

**EBA CONSULTATION PAPER ON DRAFT I.T.S. ON
SUPERVISORY REPORTING REQUIREMENTS FOR INSTITUTIONS (CP 50)**

KEY POINTS

- The industry fully supports the European Commission's aim to achieve a Single rulebook.
- It has grave concerns about the magnitude of the changes that are being proposed. We recommend organising a permanent dialogue with the industry.
- The proposed timing for the implementation of the proposal as well as the proposed remittance dates need to be reviewed.
- The proposals are flawed from a legal point of view to the extent that the Consultation Paper fails to explain why the information that it proposes to collect is needed, and also because the use that the Consultation Paper proposes to make of the principle of proportionality does not respect some basic principles of EU Law nor established jurisprudence of the European Supervisory Authorities.
- The FINREP requirements should be imposed only on institutions that prepare their consolidated financial statements on the basis of IFRS and should, moreover, be aligned to International Financial Reporting Standards (IFRS).
- The national discretions which the proposals seek to introduce need to be removed.
- The option whether to use XBRL for reporting purposes should rest with the firms and, therefore, not with their competent supervisor. A uniform solution should be elaborated in the area of electronic signatures.
- It would be advisable for the EBA to seek assistance from an external consultant to make an assessment of the precise impact of the various building blocks of the proposed framework.

I. GENERAL COMMENTS

1) The proposed harmonised approach is welcomed

The industry fully supports the European Commission's intention to achieve a Single rulebook and, therefore, strongly welcomes the Consultation Paper for agreeing that the proposed implementing technical standard "*will be part of the single rulebook enhancing regulatory harmonisation in Europe with the particular aim of specifying uniform formats, frequencies and dates of prudential reporting as well as IT solutions to be applied by credit institutions and investment firms in Europe.*" (page 4). As the Paper highlights, "*uniform reporting requirements are necessary to ensure fair conditions of competition between comparable groups of credit institutions and investment firms and will lead to more efficient for institutions and more convergence of supervisory practices.*" (page 4)

If properly designed, uniform reporting can significantly enhance the efficiency of reporting processes, particularly where cross-border firms are concerned.

2) The Magnitude of the Proposed New Reporting Framework

Introduction

From an IT-perspective, the magnitude of the Project that the Consultation Paper is proposing is extraordinary.

To avoid any misunderstanding, it may be useful highlighting from the very outset that the industry fully subscribes to the ultimate objective that the Consultation Paper proposes to achieve: the current EU reporting requirements need to go through a basic overhaul to satisfy the information needs of the Authorities, which the financial crisis has made apparent. The ultimate objective should be that Authorities be provided with more and better information which should, moreover, be provided in a more timely and frequent way.

The basic concern that the industry has with the Consultation Paper is that it proposes adopting a "big bang" approach when introducing the changes that are needed, instead of going through a well-considered staggered approach. It needs to be said loud and clear: from a practical point of view, those proposals are unrealistic; even if firms would have unlimited resources to try and make the proposed overhaul happen, this cannot possibly be implemented as planned by the Authorities as introducing the required changes inevitably takes time.

To summarise: ***the challenge with which firms are being faced to meet the proposed requirements is not merely an issue of resources but also, and foremost, a timing issue!***

The industry would like to encourage EU Authorities to engage into a dialogue with the industry to develop a common vision on the future of reporting requirements. The industry stands ready to

support an efficient approach to organising reporting streams by providing them with practical insight into the reporting processes within banks, including their limits and constraints.

COREP & (Supervisory) FINREP

As mentioned above, we strongly welcome the Consultation Paper for proposing to introduce a COREP and (supervisory) FINREP framework that will be harmonised across the EU. Clearly, this is what the industry has called for.

It must be noted, nevertheless, that the proposals which are being made in this respect may constitute a challenge for many firms. It should indeed not be overlooked that the COREP and FINREP guidelines that CEBS had produced, were not mandatory. As a consequence, COREP and/or FINREP have not been implemented in some Member States whereas, in those Member States in which they were implemented, the CEBS guidelines have often been implemented in a flexible way. This will need to change: because of the Single rulebook requirements, we fully agree that flexibility as to the implementation of the harmonised set of requirements can no longer be tolerated. It needs to be noted nevertheless that the preparation of the implementation of the COREP and (supervisory) FINREP requirements will demand substantial efforts from those firms that are not at full speed as yet in implementing the CEBS guidelines.

This being said, it must be recognised that this dimension of the proposed changeover is manageable (albeit not necessarily within the time-frame that is being proposed – see our comments below, under Section 3 of our General Comments).

(Systemic Risk) COREP & FINREP

It are the proposals which seek to bring the COREP/FINREP requirements in line with the information that may be needed to assess systemic risk that are at the core of the industry's main concerns.

Our impression is that the ESRB aims at collecting a large amount of data that it does not really need as yet to assess financial stability but merely because it considers the data as being “nice to have” when it would be faced with a possible next crisis. We strongly believe this to be one bridge too far. It needs to be kept in mind that, whilst we all agree on the need for Authorities to organise a system of macro-prudential supervision, it must be recognised that there is no general agreement as yet on what this really means – let alone on what information may be needed to support appropriate macro-prudential monitoring. Clearly, this is a new area which is still being explored by Authorities and academics. Yet, the ESRB appears to have decided to rush forward and start collecting any data that may possibly be useful, without having forged a considered opinion on what data is really needed to achieve its task.

The burden which the proposed approach imposes on the industry is far too disproportionate. This is mainly because the ESRB is seeking to collect transaction information which is currently not available in the accounting information systems that banks have build to meet financial reporting requirements. They go much beyond current accounting and prudential requirements.

As a consequence, the proposed requirements create a range of challenges. One example which is particularly illustrative is the template which is being proposed to submit information on the geographical distribution of IRB exposures by country, requires exposures to be reported under the following categories: “Central banks”, “General governments”, “Credit institutions”, “Other financial corporations”, “Corporates” and “Retail”. However, those categories are referring to the FINREP exposure categories which differ from the IRB (advanced approach) COREP categories which are: “Central governments and Central banks”, “Institutions”, “Corporates” and “Retail”. The differences between both perspectives are rather minimal; however, from an IT-perspective, the adaptations that need to be made to merely satisfy the new breakdown requirements are tremendous.

We question whether providing data according to the various breakdowns which are being proposed are really necessary for the ESRB to fulfil its tasks. The point that we wish to make is that Authorities need to be aware that producing data along those breakdowns requires a major overhaul of IT-systems. Today, transaction level details are maintained in IT-systems only to the extent that they are needed to satisfy capital calculations requirements (credit risk and market risk information details). What is now being proposed is that firms’ IT-systems would integrate details on a wide range of transactions which do not expose the firm to any credit or market risk. The implications in terms of IT-systems are extraordinary: databases which firms would be required to build would be enormous.

What the industry would like to propose is that the information which would be required for monitoring systemic risk would be put on hold for the time being. Inserting a regulatory pause as to systemic risk information which is not immediately needed, would enable the industry to enter into a dialogue with the ESRB on what its information needs are as well as about possible, more pragmatic alternative ways which may be available to satisfy them. Another major objective of such a dialogue would be to come to an agreement on possible milestones that could be set to meet those information needs over time.

3) The date of the first-time application of the Supervisory Reporting Framework needs to be postponed

The Consultation Paper mentions that EBA intends to submit its finalised draft technical standard to the European Commission for approval on 30 June 2012 and takes the view that firms will have to submit a first set of data related to the reference date of 31 March 2013 to national authorities by 13 May 2013 (page 5).

Firms do not have any precedent for providing a project of this scale of complexity in such a short timeframe. The proposed timing means that firms will not be given one full year to prepare themselves. This is not realistic.

- The proposed timing is particularly challenging to firms from those Member States which were not legally required to apply COREP and/or FINREP so far, or which have implemented the applicable framework(s) only partially.

- Furthermore, even those firms that are subject to the today's framework(s) will need sufficient time to prepare and test their IT-systems taking into account that the consultation paper proposes a range of new, challenging requirements that will require time to be integrated within firms' internal reporting systems.
- Finally, it needs to be borne in mind that the EBA is expected to issue a range of other Technical Standards touching upon other reporting streams (large exposures; liquidity; leverage ratio; etc.) which institutions should, ideally, be able to integrate in their reporting systems together instead of introducing them on a piecemeal basis. Additionally, firms are currently also working on a number of other regulatory change projects which are draining resources and putting a strain on the same human resources dealing with the COREP/FINREP requirements.

We strongly oppose in this context the argument which the supervisory community has advanced at the public hearing on the consultation according to which the future requirements would be sufficiently predictable to allow institutions to start adapting their IT-systems already today. Clearly, institutions cannot begin adapting their IT-systems before the requirements have been locked down, particularly taking into account that the Consultation Paper contains a range of mistakes that need to be rectified and, moreover, that many of the technical details of the proposals made in the Consultation Paper need additional clarification and the build-out of projects at firms will inevitably be delayed until there is sufficient clarity on what is precisely being asked for.

Against this backdrop, the industry believes that the new framework should become applicable only from 1 January 2014 onwards.

Pragmatic and workable solutions should be found to satisfy the information needs of the competent authorities in a less than perfect way in the meantime, without adding to the firms' administrative burden.

One option would be that each national supervisor would be authorised to impose interim solutions on the firms under their jurisdiction. The difficulty is, however, that such a solution would support cross-border institutions to a limited extent only, as it would imply that all their foreign subsidiaries would need to be made subject to temporary requirements which would differ from each other. As a consequence, cross-border institutions would be obliged to develop and implement IT-systems to cater for an interim reporting regime of six months.

At the same time, we fully understand that adjustments need to be made to solvency reporting (COREP) as of 1 January 2013 because of the new CRR requirements. [This does not apply to financial data, however.]

Against this backdrop, we would like to suggest the following:

- The entire ITS should enter into force on 1 January 2014, with national interim solutions being established for solvency reporting (COREP) as of 1 January 2013.
- A suitable interim solution should merely be based on the national status quo and, additionally, take into account changes to COREP that are made necessary by the CRR (e.g. reporting on own funds requirements).

- All changes which are not mandated by the CRR (e.g. in the area of securitisation) or by reporting requirements which were imposed under the old CEBS standards that have not been implemented to date at national level, should also only become binding as of 1 January 2014.

4) Remittance Dates need to be reconsidered

Because of the way in which the FINREP and COREP workstreams need to be organised and processed within firms to implement the proposals made in the Consultation Paper, the appropriate timing for submitting FINREP and COREP reports needs to be dealt with separately.

Another preliminary remark to be made is that the EBA should consider modulating the remittance period to the moment in time at which the reporting needs to be produced. Submissions that relate to annual information need to be produced together with a whole range of other reporting and disclosure requirements (Pillar III; SERP information; etc), which typically creates bottlenecks within the firms' reporting departments.

a) FINREP Remittance Dates

At least 45 working days will be necessary for submitting FINREP reporting on a consolidated level to ensure the quality of the reporting data.

Respecting such a minimum time frame is inevitable because FINREP information can be prepared only once the financial statements have been finalised and internally approved, externally audited and published. If the FINREP remittance dates would be set prior to the publication of the financial statements, firms would need to provide figures which are still under scrutiny and, therefore, still not final.

b) COREP Remittance Dates

- The industry notes that significant progress has been achieved on this issue as the Consultation Paper has accepted an argument which the industry had made at several occasions in the past: whereas, under the Basel I framework, it had been common practice for firms to prepare regulatory filings at an entity level first and at a consolidated level subsequently, this is no longer so under Basel II because the revised framework no longer relies exclusively on accounting data. Basel II has been build around risk-driven data and supposes this information to be collected from a centralised data-warehouse and, moreover, requires also treatment processes to be centralised at a group level (top-down approach). Furthermore, data need to be verified and reconciled at each level to verify if they are indeed consistent with the bank's accounting system and sound from a regulatory point of view (particularly if the accounting definition or measurement method differs from the regulatory definition or measurement method).

We, therefore, welcome the Consultation Paper for having relinquished the view which the European Supervisory Community had adopted previously to set COREP remittance dates at 20 business days for solo COREP and at 40 business days for consolidated COREP.

We strongly support the principle that banking groups should not be required to deliver data at a solo level before those which need to be delivered at a consolidated level.

- As to the specific remittance period that should apply, it needs to be highlighted that reporting volumes and reporting frequencies have been increased significantly.

Moreover, the new COREP framework requires providing information on (i) the contribution of each entity to the consolidated statements as well as (ii) the stand-alone position of the regulated entities (which need to be calculated by the entities concerned after the consolidation exercise has been finalised).

