

## CRD 4: Introduction of New Supervisory Reporting Requirements (formerly known as ‘CoRep’)



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To achieve a high level of harmonisation and convergence in supervisory reporting requirements, the CRD 4 proposal contains, in a number of articles, specific mandates for the European Banking Authority (“EBA”), allowing it to develop draft Implementing Technical Standards (“ITS”) specific to supervisory reporting requirements.

On the 20<sup>th</sup> December 2011, the EBA published a consultation paper on draft ITS.

These new reporting requirements were the focus of the avantage December 2011 business breakfast, which was recently held in London. Contributions from the EBA, the UK Financial Services Authority (“FSA”), and avantage subject matter specialists highlighted regulatory expectations, industry developments and subsequent challenges.<sup>1</sup>

### Background

In January 2006, the Committee of European Banking Supervisors (“CEBS”; now, the EBA) issued guidelines on **prudential reporting** with the aim of developing a supervisory reporting framework based on common formats across Europe (known as “CoRep” for Common Reporting). CoRep covered consolidated, sub-consolidated and solo reporting of the capital

requirements and own funds based on the Capital Requirements Directive (“CRD”).

In December 2005, CEBS had previously issued guidelines on a **financial reporting** framework (“FinRep”) for credit institutions using International Financial Reporting Standards (“IFRS”) for their published financial statements.

The original CoRep and FinRep guidelines were subsequently updated to incorporate CRD 2 and CRD 3 amendments and IFRS amendments, respectively.

European Member States had the option to adopt CoRep/FinRep or to adopt domestic reporting requirements.

CRD 4 will now require all Member States to adopt common supervisory reporting requirements. In addition, CRD 4 extends the scope of the requirements significantly beyond existing CoRep’s requirements; it actually incorporates many of the FinRep requirements within the scope of **prudential reporting**.

The business breakfast meeting confirmed that the forthcoming CRD 4 supervisory reporting requirements:

- will require a significant evolution of existing governance, processes, data and systems within firms, which already use CoRep/FinRep (e.g., in Belgium, Germany, Luxembourg); and
- will require fundamental and onerous transformation for firms that do not yet use CoRep/FinRep (e.g., in the UK).

### Scope of the New Supervisory Reporting Requirements

The ITS will apply to all institutions subject to supervision under the Capital Requirements Regulation (“CRR”), i.e. credit institutions and certain investment firms.

As proposed under CRD 4, the scope would be significantly wider than the current CoRep requirements to include the following:

- Own funds and financial information (Article 95);
- Losses stemming from lending collateralised by immovable property (Article 96);
- Large exposures (Article 383);
- Liquidity reporting (Article 403); and
- Leverage ratio (Article 417).

The EBA consultation paper only relates to Articles 95 and 96 of the CRR. The templates on large exposures are not yet finalised and are expected to be ready for industry consultation in Q1/2012. It is still unclear when

<sup>1</sup> The presentations are available at [www.avantage.eu.com](http://www.avantage.eu.com).

liquidity reporting and leverage ratio templates will be issued.

Based on the expected application date (detailed in a section later in this paper), this timeframe leaves very little time for firms to implement the requirements. The business breakfast meeting confirmed that both regulators and industry practitioners are recommending to take pre-emptive action based on the expected regulatory requirements.

## Main Features of the New Supervisory Requirements

### Applicability in Member States

The ITS will be adopted as a Regulation. EU regulations are binding and directly applicable in all Member States. This means that, on the date of its entry into force, the ITS will become part of the national law of the Member States, leaving little room for national discretion and adaptation.

### Level of Application of Financial Information

As noted above, the scope and level of application of the ITS follows the scope and level of application of the CRR, regardless if they are subject to consolidated reporting or not. For example:

- A UK-headquartered bank with a US subsidiary will be required to report both on a solo and consolidated basis; and
- A US-headquartered bank with a UK subsidiary will be required to report on a solo basis in the UK.

However, the requirements regarding **financial information** (opposed to **prudential information**) as set out in the consultation paper are limited to credit institutions and only apply on a consolidated basis. The EBA noted that 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.

### Reporting Reference and Remittance Dates

The ITS sets out that reporting reference dates will be:

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

In a number of Member States, this may require moving reporting periods from Accounting Reference Date to

calendar quarters. In the UK, for example, it is estimated that ca. 500 firms will be affected by this change.

### Submission of Data

The ITS sets out that Firms will be required to report in accordance with the 'data point model' and 'XBRL taxonomies':

- The data point model is a structured representation of the data, identifying all business concepts and validation rules; and
- The XBRL taxonomies are IT reporting formats expressing the semantic meaning of reporting requirements included in the ITS.

These prescriptive data and taxonomy requirements will have a significant impact on data model and system requirements.

### Application Date

It is envisaged that firms will be required to comply with CRD 4 from the 1<sup>st</sup> January 2013. The first regular reporting period thereafter will be Q1/2013 with the first reporting reference date being the 31<sup>st</sup> March 2013.

Firms will be required to submit their regulatory returns as of 31<sup>st</sup> March 2013 to national authorities by Monday 13<sup>th</sup> May 2013.

It is noted that any change in the effective date of CRD 4 will impact the above dates related to the ITS timeline.

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