	Comments Template on Proposal for Quantitative Reporting Templates for Financial Stability Purposes	Deadline 20 February 2012
The International Securities Lending Association:	The International Securities Lending Association (ISLA)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public

Please follow the following instructions for filling in the template:

⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool

⇨ Leave the last column empty.

⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty.

⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.

　　o In spreadsheets & LOGs, certain cell number may seem like they are missing (ex : going directly from cell B1 to cell B3); this is normal, as they may refer to a previously existing cell that has been deleted during informal consultations, and cell numberings have not been changed for interal consistency purposes

　　o If your comment refers to multiple cells or paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other cells or paragraphs this also applies.

　　o If your comment refers to subparagraphs or specific cells within a group, please indicate this in the comment itself.

Please send the completed template, in Word Format, to

cp-011@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.

The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the accompanying spreadsheets and LOGs.

Template comments

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Reference	**Comment**
General Comment	We respond specifically on the requirements for reporting templates D5 and D6. D5 is designed to capture all securities lending and repo activity and D6 is designed to capture all collateral activity across all activities. For the purposes of our response we restrict our comments to the impact these templates have on securities lending activity. Our comments are relevant to both QRT for Financial Stability purposes and for Supervisory Reporting and Public Disclosure Requirements and we would like to take this opportunity to comment on both on behalf of our members. We note that the reporting is designed to capture all activity during the reporting period. Whilst the rationale for this is understood it is unlikely to be an effective way of reviewing risk as once the information is compiled it will be necessary to re-aggregate open loans applicable to any particular day to do this meaningfully. Having taken some specific case studies from our members based on the current reporting templates and requirements a single lending client could be generating 500,000+ lines of data per month for the securities lending template and multiple more for the collateral template D6. When extrapolated out across all lenders and their clients of qualifying size we believe it is not unreasonable to estimate that the industry as a whole is being asked to produce over 50,000,000 lines of data monthly. We do not believe this represents useful transparency, in fact, quite the reverse. It should also be noted that tese numbers may increase significantly if the re-investment of cash held as collateral is required to be detailed in D6. The risk with this detailed, all inclusive approach to reporting is that lenders will not be able "to see the woods for the trees" and in our opinion this is not the most effective way of monitoring securities lending risk. We would propose instead that the detailed reporting be undertaken on a periodic basis (to coincide with the insurer's existing reporting responsibilities such as for QRT), but to include open	

	loan transactions only. This would essentially provide an accurate and timely snap-shot of any securities lending exposures. To avoid any concern that the risk profile of the insurer was materially different between reporting dates, the insurer could require additional reporting of daily total securities lending exposures and collateral values. The principle with this approach would be to provide the insurer with a combination of periodic detailed reporting, supplemented with more frequent and useful summary information. We also believe that this approach be combined with a strong emphasis on Pillar 2 principles, ensuring that securities lending activities are managed effectively as part of an established risk management framework. Whilst regulatory authorities could take the view that the cost of complying with detailed and high volume reporting requirements are one-off in nature we are concerned that the costs of creating such large reports and then developing the capabilities to make sense of them are unduly high, and the benefits unclear.	
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3.6	We have some concerns relating to specific fields within the QRT templates and seek further clarification in respect of these : **D5 template :** **Field A6 (and others)** The provision of data for the population of templates D5 and D6 (and indeed many of the other QRT's, is likely to come from multiple sources including custodians, investment managers, agent	

lenders and triparty collaeral managers. Accurate cross country and cross template analysis will only be possible if there is a consistent approach to codes such as CIC'c and issuer codes, both within eact insurer's reporting and across insurers.

As there is no consistent approach to CIC calculation and issuer codes vary dependant on the vendor used to supply them, we would like to request that EIOPA provides clarification and standards for these codes.

Field A8

 Collateral is not assigned to specific loans and to do so would unnecessarily reduce the insurers' flexibility to rely on collateral held. Many lenders take diversified pools of collateral (such as cash, government bonds, liquid equities etc.) and we assume that this field would be populated with each of the codes that are relevant rather than just one which would require each loan to be broken down by some arbitrary allocation of collateral

Field A9 and A10

"Near leg" and "far leg" are concepts that do not apply to securities lending transactions. They are more relevant to Government bond repo (and certain swaps transactions) where it is possible to calculate the value of a far leg from the opening market value of the transaction with reference to the agreed repo rate. We would suggest that these are replaced with a requirement to report the market value of the loan as of the reporting date.

D6 template: The template requires the same level of detail that would be required on an insurer's long investment portfolio. Whilst it is obviously important that the insurer understands the collateral they are receiving it should be noted that collateral is held for different reasons than the longer term investment portfolio (as a second line of defence to mitigate counterparty credit risk) and this in turn may mean that the insurer may accept individual collateral securities that may not ordinarily be part of its main investment portfolio. This means that some of the static data and coding that an insurer would maintain for compliance with its broader insurance regulatory reporting requirements, may not be maintained by the securities lending and triparty agents it employs for securities lending and

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	collateral management. This would entail new system developments but more importantly we question the need or benefit in some of the required reporting for securities held as collateral	
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7.1 Q2		
7.1 Q3		
7.1 Q4		
7.1 Q5		
Technical Annex		
FS 1 - A1		
FS 1 – A2		
FS 1 – A3		
FS 1 – A4		
FS 1 – A5		
FS 1 – A6		
FS 1 – A7		
FS 1 – A8		
FS 1 – A9		
Overview FS Needs - all tab		
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Cover - A1Q- cell I1		
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OF - B1Q- cell A51		
OF - B1Q- cell B51		
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OF - B1Q- cell D51		
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MCR - B4B- cell A31		
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TP -E1Q- cell Q13		
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TP - E1Q- cell **Q13**		
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Re - J2- cell Y1		
Re - J2- cell AG1		
Re - J2- cell AP1		
Re - J3- cell B1		
Re - J3- cell N1		
Re - J3- cell O1		
Re - J3- cell S1		

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