Moreover, and more importantly, capital requirements calculations are still based to a large extent on accountancy data.

- The information that needs to be provided on Own Funds typically must be reconciled with accounting information.
- Finding out to what extent Minority Interest can be included in the composition of a firm's Own Funds requires not only taking into account local capital ratios but local accounting information as well.
- Deduction of financial and insurance investments from capital must be reconciled with the accounting information.
- Excess or deficit of loan loss provisions over expected losses is based on accounting information.

Those examples sufficiently demonstrate that COREP templates cannot possibly be submitted to Authorities before FINREP data are available. They cannot, therefore, possibly be provided within a period of less than 45 working days.

Furthermore, once it is available, the firm needs to treat the accounting information to produce the COREP information which means, amongst others, making possible adjustments at solo level, the need of which has become apparent when preparing the group reports – which, in turn, requires time.

Against this backdrop, it would be appropriate to set the COREP remittance date at 50 working days.

- Anyway, it would be useful if the impact assessment that the EBA will need to submit to the European Commission, would also pay due attention to the remittance date issue. We would like to suggest, in particular, that the impact assessment would duly take into account that, if firms would need to provide the requirements within the timeframe which is being proposed in the Consultation Paper, the big cost to the supervisors and the industry would be related to the quality of the data that the Authorities would receive and, more particularly, to the range of steps that will inevitably need to be taken to rectify them.

5) The Consultation needs to explain why the various reporting requirements are being imposed

The Consultation Paper does not explain why the information that it proposes to collect is needed, nor who will make use of them and how.

Providing due explanations for the proposed requirements is, however, essential to make sure that the Single rulebook which the European Commission seeks to achieve – and of which the proposed Technical Standard will be an important building block - will be principles-based: EBA's Technical Standards should reflect a set of key policy objectives and, therefore, not rely on compromises reached between competent authorities for which no reasonable justification can be provided adopting an EU policy perspective.

Explaining the proposals is also necessary to safeguard due process requirements: in the absence of any justification as to the extent and depth of the various requirements that are being proposed, it is difficult, if not impossible, for stakeholders to challenge that the requirements are really needed and, moreover, to question if they are fit for purpose, or still, to come up with alternative proposals.

Furthermore, gaining an understanding of what the data will be used for will facilitate how firms approach the build and design of their systems and, therefore, fosters the efficiency of the reporting process.

Moreover, as set out in the legal analysis which is attached to the present comment letter, such explanations are, needed from a legal point of view, for various reasons (*see document D0378B-2012*). Please note that the attached legal analysis forms an integral part of our submission.

6) FINREP needs to be aligned to International Financial Reporting Standards (IFRS) and only reported by institutions that prepare their consolidated financial statements on the basis of IFRS

The industry is of the view that financial information should be reported to supervisory authorities only by institutions that do prepare their consolidated financial statements based on IFRS as required by EU Regulation (EC) No 1606/2002.

Moreover, FINREP should be drawn in accordance with IFRS as endorsed in the EU. This means, amongst others, that the FINREP terminology should be consistent with IFRS and that the use of options permitted under IFRS should be left to the institution. This is the only way to make sure that supervisory reporting remains in line with firms' accounting systems. Adopting another approach would not only generate considerable extra costs for firms but would also lead to differences between the figures presented in the prudential reports of financial statements and those shown in the financial statements themselves. Moreover, the Consultation Paper provides no justification why it would be appropriate for FINREP requirements to be out of line with IFRS.

We have elaborated on this issue in more detail in our answer to Question 33 below.

7) National Discretions

- a) As explained above, we strongly support the Consultation Paper for introducing uniform reporting across the EU as this is likely to significantly enhance the efficiency of reporting processes. We note, however, that the Consultation Paper nevertheless explicitly proposes introducing a national discretion concerning two areas:
- to determine the COREP reporting frequencies: the Principle of Proportionality would not apply automatically to the credit institutions fulfilling the three criteria listed in Article 5, Paragraph 2 as its application would, moreover, require the explicit approval from the competent authority. We have elaborated on this specific issue in the attached legal analysis which forms an integral part of our submission;
 - the IT solutions which are proposed are not uniform and, moreover, amount to introducing a national discretion as supervisory authorities are being provided with a possibility to make a choice between the two solutions that are being proposed. (We have elaborated on this specific issue below, under item 9 a, where we take the view that the choice should be left to the firms, and therefore not to supervisors.)

Because Article 95 of the Proposal for a Regulation on prudential requirements for credit institutions and investment firms does not provide the EBA with a mandate to introduce national discretions and, quite to the contrary, emphasises the need for uniformity, the Consultation Paper goes beyond the limits of the mandate that has been conferred to the EBA. Both proposals are, therefore, *ultra vires*.

- b) Moreover, the proposal made in Article 9 of the Consultation Paper is questionable from a Single rulebook perspective.

Today, the reporting of firms' financial information for supervisory reporting on a consolidated basis is being organised in differing ways across the European Union:

- In most Member States, firms are required to report financial information for supervisory reporting by applying IFRS. This hypothesis is being dealt with in Article 8.
- In some other Member States, in contrast, firms are required to report such data by applying national frameworks (even if they apply IFRS to their financial statements). This hypothesis is being dealt with in Article 9.

The Consultation Paper proposes to leave both options open to Member States. Article 9, in particular, would allow the competent authorities to require firms to report financial information for supervisory reporting on a consolidated basis by applying the national accounting framework. As a result, this provision would imply that institutions from those Member States would need to prepare:

- one set of consolidated financial statements in accordance with IFRS to comply with applicable accounting standards;

- an additional set of consolidated financial statements in accordance with local GAAP merely to satisfy FINREP supervisory requirements.

As explained above, we strongly believe that FINREP should be drawn in accordance with IFRS as endorsed in the EU. The hypothesis which is being envisaged in Article 9 is, therefore, a non-issue from our point of view.

However, if the EU Authorities would not share our view, we believe that Article 9 should nevertheless be amended and that, more particularly, consolidated FINREP reports based on national GAAP should not be required if an institution prepares consolidated financial statements based on IFRS. The reasons are as follows:

- adopting an EU policy perspective, there is no reasonable justification for requiring from firms which prepare their financial statements in accordance with IFRS, to set up a parallel accounting information systems in accordance with national GAAP merely to satisfy supervisory FINREP requirements;
- imposing such an additional administrative burden on firms from those Member States constitute an artificial obstacle to the Internal Market in financial services;
- Article 9 is in contradiction with the statement made in the Consultation Paper's Explanatory Memorandum that "*uniform reporting requirements are necessary to ensure fair conditions of competition between comparable groups of credit institutions.*"

8) Proportionality

The attached legal analysis extensively examines the proposals which the Consultation Paper has made in respect of a proportionate application of the proposed requirements (see document D0378B).

- It takes the view that the Consultation Paper needs to underpin the proposals that it makes concerning a proportionate application of the requirements by referring to the objective(s) underlying the reporting requirements.
- It strongly opposes the Consultation paper for having proposed, in violation of the EU Treaty, to apply the Principle of Proportionality by distinguishing between institutions which are active on a cross-border basis and those which are merely active in one single Member State.
- Finally, it disagrees with the Consultation Paper where it proposes making use of the Principle of Proportionality as a materiality threshold on the ground that, within a principles-based environment, the Principle cannot be used to exempt any entity from its obligations but only to allow for their proportionate application

Please note that the attached legal analysis forms an integral part of our submission.

The industry would like to suggest that the EBA would explore if there would be other ways to make use of the Principle of Proportionality to the benefit of smaller institutions. We would like to refer in particular to the proposal made by FEBELFIN some time ago that the EBA would prepare a specific, limited COREP package for institutions which only develop a limited range of activities.

Asset management firms, leasing companies or institutions involved in the factoring business – to mention some typical examples – are merely concerned by a limited number of COREP templates. Yet the EBA proposal is to oblige those firms to analyse pages and pages of templates to find out precisely which ones are relevant to them – despite the fact that their resources are extremely limited. We believe that it would be extremely helpful to those firms if EBA were to develop a COREP package that would include only those templates that are relevant to their specific activities.

It should be examined if it would be possible to develop a revised COREP package which would include only those templates that are relevant to institutions which are exclusively undertaking retail activities.

9) IT-Solutions

a) XBRL

The business community will benefit from a generalised introduction of XBRL as it contributes to reducing manual processes and significantly increasing the data quality. However, it should be up to each individual company to decide on the timing of integrating XBRL within its internal systems.

An extended use of XBRL across the business community is clearly the way forward. Therefore, the business community expects European Authorities to pave the way for a larger usage of XBRL by providing the right incentives and, at the very least, by restraining from lifting obstacles to the use of XBRL.

Against this backdrop, we profoundly disagree with the proposal made in the Consultation Paper that it should be up to each individual EU supervisory authority to decide if it is prepared to accept the XBRL format. The applicable IT-solution should provide an incentive to firms (and regulators) to switch-over to XBRL. This can be achieved by allowing firms – and, therefore, not their competent supervisor – to operate a choice between the two IT solutions which the Consultation Paper proposes to make available.

It needs to be observed, moreover, that the solution which the Consultation Paper proposes would create an additional burden for groups which have subsidiaries in several Member States and would, therefore, create an obstacle to a proper functioning of the Internal Market.

b) Electronic Signatures

Article 95 of the Proposal for a Regulation on prudential requirements for credit institutions instructs the EBA to develop uniform IT solutions to be applied to reporting requirements.

The notion of “IT solutions” also covers electronic signatures. Today, each supervisor imposes its own type of electronic signature which obliges institutions to use a different type of electronic

signature depending on the supervisor to whom it needs to report. We do not believe this to be in accordance with the Single rulebook which the European Commission aims to achieve. We conclude from this that, by overlooking this specific issue, the Consultation Paper has not satisfied the requirement which Article 95 imposes on the EBA.

If the final version of the Consultation Paper would not deliver a uniform electronic signature, as required, it should at the very least accept that the type of electronic signature which the home country supervisor imposes needs to be accepted by every host supervisor.

10) EBA Impact Assessment

We are not convinced that the EBA has sufficient human resources available internally to assess the impact which the proposed ITS will have, particularly on firms' information systems (cost and timing wise). We would, therefore, like to encourage the EBA to hire an external consultant to analyse the potential impact of the various building blocks of the proposed framework.

II. QUESTIONS FOR CONSULTATION

Article 2 Definitions, Subject matter and scope

1. How would you assess the cost impact of using only the CRR scope of consolidation for supervisory reporting of financial information?

For firms that already produce detailed financial statements on the CRR scope for supervisory purposes, there will be no additional cost involved. However, with regards to those countries where FINREP is not yet implemented, significant cost are envisaged given that the change of the scope of consolidation vis-à-vis the IFRS annual accounts will require technical changes to the banking systems and reporting process at a very detailed level.

FINREP reports contain mainly figures that are generated under IFRS. All internal chains are based upon IFRS consolidation. When using CRD consolidation, new set of reporting will be introduced including previously excluded subsidiaries and deconsolidating subsidiaries which do not fall under CRR scope. As the generated information have no use internally, double reporting system will be created solely for regulatory purposes.

The significance of this issue varies across Europe since the resulting data based on IFRS or CRR scope of consolidation do not diverge to the same extent in all Member States. In our view, only large insurance subsidiaries or special purpose entities are likely to have a substantial effect on the figures. However, for an important number of firms that prepare IFRS financial statements, while performance indicators may not diverge substantially¹, impact on firms processes will be significant given the considerable number of units that need to be consolidated.

One major difference between the two consolidation scopes is that IFRS determine the basis of consolidation using a materiality criterion which does not exist in the same way in the prudential regime. As a result, a number of units which are not consolidated under IFRSs have to be included in the basis of consolidation for prudential purposes. The same applies for differing interpretations of the control criterion. Under IFRSs, control over subsidiaries is deemed to exist only if it is actually exercised. Under the prudential regime, an ability to control is sufficient. So while prudential consolidation requires the inclusion of all subsidiaries in which holdings exceed 50%, it is not necessarily the case under accounting consolidation.

The method of consolidation also gives rise to differences. Proportional consolidation will no longer be permitted after 2013 under IFRSs. The prudential regime, by contrast, allows full consolidation, proportional consolidation and the equity method. Insurance companies are explicitly excluded from the scope of consolidation for prudential purposes. A number of special purpose vehicles must be consolidated according to IFRS, but not under the prudential regime. And while the regulatory definition of a banking group excludes non-financial companies, such

¹ Testing performed by some firms have shown that the difference in total assets depending on whether they are calculated on a prudential or accounting basis of consolidation is sometimes less than 5%.

companies have to be consolidated for accounting purposes if they meet the IFRS definition of control.

