costs. For details see also our comments on the reporting templates.

- Reporting of every exposure equal or larger than EUR 150 million
- Calculation of the percentage based on Article 384 (1) CRR
- Sector of the counterparty
- NACE-code group

A final estimation will only be possible, once the master data characteristics are fixed (see comments below).

5. Are the templates, related instructions and validation rules included in Annex VIII and Annex IX sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

In principle, they are structured clearly. However, content wise there are a couple of open topics related to the new fields introduced with this consultation (see our detailed comments below).

6. What are the cost implications of introducing a breakdown by residence of the counterparties?

The information on the country of residence is related to the counterparty as such. Like the sector of the counterparty and the NACE-code it is static value and no breakdown. In general the data in question is available (ISO Country Code). Preparation of the large exposure reporting is largely done using standard software. In consequence, we expect the existing data will be used to fill in the field in question without material costs.

The real costs will occur out of the complete implementation of the report. With the implementation of CRD IV, massive changes in the regulatory reporting software are expected and new software licenses will be required. Final prices of those licenses are depending (a) on final content of CRD / CRR and the EBA ITSs / RTSs and (b) technical requirements for the transmission language / taxonomy. Furthermore, as maintenance costs are usually a percentage of license fees expectations on future changes will also influence the price. Finally, the number of expected users is another determinant.

Therefore, any price estimation (i.e. costs from the institution’s perspective) is only possible once the final regulations and details mentioned above are available. Furthermore, test efforts are necessary and add costs to the implementation.

7. What are the cost implications of introducing a breakdown by sector of the counterparties?

The underlying information is principally available in the master data systems. However, the grouping of the information is new and additional information to do so is necessary prior to answering this question. Especially the term “General Governments” needs clarification as well as the allocation rules for specific undertakings being neither households nor corporations (see our detailed comments below). With regards to the potential cost estimation we refer to our comment on question 6, but due to aggregation and classification of existing data cost will be slightly higher than for country of residence information.

8. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?

In general, the data delivery by NACE-code group should be feasible for those particular exposures without significant costs. Nevertheless, we question the usage of the counterparty sector and the NACE-code as two separate fields. Since the NACE-code already indicates the client’s sector we suggest reporting the NACE-code for all the clients, but not their sector. In order to get some granularity as deemed necessary, the level of granularity could vary for those counterparties as specifically listed in the current proposed sector table.

9. Would other classifications be more suitable or cost efficient?

In principle the breakdown by NACE-code group gives some meaningful detail. Nevertheless, we refer to our comment in question 8 related to further breakdowns and want to repeat our general approach to rather limit the level of detail requested.

D. Detailed comments on reporting templates

Template LE 1 / LE 2	
Column	Comment
020	<p>Code: <i>“The actual composition of the code depends on the national reporting system unless a uniform codification is available on EU level.”</i></p> <p>In order to avoid costly country specific implementations we recommend introducing a European identification/master data system to be implemented in parallel to the new large exposure reporting. As this will need substantial lead time a shift of the first time reporting to 2014 or even later is necessary.</p>
050	<p>It is our understanding that for a group of connected clients the sector has to be used which has been determined for the parent company (and not the sector of the main activity which might not be known). In other cases - as stated in the explanatory note –again the sector of the entity the reporting undertaking has the biggest exposure with should be used (same comment also for column 060).</p> <p>In addition, we need clarification for the following points:</p> <ul style="list-style-type: none"> • Are “General Governments” the central governments and the regional governments, or only central governments? • To which sector belong local authorities, public sector entities, non for profit organisations, social insurances, associations, multilateral development banks, international organisations, etc.?
070	<p>The term “original exposure” is not defined in CRR. Article 378 defines the term “exposure” for the purpose of the large exposure regime. In case the gross value of those exposures prior to any risk mitigation or weighting is meant here this should be expressed clearly in the final ITS.</p>
090	<p>The wording “debt instruments” seems not ideal to us. It is commonly used for debt securities. Despite this, we are missing an</p>

	<p>explanation where other exposures not being loans and advances or debt securities are to be shown.</p> <p>The link to FINREP has to be deleted (see also our comment in the management summary) and needs to be replaced by dedicated definitions.</p>
100	<p>The link to FINREP has to be deleted (see also our comment in the management summary) and needs to be replaced by dedicated definitions.</p>
150-190	<p>From our point of view the additional instructions to this point are not clear enough. Examples would be helpful for clarification.</p>
200	<p>For us the treatment of collaterals or guaranties eligible for substitution related to schemes with underlying assets for which a look-through approach has been used according to Article 379 (7) of CRR is unclear.</p>
330	<p>The wording of the additional instructions has to be adjusted. Article 389 of CRR exempts defined positions from the large exposure limit only and not for the large exposure <u>regime</u> in general. A general exemption is stated in Article 379 (6) CRR.</p>

We hope our comments are seen as a useful contribution to the discussion and final issuance on the respective ITS is reflecting our comments made.

Eschborn

26 March 2012

Jürgen Hillen

Matthias Oßmann