

# Are you ready for COREP?

**N**ew regulatory requirements are being enforced across the globe more rapidly than ever before. The implementation of Basel III, economic uncertainty and the efforts of G20 nations to gain greater control over global financial services are bringing an end to “light touch” regulation. The information firms must supply will become more extensive and detailed, and reporting deadlines will become more challenging to meet due the size and complexity of submitted data sets.

In Europe, a new regulatory body—the European Banking Authority (EBA)—is implementing common reporting formats to support harmonization of European Union (EU) regulations. COREP (Common Reporting) guidelines will take effect in 2014. While COREP is already mandated in many European countries, in the U.K., it introduces significant changes compared to existing Financial Services Authority (FSA) requirements.

The depth of information required is far greater than what U.K. financial institutions have previously supplied. For example, compared to the single breakdown by credit risk approach and exposure class required by FSA004, COREP credit risk schedules require additional breakdowns by exposure type, risk weighting percentage and calculation history.

Fundamentally, COREP will require firms to disclose to regulators the same depth and breadth of information that should be available to the firm’s senior management for internal management and control purposes.

## MOVING TO A MORE HOLISTIC VIEW

Currently, many firms deliver regulatory reporting data from a “black box.” At the same time, internal management reports that offer more qualitative analysis are derived from alternative systems and data sources. The big challenge is in reconciling these two reporting strands to provide regulators with data that provides a more comprehensive understanding of the firm’s business. Reporting must offer a more holistic view of the risk being taken, not just provide position disclosure. To this end, firms will need to prove that their decisions and investments are prudent, and that they understood their regulatory impact at the time of trade. Firms will need to show how they arrived at certain numbers, not just produce them, and ensure that all their internal controls are adequate to handle increased regulatory supervision.

This means they will need systems that enable them to drill down into the data that lies behind their reports and be able to explain how they derived the



## BACKGROUND ON COREP

The scope of COREP encompasses the following:

- Funds and financial information (Article 95 of the Capital Requirements Directive)
- Mortgage losses (Article 96)
- Large exposures (Article 383)
- Liquidity reporting (Article 403)
- Leverage ratio (Article 417)

In December 2011, the EBA published a consultation paper (CP50) on draft technical standards specific to the supervisory reporting requirements. These will apply to all financial institutions subject to supervision under the Capital Requirements Regulation (CRR), i.e., all credit institutions and certain investment firms.

This was followed in February 2012 by CP51, covering the proposed reporting requirements related to large exposures, and CP05 and CP06 in June 2012, covering liquidity reporting and leverage ratio, respectively.

At present the text of the directive is yet to be finalized, and the proposed COREP reporting templates are expected to be subject to some further revision as part of this process.

There is also continuing uncertainty around when the new reporting requirements will take effect.

information provided. To achieve this, firms will need to break down reporting silos and eliminate offline processes, such as the use of spreadsheets. Major regulatory change is also being introduced much more rapidly than ever before. This poses a huge challenge, requiring firms to implement solutions to meet the new reporting requirements in an extremely short timeframe.

## COREP AND rFRAME

CGI's regulatory experts have been monitoring the changes planned under CRD IV since the proposed legislation was first published by the European Commission in 2011. We also have been assessing the detailed reporting requirements defined by COREP technical standards as the EBA has published its consultation papers.

Since late 2011, we have had a development program underway to implement the necessary enhancements and extensions to our rFRAME regulatory reporting solution to support the new reporting requirements. Although the requirements have yet to be finalized, we have proceeded on the basis of the proposals, with additional development iterations planned to accommodate changes we expect to see when the requirements are eventually finalized.

This means we are well positioned to support our clients when the new requirements take effect. We have been holding workshops with our clients to share information relating to the new requirements and to explain how we will be implementing these within the rFRAME solution framework, evidence of the value we place on shared learning and active customer participation in solution development.

We are also working closely with our clients to ensure they are fully prepared, particularly in terms of the additional data they will need to capture from their source systems to support COREP's more granular reporting demands.

## A POSITIVE OUTLOOK

rFRAME enables firms to drill down into the data that underpins their regulatory reports. They can see the steps taken and decisions made in the creation of reports. rFRAME supports supervisory reporting, financial reporting, statistical reporting, and internal management reporting and analysis from a single data feed, reconciling the external and internal views of a firm's business and providing a holistic view.

It enables firms to take advantage of the new regulatory requirements and derive real business intelligence from their reporting data. Most importantly, rFRAME offers a competitive advantage. Firms that can prove to regulators they have stringent internal processes in place and are sensibly managing their risk may find that fewer constraints are placed on them in terms of capital requirements than their competitors.

Ultimately, the shake-up of the U.K. financial system is just part of a wider global market adjustment. By implementing a regulatory reporting solution like rFRAME that is adaptable, scalable and boosts transparency, firms can stay on top of ever increasing regulatory demands, gain a competitive advantage and improve their overall performance.

## ABOUT CGI

With 69,000 professionals operating in 400 offices in 40 countries, CGI fosters local accountability for client success while bringing global delivery capabilities to clients' front doors. Founded in 1976, CGI applies a disciplined delivery approach that has achieved an industry-leading track record of on-time, on-budget projects. Our high-quality business consulting, systems integration and outsourcing services help clients leverage current investments while adopting new technology and business strategies that achieve top and bottom line results. As a demonstration of our commitment, our average client satisfaction score for the past 10 years has measured consistently higher than 9 out of 10.

For more information about rFRAME, email us at [info@cgi.com](mailto:info@cgi.com).