There are therefore two possible scenarios, each posing its own challenges.

- First, a unit may have to be consolidated for accounting, but not for prudential purposes. In this case, it will have to be filtered out from the entity's group accounts. The deconsolidation process will affect not only the unit that needs to be removed, but also any other subsidiaries which, though remaining in the scope of consolidation for prudential purposes, have conducted intercompany transactions with the segregated unit.
- Should a unit have to be consolidated for prudential but not for accounting purposes, no IFRS measurements will exist. IFRS valuation rules will have to be used to calculate figures purely for the purpose of regulatory reporting. Intercompany transactions with other subsidiaries will have to be identified and the entire consolidation process will have to be carried out.

This shows that adjusting the scope of consolidation for prudential purposes is a highly complex and costly undertaking. In large groups, several hundred units are involved. It must be borne in mind, moreover, that this is not a one-off process since the composition of a group can vary considerably over time.

We, therefore, expect the impact assessment which the EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and to include a range of possible alternative solutions.

2. Please specify cost implications if parts 1 and 2 of Annex III and of Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation.

Considerable additional cost is envisaged should the accounting scope of consolidation be used in addition to the CRR scope of consolidation. FINREP templates are not designed for non CRR activities, like those of insurance companies. Adding data from insurance companies will reduce the readability and understandability of FINREP templates.

Firms do not collect data for activities of the Group that are not subject to Basel requirements at the level of detail requested, such as breakdown of financial assets by counterparty for the insurance activity.

Current sub-consolidation would have to be changed into a consolidation based on single entity level. Risk databases will have to include insurance activities and these would also need to be included into the COREP/FINREP reconciliation only for FINREP purposes. Given the high amount of requested data, the costs are anticipated to be significant.

The industry also believes it would bring very few added value to regulators and, therefore, not justify the significant costs implied for firms. In addition, the information is already available in the IFRS annual accounts published by firms. Producing two sets of FINREP report must be avoided.

Article 3 Reporting reference and remittance dates

- 3. Financial information will also be used on a cross-border level and aggregated at European level, requiring adjustments to enable comparability. How would you assess the impact if the last sentence of Article 3(2) referred to the calendar year instead of the accounting year?**

Remittance days should be calculated from the first day of the accounting year, not calendar year.

CHAPTER 2

Reporting reference and remittance dates

- 4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?**

We have dealt with this question above, under General Comments, Section 4.

a) FINREP

A preliminary comment to be made here is that we strongly believe that FINREP should not be applied at individual level.

Furthermore, as explained, at least 45 working days will be necessary for FINREP reporting on a consolidated level to ensure the quality of the reporting data (both at consolidated and solo level).

For the annual reporting, FINREP's remittance dates should be aligned to the publication of financial reports.

b) COREP

As explained, remittance dates for COREP data to be delivered at solo and consolidated level need to be aligned: banking groups should not be required to deliver data at a solo level before those which need to be delivered at a consolidated level.

Moreover, the following needs to be kept in mind:

- as capital requirements calculations are still based to a large extent on accountancy data, COREP templates cannot possibly be submitted to Authorities before FINREP information is available.

- once accounting information is available, the firm needs to treat it to produce the COREP information, which means, amongst others, making possible adjustments at a solo level, the need of which has become apparent when preparing the group reports – which, in turn, requires time.

As a result, correct solo data cannot possibly be provided before consolidated data.

5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?

a) FINREP

As stated above, we strongly believe that FINREP should not be applied at solo level. As a consequence, this question is not relevant for FINREP.

b) COREP

If banking groups were to be required to deliver COREP data at a solo level before those which need to be delivered at a consolidated level, it cannot be ensured that adjustments which need to be made on the basis of the consolidated statements are accounted for on solo level. As a result, the data that they will provide to their regulators may not be correct and may, therefore, need to be rectified subsequently to take into account adjustments to be made at solo level which have become apparent when preparing the group reports. It would be counter-productive to organise the process in such a way.

6. When would be the earliest point in time to submit audited figures?

A distinction needs to be made between COREP and FINREP reporting.

a) COREP

We note that the supervisory community is increasingly becoming focused on the need to involve the audit profession to review the quality of risk disclosures. However, as the Roundtable on Risk Disclosures which the Financial Stability Board organised in Basel on 9 December 2011 has revealed, many stakeholders (including some of the authorities) tend to be critical in respect of such a move, for various reasons. One of the main issues is confusion about the extent and scope of audit coverage of non-accounting data.

Furthermore, involving external auditors would inevitably slow down the data delivery process.

b) FINREP

FINREP templates should not be audited. As FINREP templates are very detailed, auditors would need to go through relatively much effort to certify those details - on top of the work that they have already undertaken to verify the firm's financial statements.

Here again, involving external auditors would inevitably slow down the data delivery process.

7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?

The major difficulty is that in most institutions the same people are involved in the preparation of all the internal and external reports. As a matter of fact, for the annual closing, firms have to provide many different reports to regulators and other public authorities (including tax authorities), bank's management, public auditors and market stakeholders. This work impacts the same team responsible for quarterly (or internal monthly) reports. The increased amount of requested data and the required level of detail as well as the shortening of remittance deadlines makes it very difficult, if not impossible, for the same team to provide regulators with the requested data within the proposed timeframe.

Also, if all the reports were to be submitted on the same day, this would be an onerous requirement for firms in terms of ensuring internal sign-off was obtained from the appropriate internal office.

As a consequence, annual deadlines should be extended and, as answered in the question above, FINREP figures should be made available after IFRS annual accounts are finalised.

Conflicts between remittance deadlines could be mitigated by allowing longer remittance periods for annual and bi-annual figures.

CHAPTER 3

Format and frequency of reporting on own funds requirements and financial information

Section 1: Format and frequency of reporting on own funds requirements

- 8. Do the proposed criteria lead to a reduced reporting burden?**
- 9. What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please also specify the number of countries that would be covered with the proposed threshold as well as the total number of countries per exposure class.**
- 10. What would be the cost implications if the second threshold of Article 5 (1) (c) (ii) were deleted?**

As these questions are related they are answered together.

In principle, we support introducing materiality thresholds which would exempt all institutions from reporting the geographical distribution of exposures inherent in a non-significant international portfolio under the Internal Rating Based Approach. However, such thresholds need to be conceived in an appropriate way.

- The Consultation Paper proposes using a first threshold under which “non-domestic” exposures (in all “non-domestic” countries in all exposures classes) are equal or higher than 10% of total original exposures (“domestic” + “non-domestic” in all exposure classes).

Our understanding is that, if this threshold is not being met, the institution is not required to provide any indication on its geographical exposure. It may be useful confirming this in an unambiguous way.

We explain below (under Q 11 to 13) why we believe some of the components of the proposed threshold to be unclear.

- The Consultation Paper proposes using a second threshold which is meant to restrict the number of countries that non-exempted institutions need to mention when reporting on the geographical distribution of their exposures. More specifically, information on the geographical distribution would need to be submitted only in respect of those countries with total exposures of equal or higher than 0,5% of total exposures (“domestic + “non domestic”).

As this means that non-exempted institutions need to calculate the geographical distribution of exposures anyway (i.e. to find out which country exposures precisely they need to report), this second threshold does not reduce the reporting burden in a significant way.

More importantly, the design of this threshold contributes to increasing the administrative burden as it is dynamic – meaning that the outcome depends on calculations that need to be made every year (in contrast to a static approach, under which it is known in advance how many countries will need to be included and, moreover, which specific countries precisely). As a result, producing the outcomes would increase IT implementation costs significantly.

11. Is the calculation of the (first) threshold sufficiently clear?

12. Do the provisions of Article 5 (2) lead to a reduced reporting burden for small domestic institutions?

13. Is the calculation of the (second) threshold sufficiently clear?

As these questions are related they are answered together.

The concepts which the Consultation Paper uses are not always clear and questions remain concerning the precise composition of the exposures concerned, such as:.

- (i) Does the concept of “exposures” include exposures in the investment portfolio or the securitisation portfolio as well?
- (ii) Would firms be allowed to net exposures of an opposite sign? How would hedging activities be integrated in the calculations?

14. Competent Authorities are obliged to disclose data on the national banking sector’ s total assets as part of the supervisory disclosure. Do you find these publications sufficient to calculate the proposed threshold?

Competent authorities will require a process and will need to set criteria to make ‘prior decisions’. Will different competent authorities have similar processes and will the timing of publication be similar?

15. What would be the cost implications if information on own funds as put forward in Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions?

We first wish to point out that we are strongly opposed to a monthly submission of CA templates.

Apart from the fact that monthly reporting delivers very little additional insight due to rarely changing figures, we believe that such reporting is not possible purely for process-related reasons. To complete the templates with the prescribed frequency, all solvency reporting processes would have to run in parallel on a monthly basis:

- a) the complete RWA calculation;
- b) the comparison of expected loss with loan-loss provisions
- c) the reporting of interim profits from the accounting data repositories;
- d) the reporting of new securities issues;
- e) where groups with several subsidiaries are concerned, delivery of the data would take several days depending on the type of data repository (centralised, decentralised) used, so that not even a full month would be available to those individual subsidiaries to prepare the figures.

As a result, restricting monthly reporting to the CA templates would not ease the burden of the firms in any way. Monthly reporting calls, in addition, for a highly accurate database, which, in turn, would lead to higher monthly accounting and reporting process requirements. This would ultimately mean that the existing IT capacities would have to be utilised non-stop; there would be no pauses to allow checks or quality management. In addition, such a requirement would result in an absurd situation: at least parallel to the remittance period for quarterly reporting, the next reports on own funds would already have to be processed.

We hope that the above makes the impact of the requirement sufficiently clear. Whilst a precise cost estimate was not possible within the short time available, our preliminary assessment is that

the process-related costs would at least treble. There would also be a certain amount of additional overheads, as various data, e.g. from the accounting data repositories, is not automatically available.

Monthly reporting would in any event increase the cost significantly.

It may be useful adding that many institutions have put in place processes to monitor in a pragmatic way the solvency ratio's on a monthly basis.

Section 2: Format and frequency of reporting on financial information on a consolidated basis

Articles 8 &9 Format and frequency of reporting on financial information on a consolidated basis

16. Are there specific situations where this approach (differentiating between institutions using IFRS and national accounting frameworks for supervisory reporting purposes) would not be applicable?

We strongly believe that FINREP should be reported on the basis of IFRS and only be required for institutions that prepare their consolidated financial statements in accordance with IFRS.

We have commented on Article 9 in our General Comments, Section 7 (b), in an extensive way.

17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?

We have commented on this issue in our General Comments, Section 2, in an extensive way.

We have also suggested in our General Comments, Section 10, that the EBA would hire an external consultant to analyse the potential impact of the various building blocks of the proposed requirements on IT-systems.

18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly.

Any decrease in the frequency of the reporting reduces the burden although the initial investments need to be done anyhow.

However, paragraphs 8(2) and 9(2) refer to two tables 10.2 and 10.3 which given the total amount of around 60 tables cannot be considered as reduction of reporting burden. In addition, as mentioned above, we believe tables 10.2 and 10.3 should be deleted.

In general, we would like to suggest that the EBA would distinguish between the set of tables containing (core) information that would be required quarterly and another set of tables (with non-core information) that would be required on an annual or semi-annual basis. Please refer to our comments on Annex III (*see D0375A-2012*) and our views on which requirements should be reported with which frequency.

19. What is your general assessment of applying reporting standards regarding financial information on an individual level?

As there is no harmonisation of the underlying accounting standards we strongly believe that EBA should not require reporting of financial information on an individual level. The introduction of FINREP on solo level would lead to double reporting standards in countries where IFRS is not allowed at solo level or where institutions are allowed to use IFRS in financial statements but are not exempted from filling local GAAP accounts.

Firms in many countries already produce a detailed monthly reporting based on individual level that are however not reconcilable with FINREP requirements.

20. How would you assess costs and benefits of applying the ITS requirements regarding financial information on an individual level? (Please assess the impact for the two scenarios (i) application of parts 1 and 2 of Annex III and Annex IV on an individual level (ii) application of parts 1 to 4 of Annex III and Annex IV on an individual level (ii) Would there be obstacles for applying reporting on an individual level?

We would like to reiterate that, in contrast to what is being suggested in the question, the challenge with which firms are being faced to meet the proposed requirements is not merely an issue of resources but also a timing issue (see our General Comments, Section 2)!

