Committee of European Banking Supervisors

21 October 2009

Feedback to the consultation on the Amendments to the Guidelines on FINREP (CP06rev2)

1. In March 2009 CEBS published a consultation paper (CP06rev2) on its amendments to the FINREP guidelines. The consultation period last for three months and ended on the 10 June 2009. 15 public responses were received all of which were published on the CEBS website.[1]

2. In addition to soliciting written comments, CEBS provided an opportunity for industry participants to provide further input at a public hearing with CEBS experts on FINREP, arranged on 27 May 2009.

3. This paper presents a summary of the key points arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

General comments

4. Respondents welcome the proposal to adopt explicit minimum and maximum reporting requirements based on uniform definitions which would reduce the current level of divergence in requirements. The industry also acknowledges the net reduction of the reporting burden, in terms of quantitative data deleted resulting from the revised package. However respondents stressed that FINREP should be the only consolidated financial reporting for prudential supervision of individual banking groups and ask for a strict commitment from local regulators to apply this rule. To avoid distortion of competition and to improve the supervision of cross border banking groups, they consider that the guidelines have to be applied by all supervisors.

5. CEBS is aware of the benefits that a wide application of the framework could provide in terms of level playing field and cross border group's supervision. Nevertheless, making the FINREP reporting mandatory in all Member states is currently out of its mandate. Meanwhile, CEBS guidelines strongly recommend the implementation of FINREP at national level. Furthermore, a strong "comply or explain" clause has been introduced in the guidelines in order to bring national supervisors to give transparent information on their reasoning for not applying the framework (including alternative means used by national supervisors to

[1] The public responses to CP06 rev2 are published on the CEBS public website under: http://www.c-ebs.org/getdoc/31a9f930-c522-49a5-945e-a629478a03bd/Responses-to-CP06-Revised2.aspx

collect financial information). This information will be posted on CEBS website (national supervisory disclosures).

6. Respondents welcome the attempt to reconcile credit institutions' statistical and supervisory reporting requirements through the CEBS/ECB Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR).[2]

7. Most of respondents asked CEBS to take into account changes on IAS/IFRSs before starting implementing the revised FINREP framework (in particular, the recent IASB project on IAS 39 replacement and the proposal on IAS 1). The industry would like to avoid making changes to the reporting framework (and IT procedures as well) twice coming from the revised FINREP and amendments to the accounting standards.

8. CEBS is aware that the IASB work plan agenda of June 2009 foresees the publication of different Exposure Drafts on IAS 39 project (e.g. classification and measurement, impairment, hedging) in subsequent steps during 2009 and 2010. Other projects (e.g. revised version of IAS 1) are included in IASB work plan agenda.

9. CEBS agrees with most respondents to take into account changes on IAS/IFRSs before starting implementing the revised FINREP framework (in particular, the recent IASB project on IAS 39 replacement and the proposal on IAS 1). These amendments and projects will be taken into account into the revised framework in order to avoid redundant and costly IT system changes. Adequate solutions will be investigated for early adopters of the revised version IAS 39. A dedicated team consisting of accounting and reporting experts will monitor IASB proposals in order to assess the impacts on the FINREP framework.

10. CEBS will ensure to implement a framework already updated with the revised accounting standards. Hence CEBS will publish a provisional revised FINREP framework in December 2009 which might be reviewed in due course, to take into account the changes that may arise in IAS 39 as well as IAS1. CEBS aims at receiving first data based on the final revised FINREP as of 31 March 2012.

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[2] The JEGR is a joint expert group sponsored by CEBS and by the ESCB Statistics Committee and Banking Supervision Committee. The aim of JEGR is to promote convergence of statistical and prudential/financial supervisory reporting, in order to reduce the reporting burden.

Annex

Feedback table on CP06rev2 (Annex 2_guidelines): analysis of the public responses and suggested amendments

The first column of the feedback table makes reference to the terminology and paragraphs numbering used in the CP06rev2 (Annex 2) published for consultation. The last column refers to the amendments to be made after discussing the comments received during the consultation period.

