

Brussels, 15 April 2013

Mr Othmar KARAS - MEP
CRD IV Rapporteur
European Parliament
Email: othmar.karas@europarl.europa.eu

Dear Mr Karas,

Subject: *Country-by-Country Reporting – Capital Requirements Directive – Article 86a*

Under the Capital Requirements Directive (CRD IV) Article 86 (a) it is proposed that banks should disclose annually, on a consolidated basis, specifying by Member State and by third country in which it has an establishment the following information:

- a) name(s), nature of activities and geographical location
- b) turnover
- c) number of employees on a full time equivalent basis
- d) profit or loss before tax
- e) tax on profit or loss
- f) public subsidies received

While turnover is included in the formats for financial statements for non-banks as required by the 4th and 7th Accounting directives, banks have different formats under the Bank Accounts Directive 86/635/EEC which does not have a line for "*turnover*". It would be difficult for banks to comply with requirements which are based on lines in an accounting format that does not apply to them.

The EBF would therefore suggest considering the relevant line from the Bank Accounts Directive such as "*interest receivable*" or "*net profit or loss on financial operation*" or not requiring a gross income number since profit or loss before tax is probably more relevant to compare to the tax charge.

Alternatively "turnover" for a bank could be defined as the total of net interest income, net fee income, net trading income and other income. However, defining "turnover" for a bank could have unintended consequences so the appropriateness of the definition in the context of EU legislation (e.g. in the context of EU Competition law) should be reviewed first.

There is also lack of clarity as to the notion of "*consolidated basis*". The EBF would like to suggest that clarification is provided that what is requested under Article 86a is the contribution of each country to the total amounts that are included in the consolidated

accounts of the group. This would exclude from the disclosures any subsidiaries, which are not included in the consolidated financial statements.

Such interpretation would not only avoid generating excessive operational cost that would be disproportional to the eventual benefits the users of financial statements may expect, but would also better reflect the principle of proportionality and ensure the auditability of such information. The EBF questions whether information that would not reconcile to the consolidated numbers would be capable of being audited.

The EBF would like to stress that the concept of materiality should apply to any public disclosure requirement to avoid excessive and irrelevant disclosures that could reduce readability and understandability of reporting. A list of for example 80 different countries, some with amounts that may be nil under the rounding convention of the rest of the annual report, is unlikely to provide useful information. Individually immaterial amounts could be included in an "other" category so that the list adds up to the total amounts included in the consolidated financial statements.

Given the requirement to audit the information and to publish it as an annex to the annual financial statements, where possible, it should be ensured that the application date would correspond to the year-end so banks are able to publicly disclose this information as an annex to audited financial statements.

The EBF would also suggest that consideration of the Implementation Guidance that could be provided by EBA given that implementation issues with providing such detailed information are likely to arise.

We hope you can take our views into consideration and stay ready to provide further details if requested.

Please note that the same letter is being sent to the persons mentioned in copy.

Yours sincerely,



Guido Ravoet

Copy to:

- Vicky Ford - MEP
- Udo Bullmann - MEP
- Sharon Bowles - MEP
- Philippe Lamberts - MEP
- Mario Nava, European Commission
- William Reid, Irish Presidency of the Council of the European Union