Anyway, producing FINREP on an individual level would be extremely costly if no local reporting is deleted. It would create heavy reporting burden and may not cover the various statistical requirements that would still need to be reported in different formats.

21. If the proposal was to be extended, what implementation time would be needed?

Should FINREP framework be extended at individual level, impact and potential conflicts between removal of the local reporting that is considered necessary and the implementation of new framework should be analysed first.

CHAPTER 4

Lending collateralised by immovable property

Many of the proposed reporting requirements on losses stemming from lending collateralised by immovable property are most unclear about what is being asked for.

CHAPTER 5

Format and frequency of reporting on large exposures

We note that a quarterly frequency is being proposed in this regard.

CHAPTER 6

IT solutions

22. What cost implications would arise if the use of XBRL taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?

- We would like to reiterate that, in contrast to what is being suggested in the question, the challenge with which firms are being faced to meet the proposed requirements is not merely an issue of resources but also a timing issue (see our General Comments, Section 2)!
- It needs to be observed, firstly, that institutions wishing to use XBRL would need to have the reporting tables with the ITS and the XBRL taxonomy available at the same time in order to have a correct project process.
- The use of XBRL would relieve the burden of those institutions even more if the taxonomy which EBA is developing would be supplied with a set of language labels in both the English and the reporting country's native language as this would facilitate both the understanding and monitoring of reporting across the entire banking group. It would allow local staff to operate in their native language and all cross-border communication to be conducted in English. Labelling in the different languages and a taxonomy issued by EBA will thus to a very large extent eliminate the possibility of misunderstandings due to language problems and, not in the least, local varieties of the taxonomy.
- Finally, we also like to refer to the comments made above (under General Comments, 7. IT-Solutions): it should be left to the institutions to decide if they use XBRL in all jurisdictions. Such a measure would in particular reduce the costs of cross-border firms which have integrated XBRL into their systems, due to significantly smaller costs in developing and maintaining the appropriate IT systems.

Article 13 Final provisions

23. How would you assess the cost implications of the following two options?

We would like to reiterate firstly that, in contrast to what is being suggested in the question, the challenge with which firms are being faced to meet the proposed requirements is not merely an issue of resources but also a timing issue (see our General Comments, Section 2)!

(1) Implement the ITS as of the first possible reference date (31/03/2013)

Meeting the proposed implementation date of 31/03/2013 is impossible due to:

- the number of data required
- non-availability of the data at present time
- necessity to connect risk and accounting databases
- necessity to build up the reconciliation processes
- need to have a final text of the CRR adopted

Given the magnitude of the project and the large amount of requirements that needs to be implemented, the reforms that are needed to IT systems is substantial. Gathering the required information and adapting firms systems in the way that the new reporting requirements can be fulfilled will, therefore, be a major challenge. Some firms have reported that the amount of data reported in FINREP is expected to increase four times compared to current reporting requirements of their national supervisory authority.

The EBA should take into consideration that institutions can only adjust their systems and processes once the requirements are clear. Institutions cannot build systems based on interim documents, as this would substantially increase overall cost.

Also, this consultation should be seen in the context of other ITS that the EBA is developing such as leverage ratio, liquidity reporting, large exposures reporting that will impact firms' resources and the capabilities of the firms to process and implement these new standards.

(2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2013

The proposed delay will not be sufficient. Also, the first implementation date should be aligned with annual reporting.

A delay of the implementation of the ITS to 30/09/2013 is not useful as the new FINREP reports require detailed information on profit or loss data. This data has to be collected starting from the beginning of the year, i.e. the systems for collecting this data have to be in place as of 1st of January, no matter if the first report is due in March or in September. Therefore, only a delay to January 2014 is feasible.

However, as there are no new IFRS requirements to justify the changes in FINREP, we would like to ask the EBA to consider postponement of the implementation date to 2015 that would allow inclusion of the changes stemming from the new IFRS requirements and avoid subsequent changes shortly after.

24. 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.

We see 1 January 2014 as the first possible implementation date provided that the EBA will submit the finalised ITS draft to the Commission for approval on 30 June 2012 based on the final version of the CRR, and redundant or irrelevant tables will be removed.

The mix of financial data and risk elements represents a problem in many institutions, given that information from risk systems need to be used in FINREP and vice versa, and the risk and accounting databases are not always interlinked. Firms would need to create automatic interlinking between risk and accounting databases and collect additional information that is not available today. The mix of risk and financial data requirements prolong the necessary implementation period.

Alternatively, a transition period with a phased approach could be considered. Own Funds templates could be implemented as proposed in the consultation document as could be today's FINREP's "core templates". This will ensure the compliance with the CRR and grant institution's sufficient time to implement additional templates.

25. What would be the minimum implementation period required for institutions already subject to FINREP reporting to implement the financial reporting described in

Given the amount of required changes, it would represent the same amount of work irrespective of whether an institution already applies COREP and FINREP or not. As a consequence, a minimum of 1.5 year would be necessary for implementation provided the templates and taxonomy are made available.

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

The cost and implementation time for the first time adopters would not be that different from those who are already using FINREP.

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

We do not believe FINREP should be implemented at individual level (please refer to our answer to question 19). The implementation date would depend on how similar the FINREP requirements are to the financial statements. However, the mix of risk and finance data, plus the specific FINREP requirements that are not required by the IFRS or national accounting rules prolong the implementation period. It is estimated that up to 2 years may be necessary.

Annex I (COREP templates) and Annex II (Reporting on own funds requirements)

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors - displayed in the COREP templates as grey/blocked cells) reduce the reporting burden?

They do reduce the reporting burden and we would, therefore, welcome an increased use of the “grey cells” approach, wherever possible.

It needs to be noted, however, that the relief which is being provided is rather limited taking into account that, to some extent, institutions must nevertheless calculate figures for restricted cells to be able to report in non-restricted cells.

29. Compared to previous versions of the COREP templates are there additional reporting requirements which cause disproportionate costs?

- We would like to reiterate firstly that, in contrast to what is being suggested in the question, the challenge with which firms are being faced to meet the proposed requirements is not so much an issue of resources but rather a timing issue (see our General Comments, Section 2)!
- As explained above - see our General Comments, Section 2 – it will be a huge challenge to implement in firms’ IT-systems the new geographical and currency breakdowns as the information which is being requested in this respect is not available today.
- What is being proposed concerning securitisations transactions raises several concerns
 - (i) The Consultation Paper proposes that all securitisations be reported, regardless of whether there has been an effective risk transfer. We do not believe this to be appropriate for the following reasons.
 - Exposure values and capital requirements for transactions without effective risk transfer are not calculated under the securitisation framework but in accordance with the rules for non-securitisations in the banking book. It would be inappropriate to include such positions in a template which applies only the securitisation framework.

- Those transactions are already covered by the other credit risk templates. The proposed method would therefore result in double counting, thus overstating the actual risk carried by institutions.
- (ii) At present, institutions are required to report on securitisations which they enter into as originators or sponsors. The Consultation Paper proposes extending those reporting requirements to investors in securitisation tranches. This will place a substantial additional burden on all investors. We would therefore like to propose some ways of reducing the associated costs to a level commensurate with the associated prudential benefits.
- The first problem is that the information required in the SEC Details template is available in firms' databases only for transactions purchased on the basis of the CRD II regime. It would be very difficult to generate this information for prior investments. For this reason, we would suggest grandfathering all transactions initiated before 31 December 2010.
 - Secondly, all institutions have exposures in their books which have been written down or reduced in some other way to such an extent that they no longer pose a relevant risk. We, therefore, consider it essential, having cost-benefit considerations in mind, introducing a materiality threshold. In our view, transactions with an EAD of less than 100,000 EUR should not have to be reported in the SEC
- (iii) Some positions are entered into as cross-currency swaps or interest rate support for SPVs rather than for investment purposes. The same applies when institutions make servicer accounts available. Transactions of this kind should also be exempt from reporting requirements.
- (iv) We are particularly critical as to the proposal to require firms to report ratings at inception as it would be extremely onerous to acquire and maintain data on the rating of a securitisation tranche on its initial issue. Furthermore, we believe supervisors would gain minimal insight from this information.

Monitoring the possible migration of a tranches' rating over time is not, in itself, a particularly useful exercise since it provides no indication of who bears any losses. The institution holding the tranche may have purchased it at its current rating, in which case the loss would be borne by a previous investor. It cannot be inferred from the template what rating the tranche carried when purchased by the current investing institution, so it is not possible to allocate the loss arising from a deterioration in rating.

Reporting the rating of the tranche at the time of purchase by the institution would also have limited informational value because the size of an institution's share in a tranche normally varies over time. This raises the question of how to determine the rating of such a tranche. An average level would have to be calculated, but this would be watered down by actual migration.

Nor would information about the granularity and the seniority of a securitisation exposure at the time of purchase offer any additional insight.

Conclusion: we advocate dispensing with these reports. It would be absolutely essential, at the very least, to introduce grandfathering arrangements for existing positions. This is because the initial rating of positions purchased long after their issue date is frequently no longer known.

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

Our understanding is that our member associations/firms have provided a wide range of examples in their submissions of instructions that are not sufficiently clear.

31. CR IRB – What is your assessment of cost implications of the new lines for “large regulated financial entities and to unregulated financial entities”? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

We would like to suggest that EBA would provide an updated list of such entities in real-time.

32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

To gather such information is associated with very high costs.

Annex III, Annex IV and Annex V

Annex III – Templates for reporting financial information according to IFRS

Annex IV - Templates for reporting financial information according to national accounting frameworks

Annex V – Instruction for reporting financial information

33. Are the templates included in Annex III and Annex IV and the related instructions included in Annex V sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

We strongly believe that financial information should be drawn up in accordance with IFRS as endorsed in the EU if an institution does prepare its consolidated financial statements based on IFRS as required by EU Regulation (EC) No 1606/2002.

While it is understandable that FINREP needs to be aligned with the actual version of the IFRS standards, the EBA should pay attention to the ongoing IASB discussions to avoid that costly changes will be made which will apply only for a very short time period or become redundant by the time of the implementation day. The requirements that are likely to be changed in short terms should therefore be as simple as possible.

The terminology in FINREP should be consistent with IFRS. In some instances, non-endorsed standards are used as a reference (e.g. IFRS 13) in other cases references are not up to date (e.g. reference to IAS 19 before 2011 revision or in reference to equity or to non-controlling interest or minority interest).

If the FINREP approach differs from the IFRS, this would not only generate considerable extra costs for firms but would also lead to differences between the figures presented in the prudential reports of financial statements and those shown in the financial statements themselves.

For example, under IFRS 7 disclosures related to financial instruments are provided by classes. However, quantitative disclosures by classes are only relevant in the following areas:

- reconciliation of changes in the allowance account
- impairment loss
- disclosures of fair value
- disclosures for day one gains /losses
- disclosures for credit risk
- disclosures for financial assets that are not derecognised

When it comes to disclosures by classes the bank decides what constitutes the classes and how detailed the breakdown is based on the nature of the information disclosed.

From this perspective breakdowns required by FINREP cannot be considered as IFRS compliant in the area of disclosures for financial instruments given that:

- a) classes are determined by the bank but FINREP prescribes the exact breakdown or
- b) FINREP requires breakdown of items even when IFRS requires just a simple amount without further split or no disclosures at all

As regards b) we point out that following information concerning financial instruments is not required by IFRS:

- breakdown of interest income and expenses (Table 17.1)
- breakdown of net gains and losses on trading and FVO assets and liabilities (Tables 17.2, 17.3, 17.4, 17.5, 29.2)
- breakdown of fee income and expenses (Table 18)
- breakdowns for balance sheet items
 - held-for-trading financial assets and liabilities
 - FVO financial assets and liabilities
 - loans and advances

- debt securities, equity instruments, deposits, derivatives, short positions, debt securities issued

In some cases IFRS gives an option of applying different accounting policies. We fail to understand why FINREP does not respect this choice when determining specific policies to be applied (e.g. in the areas of dirty/clean price reporting for gains/losses on financial instruments at fair value through profit and loss, interest costs/expected return on post-employment benefits or presentation of tax effects of OCI items). We strongly believe it should be left to the entity to decide which of the options it uses. This is also clearly underpinned by CRR Article 94 which states that the valuation of assets and off-balance-sheet items shall be effected in accordance with the applicable accounting framework. We understand that CRR gives no power to the EBA to decide on the use of options granted by the applicable accounting framework. Use of options should be left to the institution as this is the only way reporting can be brought in line with firms' accounting systems.

Validation rules are not part of the tables. As a result it is often difficult to understand the structure of the tables. Especially it is not clear what the lines like "Total" relate to. We recommend adding the check sums and aggregated lines where these are missing.

