

Common Reporting Framework (COREP) - FAQs

1. What is COREP?

Common Reporting (COREP) is the standardized reporting framework issued by the European Banking Authority (EBA) for the Capital Requirements Directive reporting. It covers credit risk, market risk, operational risk, own funds and capital adequacy ratios. This reporting framework has been adopted by almost 30 European countries.

2. When does it come into effect?

The FSA has mandated that all regulated organizations in the UK use COREP to make their regular statutory reports from 1 July 2013 (subject to change). COREP will apply to all firms who are regulated under BIPRU, the FSAs prudential sourcebook for Banks, Building Societies and Investment Firms.

3. How does it affect you?

Some data items will be replaced by COREP while others will continue to leverage existing BIPRU reporting. Those items that are likely to follow COREP include reports on capital adequacy, credit, market and operational risk, large exposures and securitization.

All institutions will need to increase the volume of data they report from approximately 2000 data elements to more than 10000 for larger banks. Additionally, the quality and robustness of data you report will need to be enhanced while you will need to generate reports more frequently.

Finally, it looks likely that XBRL will be the new reporting taxonomy for COREP and the FSA is likely to mandate its use as well.

4. What do I need to do?

Migrating to COREP will not be easy given the importance of the reports generated. Like any significant business and technology project, it needs to be planned, managed and executed well. Initially the business needs to understand how it currently reports, where the required data resides and how granular that data is.

Once there is a clear picture of where the organization is starting from – which will be easier for some organizations than for others – then it is possible to develop a gap analysis to define the steps needed to get the right data into the right data model to deliver COREP, on time and on budget.

A critical issue around COREP is that it requires more granular information, which may mean the organization reviewing what data it collects for reporting purposes. Identifying the additional data that needs to be collected and changing the reporting model can add significantly to the implementation timetable.

Finally there is the issue of maintaining the COREP reporting model as the regulatory environment evolves. The COREP reporting model, with its central place within Basel III, will evolve as regulators look to enhance the global regulatory regime and reduce the scope for regulatory arbitrage.

Given the complexity and importance of implementing COREP, organizations will need to decide whether their existing reporting infrastructure is adequate. Certainly those that report using MS Excel spreadsheets will need to think very carefully whether their model can handle the significantly deeper level of data granularity required. Others who use staff extensively to generate reports may also want to consider whether they can justify the additional headcount to manage the greater scale of reporting that COREP will demand.

5. How can Moody's Analytics Help?

Moody's Analytics can help organizations adopt COREP using its award-winning regulatory reporting solution. It uses automation to deliver better quality reports, more quickly and more cost effectively and contains all of the current COREP reports mandated by the European Banking Authority.

The regulatory reporting solution delivers:

- » Native management of the XBRL COREP taxonomy required for FSA submission.
- » Advanced top-down and bottom-up audit capabilities are available, to provide counterparty or exposure level information.
- » Out of the box validity checks to ensure consistency and accuracy of the data reported and to comply with FSA requirements.
- » "Plug and play" to natively integrate regulatory reporting with Basel II/III regulatory risk and liquidity calculation engines.
- » COREP reports for different consolidation levels (for example group vs solo reports).
- » Extend the regulatory reporting solution to deliver a comprehensive enterprise regulatory reporting framework, encompassing capital adequacy and liquidity risk.

For further information go to www.moodyanalytics.com/COREPUK2011 or email regulatoryreporting@moody.com.