The structure of the tables is not uniform regarding the lines for totals and the detailed lines which contribute to the totals. Sometimes the totals are below the detailed lines, sometimes above.

Different breakdowns are requested for similar items which makes data collection even more complicated. For example, table 3.5 (Available-for-sale financial assets) and table 3.8 (loans and receivables and held-to-maturity investments) both require a breakdown of loans and advances but in different detail. Details required in different breakdowns should be similar and limited to a feasible number

Please refer to our detailed comments on Annex III (*see D0375A-2012*). We would like to suggest creation of a joint workshop with EBA and industry representatives to review the tables in detail from the perspective of IFRS, technical perspective as well as in the context of relevance of the requested data. The industry is ready to contribute to such analysis, which in our view is necessary before any conclusions are drawn.

Template 10 (Annex III and Annex IV)

34. Do the provisions of Article 8 (3) and 9 (3) lead to a reduced reporting burden?

We agree that those proposals may result in a reduced reporting burden for smaller firms which have limited foreign exposures. For cross-border banking groups, in contrast, what is being proposed will not reduce the reporting burden.

It needs to be observed, however, that the proposed approach implies that a firm will inevitably need to calculate the geographical distribution of exposures to know which country exposures to

report, according to the thresholds. The reduced reporting burden is therefore limited as the geographical distribution of exposures still has to be calculated.

35. What are the cost implications of introducing a breakdown by individual countries and counterparties?

In general, the geographical breakdowns are very burdensome as they are not part of the normal accounting information flow. In addition, template 10 includes breakdowns on the basis of NACE codes, which is not part of the accounting information either. The combination of these two requirements is very challenging for the reporting firms and will result in considerable IT-costs.

We do not believe the benefits to exceed the additional costs for this information, especially considering there already is a geographical breakdown in Annex I, template 3.3b. *We, therefore, expect the impact assessment which the EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue and, in particular, to undertake a cost/benefit analysis of using, respectively, data that is available in accounting systems versus the proposed requirement.*

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

See our answer to question 35 above.

37. Would other classification be more suitable or cost efficient?

We would prefer that no geographical breakdown would be required. However, if it were nevertheless to be introduced, we would propose to base it on the country in which the entity is incorporated as such information is available in the accounting flow.

Some of the counterparty information in Annex III and IV are based on breakdowns required in COREP/CRD like NACE codes. Such breakdowns are not available in the existing accounting information. Mixing COREP/CRD breakdowns with accounting information will create significant challenges for firms as these are separate information flows based on different sources and not stored in common systems. Annex III has to some extent been adapted to the accounting terminology of IFRS, which we support. We would however encourage the EBA to go further down this route and try to eliminate the COPREP/CRD terminology and requirements in Annex III and instead focus more on the IFRS requirements that listed firms already have in their accounting information flow. The NACE codes are one example of information that should be deleted from Annex III.

It should rather be investigated if the EBA could use MFI or BIS information and skip this very burdensome reporting.

We, therefore, expect the impact assessment which the EBA will need to submit to the European Commission to elaborate specifically and extensively on this issue.

38. What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown?

Adopting such an approach would reduce costs significantly as there would not be a test to see which countries are above 0.5% and would only require splitting exposures into two “buckets” as opposed to potentially 10-15 “buckets”.

39. What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?

It is essential that this reporting is fully aligned with the ECB reporting. If not, it will result in duplicate reporting.

Template 14 (Annex III and Annex IV)

40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world?

The requested data are asked in COREP, in FINREP (under different format) but also on solo basis. This leads to inadequate duplication of work. In addition, we do not understand the rationale for asking this information on a consolidated level, most of all when it is already sent to supervisors and ECB at solo level.

While residence of the counterparty of risk exposure could be provided given that this information is used in the risk management, the residence of the liability holders is not known, in particular if traded on a market.

The breakdown of the interest margin by residence of the counterparty is a matter for cost accounting, not IFRS reporting.

See also our comments in the enclosure (see document D0375C-2012).

41. Would application of a materiality threshold similar to Article 8 (3) and 9 (3) (reporting the breakdown only if foreign exposures exceed 10 % of the total exposures) reduce reporting burden?

Not for the major firms as they operate in many countries, but would be beneficial to the smaller firms.

However, introducing a materiality threshold does not necessarily reduce the reporting burden given that firms will need to calculate the threshold to know if they are obliged to report .

42. What would be difference in cost implications if breakdown would be requested only with differentiation between domestic/ foreign or alternatively country by country with similar threshold than in Article 8 (3) and 9 (3) compared to the proposal in the Consultation Paper?

The domestic/foreign breakdown would be less expensive to achieve.

Templates for reporting financial information according to national accounting frameworks

43. Are there specific aspects of national accounting framework that has not been covered or not addressed properly in the templates?

Not relevant.

Instructions in Annex V

44. Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in held for trading portfolio?

Firms following the definition of IAS 39 in balance sheet will face huge problems in reconciling balance sheet subtotals and notes tables with FINREP opposite grouping.

The IAS 7 definition of cash equivalent does not follow the practice used in the published balance sheet. It is only used for the Statement of Cash Flows that is not meaningful for a financial institution.

45. How do you assess the impact of reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss always under interest income and interest expense?

The industry objects to the removal of the option to report interest items from trading items through profit and loss in gains and losses from these portfolios.

Trading portfolios are measured at fair value and that is the decisive factor when disclosing these items. This is how the systems have been built. The interest component in trading items is not relevant and, moreover, not even always that easy to define. Consequently in some firms' business models the market value of the future cash flows is decisive and, therefore, all future profit and loss cash flow items should be reported under Mark-to-Market valuation and all past profit and loss items at realised. The split between interest and other profit and loss items is irrelevant.

As a result, reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss would be a very artificial and expensive exercise without any economic or accounting relevance. We do not see any benefit of imposing such a requirement solely for FINREP purposes.

Also, making use of the trade date or settlement date for FINREP reporting purposes would be very costly for firms. The whole production of data will be impacted by this kind of changes and might not even be possible in some IT systems. In addition, this would be against the IFRS principles.

Enclosures:

- D0378B -2012 (Legal Analysis)
 - D0375C-2012 (Comments on specific FINREP templates)
-

ANNEX I

D0378B-2012

EBA CONSULTATION PAPER ON DRAFT I.T.S. ON SUPERVISORY REPORTING REQUIREMENTS FOR INSTITUTIONS (CP 50) - A Legal Analysis -

OVERVIEW

The legal analysis which is provided below aims to demonstrate:

- (i) why the final version of the ITS will need to include, in one way or another, an Explanatory Memorandum clarifying in a comprehensive way why the information that it proposes to collect is needed, who will make use of it and how (see Section I).
- (ii) that the criteria set out in the proposal to allow some institutions to report on own funds requirements with a semi-annual frequency (instead of with a quarterly frequency) need to be justified and, moreover, amended to bring them in line with the Treaty as well as the jurisprudence which the European Supervisory Community has developed over time, and, finally, that the final decision on whether reporting needs to be done with a semi-annual frequency cannot be made subject to the discretion of the competent authority (see Section II).

SECTION I:

AUTHORITIES MUST JUSTIFY THE SPECIFIC OBJECTIVE(S) OF REPORTING REQUIREMENTS

1) Introduction

- The Consultation Paper does not explain in a comprehensive way why the information that it proposes to collect is needed, nor who will make use of it and how. Such explanations are, however, needed from a legal point of view, for various reasons.

Firstly, they are needed to allow the firms on which the requirements are being imposed and, moreover, any judicial authority that may be called upon to review its legality to verify:

- if the proposed Implementing Technical Standard remains within the limit of the mandate that Article 95 of the Proposal for a Regulation on prudential requirements for credit institutions has conferred to EBA, and

- if it has correctly applied the Principle of Proportionality².

We will elaborate on both specific issues below.

- Moreover, we believe that the existing Principles of Administrative Law require secondary legislation to motivate and justify the requirements that it imposes and, in particular, where banks' reporting requirements are concerned, to provide a clear answer to the questions of why they are needed, who will make use of them and how³. This view appears to have been supported explicitly in Article 15(1) of the Treaty on the Functioning of the European Union which states that in order to promote good governance and ensure the participation of civil society, the Union institutions, bodies, offices and agencies shall conduct their work as openly as possible. The European Ombudsman has confirmed in its Decision closing his inquiry into complaint 2497/2010/FOR that this Article applies to the European Banking Authority as well, highlighting furthermore that the Authority should recognise the importance of transparency in terms of generating legitimacy and trust in its own operations.
- It needs to be observed, finally, that, from a legal perspective, reporting requirements need to be considered as a restriction to a firm's right to freely express itself and to freely communicate. Therefore, due attention needs to be given to Article 10 of the European Human Rights Convention – which is an integral part of European Community Law.

It follows from Article 10 that it tolerates restrictions to the freedom of expression provided that a triple test is being met:

- (i) reporting requirements must be imposed on the basis of a legal text;
- (ii) each specific reporting requirement must serve a (legitimate) purpose that is explicitly mentioned in the legal text (or, at the very least, can be derived from it in an implicit but unambiguous way);
- (iii) the data which authorities seek to collect must not be merely useful to achieve the pursued objective but must be shown to be necessary. Moreover, the restriction made must be proportionate to the objective that the reporting requirement pursues, and the reasons given to justify the need for data must be relevant and sufficient.

The European Court of Human Rights has taken the view that the party which imposes a restriction on the freedom of expression bears the burden of proving its legality.

It can be inferred from the text of Article 10 in an unambiguous way that a high-level explanation (such as “for financial stability reasons”) cannot suffice.

² This comment is valid both concerning the Principle of Proportionality referred to in the Treaty and the Principle of Proportionality referred to in Article 95 of the Proposal for a Regulation on prudential requirements for credit institutions.

³ This has been confirmed explicitly by the United Kingdom Financial Services Authority in its Discussion Paper entitled “Integrated Regulatory Reporting (IRR) for Deposit takers, principal position takers, and other investment firms subject to the Capital Requirements Directive and credit firms” (February 2005), Annex 2.

To conclude: Article 10 of the European Human Rights Convention imposes a duty on authorities to demonstrate that each of the reporting data which they seek to collect is necessary to achieve the objective which the reporting requirements pursue, and is also proportionate.

2) The EBA Implementing Technical Standard needs to demonstrate that it remains within the mandate provided by Article 95 of the CRR

- The legal basis of the Consultation Paper is, firstly, Article 95 of the Proposal for a Regulation on prudential requirements for credit institutions and credit firms.

This provision defines the limits of the mandate that it provides to EBA: the reporting requirements may concern only:

- own funds requirements for position risk;
- financial information (to the extent this is necessary to obtain a comprehensive view of the risk profile of an institution's activities).

The Consultation Paper, however, does not demonstrate that obtaining the financial information which it requires would indeed be relevant and necessary to achieve the pursued objective. No explanation is being given in the Consultation Paper on how the EBA expects financial information to contribute to obtaining a comprehensive view on an institution's risk profile – notwithstanding that, as mentioned above, the onus of the burden is on the EBA.

It follows automatically from the foregoing that the EBA has also failed to identify which of the FINREP templates that are being imposed, are meant specifically to allow each supervisor to obtain a comprehensive view on an institution's risk profile.

In the absence of any justification, institutions nor other interested parties are being provided with a possibility to verify if the data which authorities seek to collect are really necessary to achieve the pursued objective nor to verify if the restriction made to the freedom of expression and communication is indeed proportionate to the objective that the reporting requirement pursues.

- The text of Article 95, as proposed by the European Commission, had overlooked that the understanding had been for the EBA to use its Supervisory Reporting Framework also to collect (macro-prudential) data on behalf of the European Systemic Risk Board (ESRB). As a consequence, the EU Council took the initiative of making a proposal aiming at amending the proposed Regulation. According to the EU Council amendment, the Supervisory Reporting Framework “*shall also include financial information (...)to the extent that (...) EBA or the competent authorities consider this information necessary to obtain a view on the systemic risks posed by institutions to the financial sector or the real economy in accordance with Regulation (EU) No 1093/2010.*” As a result, the expectation is that the collection of this type of data will be given a sound legal basis.

However, the Consultation Paper fails to identify which of the FINREP templates that are being imposed, are specifically meant to allow the European Systemic Risk Board to obtain a view on the systemic risk posed by an institution.

It logically follows that the proposed Technical Standard also falls short of explaining how the FINREP data which is being collected on behalf of the ESRB may contribute to obtaining a view on the systemic risks posed by the institution.

In the absence of any justification in this regard, the FINREP requirements are in violation of Article 95 of the proposed Regulation and of Article 10 of the European Convention on Human Rights.

SECTION II:

THE USE MADE OF THE PRINCIPLE OF PROPORTIONALITY IN ARTICLE 5, PARAGRAPHS 2 AND 3

The Consultation Paper's Article 5, Paragraphs 2 and 3, proposes making use of the Principle of Proportionality (PoP) to allow some institutions to report on own funds requirements with a semi-annual frequency instead of with a quarterly frequency.

However, the use which the EBA proposes to make of the PoP raises a range of basic objections.

1. Authorities are required to justify the way in which they apply the PoP

The PoP is all about the relationship between objectives pursued by rules and regulations, on the one hand, and means which are being used to achieve those, on the other hand and, more particularly, about achieving a right balance between both.

From a logical point of view, the reasoning underlying the proportionality test requires considering and answering the following key questions.

- (i) What is the precise objective of the requirement under consideration?
- (ii) Is there a right balance between the requirement and the pursued objective when it is applied to a given entity (taking into account its size, internal organisation or any of the other of the proportionality criteria that may be applicable)? Is the requirement indeed proportionate to the pursued objective?

Any decision on the use which is being made of the PoP necessarily needs to answer each of those questions to be correct from a formal point of view.

Clearly, one may have some understanding for authorities skipping those steps because they believe the answers to be so obvious that they consider it to be totally superfluous to spell them out. The difficulty is, however, that, in the absence of explicit answers, stakeholders are being

deprived from the possibility to verify if the PoP has indeed been applied in a correct way. As a result, a perception of arbitrariness may be created, particularly in those instances where the answers to the questions referred to above are far from obvious.

This is illustrated by EBA's proposal on the reporting frequency which does not elaborate on the following basic questions:

- why are firms, in principle, being asked to report the required data with a quarterly frequency?
- why do firms, as a general rule, need to comply with all reporting requirements that are being proposed with a quarterly frequency, notwithstanding the fact that the various requirements serve differing objectives (i.e. to provide a view on an institution's risk profile or on the systemic risk posed by an institution)?
- why precisely would it be inappropriate to impose a quarterly frequency on those institutions benefiting from the PoP;
- why would a reduced, semi-annual frequency put those very institutions nevertheless in a position to achieve the objective(s) that the Technical Standard pursues;
- what is the specific relevance of each of the three criteria that Article 5 (3) asks competent authorities to take into account when deciding if a firm will be allowed to report with a semi-annual frequency..

2. The PoP must be applied in conformity with the EU Treaty

The Consultation Paper suggests applying the PoP by distinguishing between institutions which are active on a cross-border basis and those which are merely active in one Member State.⁴ The semi-annual reporting frequency would apply to the latter only.

However, one of the basic objectives of the EU Treaty is “*the creation of an area without internal frontiers*”, i.e. “*an internal market characterised by the abolition, as between Member States, of obstacles to the free movement of goods, persons, services and capital*”. It follows from this that, within the EU, one cannot possibly accept that the PoP would be put at use to treat solely domestic institutions and groups with no cross-border involvement in a more benign way (e.g. by making them subject to reporting frequencies that are more flexible). Adopting such an approach would imply to raising obstacles to the free movement of services within the EU as the mere fact that an institution would expand its activities to another Member States would result in them becoming *ipso facto* subject to regulatory requirements that are more burdensome.

As a result, the first two first criteria which are listed in the consultation paper are illegal.

⁴ This results from the two first criteria mentioned in Article 5, Paragraph 2: to be eligible for the PoP treatment, it is necessary that (a) the institution is not part of a group with subsidiaries or parent institutions located in jurisdictions other than the one of the competent authority and (b) the institution does not operate branches located in jurisdictions other than the one of the competent authority.

3. The PoP cannot be used as a materiality threshold

There are two possible ways to look at the PoP.

- a) As explained above, applying the PoP requires taking as a starting point the objective which is being pursued by a requirement under consideration. As a consequence, the PoP cannot possibly function in a proper way in a rules-based environment which, by definition, considers the underlying objective of a legal requirement to be a non-issue (from a strict legal perspective).

This does not mean, however, that it would not be possible for a rules-based legal system to take the PoP into account. The recommendations which the Basel Committee has provided in the area of Pillar 3 disclosures for remuneration – which are clearly rules-based as those recommendations merely consists of templates, without any explanation on their precise objectives being provided – illustrate this perfectly.

The Committee explicitly recognised “*that there is a broad spectrum of banks that are subject to Basel II and that the proposed disclosures may not be relevant for all such banks or for all their business lines*” and, in particular, that “*in certain jurisdictions, banks subject to Basel II may not be of sufficient size to have a separate Remuneration Committee, or may not have resources to implement a fully functional deferral and performance adjustment scheme.*”

However, the Committee did not conclude from these considerations that the PoP could be put at use to sustain the view that its rules-based recommendations needed to be applied to those banks in a more flexible way. Instead, the Committee merely accepted that the national authorities can make use of the PoP to determine the scope of application of its recommendations, i.e. by including thresholds of materiality or proportionality.

The EBA Consultation paper may have adopted a similar line of thought where it proposes to use a threshold⁵ as a decisive criterion determining the application of the semi-annual reporting frequency.

- b) Within a principles-based legal system, such as the EU legal framework, the PoP needs, however, to be used in a totally different way: in such an environment the PoP is all about adapting rules (in a proportionate way) to the nature, scale and complexity of the credit institution's activities – and not about exempting a specific class of credit institution from baseline requirements.

⁵ More particularly, the ratio of the individual balance sheet total of a particular institution using the Standardised Approach to calculate own funds requirements related to credit risk and the sum of individual balance sheet totals of all institutions under the competent authority’s supervision is below 1%. Balance sheet total figures shall be based on year-end figures for the year before the year preceding the reporting reference date (see page 16).

The proposal which is apparently being made in the Consultation Paper to make use of the PoP as a application threshold, contradicts the view which the European Supervisory Community has taken in the past: “*the principle of proportionality does not justify the non-application of any sort of requirements, i.e. it does not exempt any entity from its obligation, but conversely allows for their proportionate application*”⁶. It is also not in line with positions which the Committee of European Banking Supervisors has adopted in the past that “*the size of an institution alone is not a relevant criterion for the application of the proportionality principle*”⁷.

Instead, both CEBS and CEIOPS have emphasised in the past that, in assessing what is proportionate, the focus should be on the combination of all the mentioned criteria (size, internal organisation and the nature, scope and complexity of the activities)⁸.

4. The application of the PoP cannot be a matter of national discretion

The proposal made in the consultation paper is that the PoP would not apply automatically to the credit institutions fulfilling the three criteria listed in Article 5, Paragraph 2. Its application would require the approval of the competent authority. As a result, the consultation amounts at introducing a national discretion.

However, the legal basis of the consultation paper is Article 95 of the (Proposal for a) Regulation on prudential requirements for credit institutions and investment firms. As the Explanatory Memorandum to the Proposal clearly explains, one of its main objectives is precisely is to prevent diverging national requirements.

*“ (...) the current provisions include a significant number of options and discretions and allow Member States to impose stricter rules than those of Directives 2006/48/EC and Directive 2006/49/EC. This creates an unlevel playing field impeding the internal market and also hampers legal clarity. Since the previous codifications and recasts have not led to a reduction of divergence, it is necessary to adopt a Regulation in order to put in place uniform rules in all Member States with the aim of ensuring the good functioning of the internal market.”*⁹

Article 95 – which is the legal basis on which the consultation paper relies – does not explicitly authorise the EBA to make the use of the PoP dependent on a decision from national competent authorities.

The national discretion which the proposal seeks to introduce is, therefore, illegal.

⁶ 3L3 Task Force on Internal Governance, *Cross-sectoral stock-take and analysis of internal governance requirements*. 2009

⁷ CEBS, *Guidelines on Remuneration Policies and Practices* (December 2010).

⁸ CEBS, *Guidelines on Remuneration Policies and Practices* (December 2010). CEIOPS, CP24.

⁹ See under 4.1 Legal Basis, page 8.

ANNEX II

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ITS ON SUPERVISORY REPORTING – EBA CP 50

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
	ANNEX III			
	PART 1			
1	Balance Sheet Statement (Statement of Financial Position)			
1.1	Balance Sheet Statement: assets	<p>Introducing the cash equivalents as a line item of the balance sheet is not a good idea. Cash equivalents as defined in IAS 7 Statement of Cash Flows are an artificial category for the banking business. Such cash equivalents do not even reflect liquidity management practices by banks. We appreciate that EBA recognises the fact that cash flow statement does not bring any information value and does not require this statement in FINREP. Therefore, there is no reason to use any category typical of this statement that is not an IAS 39 category.</p> <p>As regards the interaction between cash equivalents and trading assets asked in the question 44 the relationship is very loose if any. Trading assets may have different holding period which does not coincide with the three month limit set by IAS 7 for cash equivalents. Some of the trading assets may even be held till maturity. Moreover IAS 7 definition of cash equivalents says that they are subject to an insignificant risk of changes in value. Trading assets are, on the contrary, held with an intention of profit taking from short term price fluctuations.</p> <p>Therefore, we propose to completely abandon the notion of cash equivalents in FINREP as it can be</p>	Quarterly	

		Comments	Frequency	To be deleted
		in opposition to distinction of financial assets into IAS 39 categories.		
1.2	Balance Sheet Statement: liabilities		Quarterly	
1.3	Balance Sheet Statement: equity	<p>IFRS does not distinguish between paid up and unpaid capital. Therefore, the items 030 „unpaid capital which has been called up“needs to be clearly explained.</p> <p>The part „other equity“should be explained in a better way in the part 2, paragraph 14 (Annex V). Do the contractual obligations that will or may result in the delivery of own equity instruments belong to the line “other capital instruments” or to the line “other”?</p> <p>We assume that the term “equity component of financial instruments” used in the explanatory text is equivalent to the “equity component of compound financial instruments” used in the table. But then the terms should be uniform. Furthermore, it should be made clear to what item equity entries arising from equity-settled share-based payments belong. Can any other items belong to “other equity”?</p> <p>The item 330 „Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates“ is not clear and reference to IAS 28.11 does not provide much help. Reserves or accumulated losses for investment accounted for by equity method are not recognised in the equity of the investor but adjust the carrying amount of the asset. Therefore if EBA wants to keep this item it should provide a clear explanation.</p>	Quarterly	
2	Income Statement	Item 540 in the Income statement has a wrong name and should refer to impairment of <i>non-financial</i> assets.	Quarterly	

		Comments	Frequency	To be deleted
		Interest income and interest expense from financial instruments held for trading, and from financial instruments carried at fair value through profit or loss, cannot be reported separately from other gains and losses under items “interest income” and “interest expense” because their interest are included into their fair value .		
	PART 2			
3	Breakdown of financial assets by instrument and by asset class	<p>Sector classification in different tables is not uniform for loans and advances.</p> <p>Different breakdowns are requested for similar items which makes data collection even more complicated. For example, table 3.5 (Available-for-sale financial assets) and table 3.8 (loans and receivables and held-to-maturity investments) both require a breakdown of loans and advances but in different detail. Details required in different breakdowns should be similar and limited to a feasible number.</p> <p>As regards debt securities the sector breakdown is uniform but the “corporates” sector has references to ITS 1.21 in the Tables 3.5 and 3.8 and ITS 1.22 in the Tables 3.1, 3.2 and 3.4. This would result in a different composition of corporates.</p> <p>The numbering of the tables is strange because Tables 3.3, 3.6 and 3.7 are missing.</p>	Semi Annually	X Should be covered by COREP
3.1	Breakdown of financial assets by instrument and by asset class: demand deposits and cash equivalents	<p>We mention the irrelevance of using the notion of cash and cash equivalents above. Moreover the structure of the Table 3.1 is unclear.</p> <ul style="list-style-type: none"> - It is not clear what particular lines mean – which are related to the central bank and which not - Are the lines “debt securities” 010 and 050 	Semi-annually	

		Comments	Frequency	To be deleted
		<p>and “loans and advances” 020 and 100 anyhow related?</p> <ul style="list-style-type: none"> - Is the line 150 total of 040, 050 and 100? - As regards relationship with the Table 1.1 can all the lines of the Table 3.1 (except for 030 and 150) be found in the accounting portfolios or in the line 040 of the Table 1.1? - Is the line 030 (Table 1.1) = 030 (Table 3.1) and line 040 (Table 1.1) = 150 (Table 3.1)? 		
3.2	Breakdown of financial assets by instrument and by asset class: financial assets held for trading	<p>Each table has its part for equity instruments which contain lines starting with “of which” It means that the sum of the lines for sectors 030 (credit institutions), 040 (other financial corporations), 050 (non-financial corporations) is not necessarily the amount in the line 010. Was this really the intention of EBA? Because the content of these items should sum up to the total amount of equity instruments held. There can hardly be counterparties to equity instruments coming from central bank, government or household sectors.</p> <p>As regards the line 020 “of which at cost” here the “of which” information is substantiated. But it is questionable whether equity instruments measured at cost can be found in the portfolios for financial assets held for trading (Table 3.2) and FVO assets (Table 3.4).</p> <p>The changes of fair value result from various risks (interest rates, credit, FX...). It is not possible to isolate each component in the accounting reporting. Such detail is only available via front office or the risk management systems.</p> <p>It is not possible to obtain such detailed information broken down by sector classes.</p>	Semi-annually	X Line 020 to be deleted

		Comments	Frequency	To be deleted
		<p>Furthermore, as the fair value is only one amount in the accounting system, the detailed changes in fair value require keeping and analysing the split of the value from the beginning to the end of the period.</p> <p><i>Amount of (cumulative) changes in the fair values attributable to changes in the credit risk</i></p> <p><i>Table 3.2, 3.4, 5, 17.5, 21.2, 29.2</i></p> <p>This information is required by IFRS 7.9,10 only for</p> <ul style="list-style-type: none"> - assets designated at FV through P&L which would otherwise meet the definition of <i>loans and receivables</i> - liabilities designated at FV through P&L <p>These IFRS 7 requirements are not respected in any of the tables.</p> <ul style="list-style-type: none"> - Table 3.2, column 020 requires this information for trading assets - Table 3.4, column 020 requires this information for fair value option assets and does not limit it only those meeting the definition of loans and receivables - Table 5, column 060 requires this information for derivative financial liabilities. As regards non-derivatives liabilities it should be made clear that the column 060 relates only to fair value option liabilities in the column 020 (and not to financial liabilities held for trading and measured at amortised cost). <p>Moreover, information in the column 070 is</p>		

		Comments	Frequency	To be deleted
		<p>the same as required in the table 17.5 in the lines 040, 050 and 060.</p> <ul style="list-style-type: none"> - Table 17.5, column 040 requires this information for all FVO assets and liabilities. As regards assets it has to be limited only to those which would otherwise meet the definition of loans and receivables. Moreover, this table requires credit risk information for equity instruments which do not bear any credit risk under IFRS 7 principles - Table 21.2, column 060 requires this information for all FVO assets and does not limit it only to loans and receivables - Table 29.2, column 030 requires this information for all FVO assets and liabilities. As regards assets it has to be limited only to those which would otherwise meet the definition of loans and receivables. 		
3.4	Breakdown of financial assets by instrument and by asset class: financial assets designated at fair value through profit or loss	See comments on table 3.2	Semi-annually	
3.5	Breakdown of financial assets by instrument and by asset class: available-for-sale financial assets	The name of the column 040 „Accumulated impairment [Allowance]” should avoid using the term “allowance”. Allowance generally refers to indirect recognition of impairment through allowance accounts. However for equity instruments in AFS portfolio only direct recognition of impairment is allowed. IAS 39 allows using allowance account only for financial assets	Semi-annually	

		Comments	Frequency	To be deleted
		<p>measured at amortised cost, i.e. debt instruments.</p> <p>See comments on table 3.2</p>		
3.8	Breakdown of financial assets by instrument and by asset class: Loans and receivables and held-to-maturity investments	<p>In the line 160 reference to IFRS 7.8 (c) is missing.</p> <p>There is no IFRS requirement to identify « Specific allowances for individually assessed financial assets” and “Specific allowances for collectively assessed financial assets”</p>	Semi-annually	Column 040 and 030 to be merged
4	Past due, impaired and defaulted assets			
4.1	Financial assets subject to impairment that are past due or impaired	<p>The column 100 „Collective allowance for incurred but not reported losses“ is not applicable for equity instruments. Equity instruments in AFS portfolio (including those measured at cost) are subject only to individual assessment for impairment. Collective assessment of impairment is allowed only for financial assets measured at amortised cost.</p> <p>The column 140 “Collateral and other credit enhancements received as security for the related impaired and past due assets” requires quantitative information on collateral which is not supported by IFRS. The requirement to disclose FV of collateral which refers to IFRS 7.37(c) was deleted as part of Annual Improvements effective January 2011. If such IFRS non-compliant information is to be required, which we oppose, it needs to be not specified what value of collateral should be disclosed – should that be the nominal value, fair value or the discounted estimated cash flow used for impairment calculation purposes or a value used for prudential reporting?</p> <p>The term “write off” in the column 150 is used both for impairment losses recognised through</p>	Quarterly	

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
		allowance account and those recognised directly as also explained in the Annex V, part 3, paragraph 12. We should avoid using this term in such a broad sense. In the practice write-off is used when, due to loan irrecoverability, the respective loan amount is removed from the balance sheet and allowance account is used at the same time. Instead a term “impairment” or “impairment loss” might be used.		
4.2	Financial assets non-subject to impairment that are past due	<p>The title is confusing and misleading. From the Annex V, part 3, paragraph 13 it can be derived that the table should relate to debt instruments at fair value through profit or loss. In such case the table is IFRS non-compliant because no past due analysis is required for financial assets at fair value through P&L by IFRS 7. Moreover the term “defaulted” is a Basel category and is not used in connection with credit risk disclosures for financial assets under IFRS 7.</p> <p>Therefore we propose to omit this table. If EBA decides do keep such non IFRS-compliant information at least the title of the table should be made clear.</p>		x
5	Breakdown of financial liabilities by product and by counterparty		Semi annually	
6	Loan commitments, financial guarantees and other commitments			
6.1	Off-balance sheet items subject to credit risk: loan commitments, financial guarantees and other commitments given	The lines 020, 100, 180 use a non-IFRS category “of which doubtful”. Therefore the information should not be required.	Semi annually	X lines 020, 100, 180 to be deleted

		Comments	Frequency	To be deleted
6.2	Loan commitments, financial guarantees and other commitments received	<p>In IFRS no quantitative information whatsoever is required for commitments and financial guarantees received. The reference to paragraph IFRS 7.36 (b) gives a clue that the intention of EBA here is to collect information on collateral for credit risk exposures. In such a case two issues arise:</p> <ul style="list-style-type: none"> - loan commitments received can hardly be considered as a collateral for credit risk exposures - IFRS 7.36 (b) requires just a description of collateral held, there is no requirement for quantitative data. <p>Therefore this table should be omitted from FINREP.</p>		X
PART 3				
7	Derivatives: held for trading	The information in the lines 200, 220, 240 “of which: economic hedges” is not IFRS conform because IAS 39 does not know any category of economic hedges.	Semi annually	Column Economic hedge and line 260 to 280 to be deleted
8	Derivatives: hedge accounting	See table 7	Semi annually	
9	Breakdown of loans and advances by product	<p>Loans and advances are not an IAS 39 measurement category (accounting portfolios for Finrep purposes). In the balance sheet the presentation is based on accounting portfolios, i.e. loans and advances are broken down into five line items as they can be found in any portfolio. The table 9 introduces further breakdown which has moreover two further dimensions – products and sectors (counterparties) required in a squared structure. Such detailed information is not supported by any IFRS principles for disclosures in the area of financial instruments. Moreover information on loans and advances according to sectors is already available in the Tables 3.x.</p> <p>Banks already produce a similar table on an</p>		X

		Comments	Frequency	To be deleted
		individual basis for the ECB statistics. What will be the use of this additional table?		
10	Credit risk		N/A	
10.1	Geographical breakdown of financial exposures subject to credit risk by residence of the counterparty	Information in this table is not supported by IFRS 7. Moreover there is no explanation of the table and the requirements of the columns 030 "Observed new defaults for the period", 040 "Accumulated credit risk adjustments", 050 "Accumulated write-offs", 060 "Credit risk adjustments/write-offs for observed new defaults" are unclear. Based on the non-IFRS character and obscurity of the information we ask that the table is omitted from the FINREP. There is no reasonable way of commenting it and it should not be approved without exposing it for a proper commenting.		x
10.2	Breakdown of loans and advances to non-financial corporations by NACE codes	Why is this table needed? It seems to be for statistical purposes and not for supervisory reporting. In addition, we believe this information is available		x
10.3	Geographical breakdown of debt securities held from general governments by residence of the counterparty and by residual maturity	Signs for maturities are written in an opposite way for the bottom value of the ranges (except for line 010).		x
11	Impairment			
11.1	Impairment on financial and non-financial assets	The columns 010 „Additions“, 020 „Reversals“ and 030 „Total“ should be under the heading „current period“. The column 040 „Accumulated impairment“ should not use this heading. Asset classes should be harmonized.	Semi annually	
11.2	Movements in allowances for credit losses and impairment of equity	The word „instruments“ should be added at the end in the name of the table.	Semi annually	

		Comments	Frequency	To be deleted
	instruments			
12	Financial assets pledged as collateral: derecognition and financial liabilities associated with transferred financial assets	The information on assets derecognised for capital purposes in the column 110 is not IFRS compliant. We admit that it may be important for regulator but we propose other way of collecting it, i.e. outside Finrep.	Annually	Column 110 to be deleted
13	Fair value hierarchy: financial instruments at fair value	<p>The disclosures of gains and losses dramatically increase the requirements of IFRS 7 or IFRS 13 in this area. Both IFRS 7 and 13 require disclosure of</p> <ul style="list-style-type: none"> - gains and losses for the period and - unrealised gain and losses for the period only for Level 3 instruments. <p>As a result the Table 13 requires following non-IFRS compliant information:</p> <ul style="list-style-type: none"> - accumulated unrealised gains and losses for level 1, 2 and 3 FV measurements (columns 060, 070, 080) - unrealised gains and losses for the period for Level 2 instruments (column 050). <p>As a result, the only IFRS compliant column (except for the three columns for standard FV hierarchy) is the unrealised gains and losses for the period for Level 3 instruments (050).</p>	Annually	The column 040, 060, 070 and 080 should be deleted
14	Geographical breakdown		N/A	
14.1	Geographical breakdown of assets by residence of the counterparty	Banks already provide a similar table based on the BRI needs. A breakdown by counterparty and then by residence of the counterparty is a real reporting burden.		X Column 010 to be deleted
14.2	Geographical breakdown of liabilities by residence of the counterparty	It is unclear what counterparty should be taken into account for short positions (issuer of the instruments?). A breakdown by counterparty and then by residence of the counterparty is a real reporting burden.		x

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
14.3	Geographical breakdown of selected income statement items by residence of the counterparty	<p>This deals with cost accounting , not with IFRS accounting. Banks do not collect any breakdown of the interest margin .</p> <p>Currently, there are no interfaces with customer related data like residence of counterparty and the flow data of the profit and loss accounts. It is also very difficult to create a database solution to connect the flow data like interest income and interest expenses with the data inventory of customer data. For this this sole table creates enormous implementation costs.</p>		X
14.4	Geographical breakdown of assets by location of the activities			x
14.5	Geographical breakdown of liabilities by location of the activities			x
14.6	Geographical breakdown of main income statement items by location of the activities			x
15	Off-balance sheet activities: Interests in unconsolidated structured entities	IFRS 12 is not yet endorsed in the EU	Annually	
16	Related parties: amounts payable to and amounts receivable		Annually	
17	Breakdown of selected income statement items			
17.1	Interest income and expenses by instrument, asset class and counterparty	In the Income statement interest income and expenses are broken down according to accounting portfolios. Table 17.1 is not anyhow linked to this income statement split as it requires information according to products of financial assets as well as sectors. As a result interest income and expenses are required in three dimensions. These are incomprehensible details to be obtained from accounting systems, especially in the area of income and expenses.		x

		Comments	Frequency	To be deleted
17.2	Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss by instrument	<p><i>Separate presentation of gains and losses</i> <i>Table 17.2, 17.5, 17.6, 28.3, 29.1, 29.2, 29.3</i> Such split is generally not required by IFRS which are based on net presentation and disclosures of gains or losses.</p> <p>When a bank accounts for the gains and losses from revaluation of financial instruments continuously it may use the system of postings from which such separate information about gains and losses cannot be tracked. This would be the case when</p> <ul style="list-style-type: none"> - for the same financial asset it posts for example gain 100 (when fair value went up by 100) for one month on one account and loss 20 for another month (when fair value decreased by 20) on another account. There are two separate accounts for gains and losses but they show the month-to-month +100 and -20 and not year-to-date information +80. Moreover in practice individual assets do not have their own accounts for gains and losses and therefore such year-to-date information cannot be obtained simply by merging the gain and loss account; or - one account both for gains and losses is used which shows the year-to-date gain or loss on individual asset level. But again postings on it merge many financial assets of the same or similar kind (like described above) and gain and loss balances are offset in this way. <p>To track such information the bank would have to handle each financial asset separately or would have to change the system of month-to-month (or day-to-date) postings of gains and losses. It might require significant system changes for the banks.</p>		x

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
		<p>Moreover banks which do not have this information do not even use it for internal purposes. Internal reporting based on net presentation of gains/losses is sufficient for them. Only information about financial instruments which are of particular interest for them is then searched individually.</p> <p>Moreover the Table 28.3 requires presentation of gross (before taxes) and net gains and losses. Distinguishing of gains and losses on gross and net basis is not required by any standard.</p>		
17.3	Gains and losses on financial assets and liabilities held for trading by instrument	We are against introducing two dimensions in reporting the breakdown of gains and losses from trading instruments. EBA should only keep the breakdown by risk which is in the current Finrep (Table 17.4).		x
17.4	Gains and losses on financial assets and liabilities held for trading by risk	We are against introducing two dimensions in reporting the breakdown of gains and losses from trading instruments. EBA should only keep the breakdown by risk which is in the current Finrep (Table 17.4).	Semi annually	
17.5	Gains and losses on financial assets and liabilities designated at fair value through profit or loss by instrument	See comment on table 17.2	Semi-annually	X Columns 010 and 020 to be deleted
17.6	Gains and losses from hedge accounting	See comment on table 17.2		x
18	Fee and comission income and expenses by activity	The detailed breakdown of fee and commission income and expenses goes far beyond IFRS 7 requirements in this area. IFRS 7.20 (c) requires to disclose only two amount in connection with fees. We admit that such IFRS 7 information is not typical of banking business. EBA should find a compromise between the high level IFRS disclosures and too detailed EBA requirements.	Annually	

		Comments	Frequency	To be deleted
	PART 4			
19	Statement of comprehensive income	<p>Official statements for IFRS reporting issued by authorities should avoid using outdated terminology. We refer to the term “valuation (translation) gains or (-) losses taken to <i>equity</i>” used in the lines 120, 160, 200, 250 and 290. All valuation gains and losses go through equity when booked either through P&L (as P&L is part of equity) or OCI. In this statement of course the term “... gains or (-) losses taken to <i>other comprehensive income</i>” has to be used. This should be observed also in the explanatory text of the FINREP (see e.g. Part 3, paragraph 3 using the term “loss through equity”).</p> <p>It is unclear what the line items 140, 180, 230, 270 and 310 “other reclassification” used for each reclassifiable OCI item mean. Reclassifications in this respect are defined in IAS 1 and refer to transfers from OCI into P&L. But this is covered in the line item “transferred to profit or loss”. The only clue is the reference to the Example 12 of IFRS 5 in the part for non-current assets and disposal groups held for sale (in the line 310). Were these items meant for transfers of OCI items into the assets held for sale part? If yes, are so many items really necessary for such rare cases? It is difficult to imagine any other transfers here as OCI items cannot have movements other than gains/losses and reclassifications.</p>	Quarterly	
20	Equity			
20.1	Statement of changes in equity	<p>Applicability of the particular cells in the statement should be reviewed. For example</p> <ul style="list-style-type: none"> - can dividends (line 110) be paid out from capital (column 010), share premium (column 020) or other equity (column 030)? If capital/ share premium is distributed this should be reported as a reduction of capital for which the cells are 	Annually	

		Comments	Frequency	To be deleted
		<p>available;</p> <ul style="list-style-type: none"> - can transfers among components of equity (line 160), equity increase (decrease) resulting from business combinations (line 170), other increases (decreases) in equity (line 190) be relevant for accumulated other comprehensive income (column 040)? - accumulated other comprehensive income in minority interests (column 090) is for sure not relevant in the area of issuance of ordinary and preference shares and other equity instruments (lines 050, 060, 070), reclassifications between equity and liability (lines 140 and 150). 		
20.2	Capital by counterparty	It is not always known who are the holders of capital for instance when listed. Moreover this information is not required by IFRS.		x
	<u>PART 5</u>	Is part 5 a block of tables or will the competent authority be allowed to choose which table is useful for their supervision		
21	Collateral and guarantees received			
21.1	Breakdown of loans and advances by collateral and guarantees	Most of the collateral is not recorded in the balance sheet, neither off balance sheet. These data are collected for risk management, impairment calculations and COREP. They should not be requested in financial reporting.		x
21.2	Financial Assets designated at fair value through profit or loss: mitigation of credit risk with credit derivatives	Information in this table is required by IFRS 7.9 only for financial assets designated at FV through P&L which would otherwise meet the definition of loans and receivables. This should be specified.	Annually	Credit risk information
21.3	Collateral held when the reporting institution is permitted to sell or repledge in the absence of default by the owner of collateral		Annually	Credit risk information

		Comments	Frequency	To be deleted
21.4	Collateral obtained by taking possession during the period		Annually	credit risk information
21.5	Foreclosure [tangible assets] accumulated		Annually	credit risk information
22	Financial assets pledged as collateral			
22.1	Financial assets pledged as collateral for liabilities and contingent liabilities		Annually	credit risk information
22.2	Financial assets pledged as non-cash collateral for which the transferor has the right to sell or repledge in the absence of default by the reporting institution		Annually	credit risk information
23	Fair value			
23.1	Fair value hierarchy: financial instruments at amortised cost	This information is required by IFRS 13 on annual basis as IAS 34 was not amended in this respect. Providing good quality disclosures in a standard <i>quarterly</i> FINREP reporting frequency would be extremely burdensome and moreover non-IFRS compliant.	Annually	Market risk information
23.2	Use of the Fair Value Option		Annually	
23.3	Hybrid financial instruments not designated at fair value through profit or loss		Annually	credit risk information
24	Off-balance sheet activities: asset management, custody and other service functions	IFRS do not require any disclosures about off-balance sheet activities and this information is just not available in the banks.		x
25	Tangible and intangible assets			
25.1	Tangible and intangible assets: carrying amount		Annually	

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
25.2	Tangible and intangible assets: assets subject to operating lease	Why the part for intangible assets is labelled as “Other intangible assets” when the other parts of the table cover only tangible assets?	Annually	
26	Provisions		Annually	
27	Defined benefit plans and employee benefits			
27.1	Components of defined benefit plan assets and liabilities	The tables reflect old IAS 19 effective until the end of 2012. IAS 19 (revised 2011) changed some principles of recognition of defined benefit plans and assets. The most significant change is that there are no unrecognised items and therefore items unrecognised actuarial gains/losses, unrecognised past service costs are no longer relevant in the new environment.	Annually	
27.2	Movements in defined benefit plan obligations	See comment to 27.1	Annually	
27.3	Memo items [related to staff expenses]		Annually	
28	Components of own funds			
28.1	Subordinated financial liabilities		Annually	
28.2.	Minority interests: accumulated other comprehensive income		Annually	
28.3	Information on unrealised gains and losses	See comment on table 17.2	Annually	
29	Breakdown of selected income statement items			
29.1	Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss by accounting portfolio	See comments on table 17.2		x
29.2	Gains and losses on financial assets and liabilities designated at fair value through profit or loss	See comments on table 17.2		x
29.3	Gains and losses on derecognition of non-financial assets other than	See comments on table 17.2		x

		Comments	Frequency	To be deleted
	held for sale			
29.4	Other operating income and expenses			x
30	Related parties			
30.1	Expenses and incomes generated by transactions with related parties	Part of these data is published in the annual financial statement. A quarterly report does not fit with the financial statement requirements. For key management, sensitive information complicated to reach with no added value.		x
30.2	Key management personnel compensation	Part of these data is published in the annual financial statement. A quarterly report does not fit with the financial statement requirements . Moreover, the management key compensation is an annual data.		No added value x
31	Scope of group		Semi annually	
	<u>ANNEX V</u> <u>Explanatory part</u>	Description of some tables (Tables 10, 11, 15, 19) is missing which results in a fact that content of these tables might be unclear.		
	<u>Part 1</u>	In the Part 1, paragraph 19 it is specified that “other financial liabilities” contain also loan commitments and financial guarantees. However, for loan commitments and financial guarantees there is a separate line item in the provision part (provisions are part of their measurement under IAS 39.47). Moreover, it is not specified where financial liabilities which arise from transfer of financial assets should be reported. Generally, they have a specific measurement basis (even though liabilities arising from repo transactions are measured in fact at amortised cost). Therefore, they cannot be assigned to the accounting portfolios held for trading, fair value option or at amortised cost		

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
		presented in the balance sheet. Should they be reported in other liabilities in spite of the fact that they are financial liabilities?		
	<u>Part 2</u>	See comments below on OPTIONS GIVEN BY IFRS		
	<u>Part 3</u>	Paragraph 27 – what would be the notional amount for example for digital options which do not have any underlying amount just a specified payment? Paragraph 41, in the example references to the tables are wrong.		
	Comments concerning the options given by IFRS	<p>In some cases IFRS gives an option of applying different accounting policies. However Finrep does not respect this choice when determining specific policy to be applied. We would like to highlight following areas.</p> <ul style="list-style-type: none"> • <i>Dirty/clean price reporting for gains/loses on financial instruments at FV through P&L</i> <p>In the Part 2, paragraph 19 interest income and expenses from financial instruments measured at FV through P&L are required to be presented separately in the income statement. IFRS do not specify whether the interest component should be presented separately or not. IFRS 7.B5(e) requires to disclose the accounting policy applied by the entity in this respect. Information on interest income / expenses is not even required by IFRS 7 for disclosure purposes (IFRS 7.20(b) asks to disclose total interest income and expense only for financial assets which are not at FV through P&L). Therefore banks are not obliged to follow such information for any purpose and presentation based on such information is not IFRS conform. For banks which do not apply separate presentation of interest in the net interest income this requirement may be a significant operating</p>		

		<u>Comments</u>	<u>Frequency</u>	<u>To be deleted</u>
		<p>burden.</p> <p>There is some more confusion in the explanatory text, when the sentence in the Annex V, part 3, paragraph 50</p> <p style="padding-left: 40px;"><i>“For financial assets and financial liabilities held for trading or carried at fair value through profit or loss, interest income and expenses are collected only if accounted for separately.”</i></p> <p>gives an opposite message. It is in line with IFRS, however in contradiction to the above mentioned IFRS non-compliant requirement. Therefore we ask to keep the principle in this sentence.</p> <p>In the Annex V, part 2, paragraph 22 says that the amounts related to <i>derivatives</i> classified as held for trading which are hedging instruments from an economic but not accounting point of view <i>may be</i> reported as interest income and expenses. We understand this that it is up to the bank to decide if interest element of such derivatives is presented in</p> <ul style="list-style-type: none"> - the interest result or - in the gains/losses on financial assets held for trading. <p>This would be in line with the option given for financial instruments at FV through P&L to present the interest income/expenses separately or together with the gains / losses from measurement (as written in the previous point). We are just confused that the option is kept for derivative instruments but not for non-derivative instrument at FV through P&L.</p> <ul style="list-style-type: none"> • <i>Interest costs/expected return on post-employment benefits</i> <p>In the Part 2, paragraphs 23 and 24 say that interest income/expenses from other assets/liabilities may include interest costs and</p>		

		Comments	Frequency	To be deleted
		<p>expected return on plan assets (expected return not any longer relevant under IAS 19 revised 2011 as the category <i>net interest</i> was introduced) related to post-employment benefits in interest income and expenses.</p> <p>IAS 19 does not specify where net interest should be presented. Does this “may include” mean that</p> <ul style="list-style-type: none"> - if a bank decided to present interests costs within interest result then it is included in this item (this would confirm the freedom of presentation and we would agree with this alternative); or - does it mean that the net interest is provided here as an example of one of the items which always belong to interest income/expenses from other assets/liabilities (this would be against the optional presentation in the interest result and not IFRS compliant which we do not support)? <p>• <i>Presentation of tax effects of OCI items (Table 19)</i></p> <p>IAS 1.91 gives an option to present the items of other comprehensive income either</p> <ul style="list-style-type: none"> - net of tax or - before tax effects showing one amount of the income tax effect <p>However Table 19 prescribes the latter form of presentation. To keep the option it should be written in the explanatory part that the items 090 and 330 should be filled in only if entity presents the OCI items gross of tax. When presentation of OCI items net of tax was chosen then these items would be irrelevant and should be left empty.</p>		