CP06rev2 (Annex 2_guidelines)	Summary of comments received	CEBS's response	Amendments to the CP proposals
Guidelines for implementation of the framework for consolidated financial reporting (FINREP)			
Chapter I			
Paragraph 2: scope of implementation - FINREP as mandatory guidelines	To avoid distortion of competition and to improve the supervision of cross border banking groups, the guidelines have to be applied by all supervisors. One respondent noted that the non-mandatory character of FINREP is an important limitation in order to bridge and reconcile statistical and supervisory reporting requirements addressed to banks, in order to reduce the reporting burden and enhance data consistency.	Although several commentators called for a mandatory use of FINREP, CEBS has not currently the power to make it binding. That said, CEBS guidelines strongly recommend the implementation of FINREP at national level once the Member State collects reporting requirement in order to reduce the reporting burden at least for cross border groups. Thus FINREP shall represent the only source of periodic consolidated supervisory financial reporting based on IAS/IFRS. Member States shall either comply with CEBS' guidelines or explain the reason for not doing so.	Para 2 to be amended
Paragraph 2: scope of	Some respondents support the extension of FINREP to the solo	The guidelines have not been modified on this point. That is to say that the framework is only dedicated to	No amendments

implementation – FINREP on solo level	level but only for those banks which report their annual accounts under IFRS/IAS. In order to avoid the use of double reporting standards (in countries where IFRS is not allowed at solo level or where entities are allowed to prepare IFRS financial statements but are not exempted from filling local GAAP accounts) entities should be granted an option to use IFRS (only) at solo level.	the consolidated or sub-consolidated financial reporting made under IFRS standards for supervisory purpose. Hence the guidelines address exclusively this context of use. Nonetheless, the use of FINREP on a solo basis remains a national discretion. The use of FINREP at solo level would increase the harmonization of data collected, increase beneficial reconciliation effects of statistical and supervisory reporting and thereby reducing the internal control checks, the reporting burden for cross-border institutions and the distortion of competition. However it could reduce the level of flexibility for local authorities and it could increase the level of the reporting burden when Member States don't allow the use of IFRSs at solo level. However, changing the EU legislation regarding the application of IFRS standards at national level is beyond CEBS' powers. Issues on the use of fair value which creates fiscal and prudential issues have to be solved before the use of FINREP on a solo basis. The application of IFRS or national GAAPs that are consistent with IFRS on solo level is seen as a prerequisite for the implementation of FINREP at solo level without increasing the reporting costs for reporting entities.	
Paragraph 2: scope of consolidation	Respondents stress that the reduction of reporting burden depends to a large extent on the reusability of IFRS items which are	Currently the FINREP scope is defined as an option to national supervisors to define the scope with reference either to IAS/IFRS or the Capital	Para 2 to be amended

	used for market reporting (annual report), also for FINREP reporting. Hence the alignment of FINREP scope of consolidation to the IFRS scope would be beneficial for reporting entities.	Requirements Directive (CRD) or both. Numbers according to IFRS scope are generally subject of public disclosure. However public disclosure is not standardised in its format. That means there is a need for standardisation of information with IFRS scope. As only accounting numbers for the IFRS scope are publicly disclosed there is further regulatory need for information with CRD scope. CRD scope permits a cross-checking of capital calculation figures (COREP) with financial figures. Allowing either CRD or IFRS scope could impede cross-border analysis as data would not be easily comparable. Hence CEBS decided to reduce the flexibility regarding the choice of the scope. Thereby the CRD scope is considered as the only mandatory scope of consolidation. However for specific templates members will be allowed to ask for data reported on an IFRS scope. Information that is allowed to be reported with IFRS scope will be consistent with public financial information. To allow to identify data related to insurance and reinsurance contracts, the following items should be included in the core templates: Balance sheet: two items added: “assets under insurance and reinsurance contracts“ [for the assets described in IFRS 4.IG20.(c) and, when necessary, for those others in IFRS 4.IG20.(b)] and “Liabilities	

		under insurance and reinsurance contracts issued" [IFRS 4.IG20.(a)], P&L: two items added: "revenue from insurance and reinsurance contracts issued" [IFRS 4,IG24.(a)] and "other income/expenses from insurance and reinsurance contracts" [IFRS 4.IG24.(b),(c) and (d)]	
Paragraph 3: qualitative information	Respondents claim that FINREP only standardized quantitative information and request CEBS to provide standardized guidance on qualitative financial information.	CEBS reiterates that its revised FINREP guidelines are only dealing with quantitative information.	No amendments
Paragraph 3: XBRL and IT issues	There is a general support to the recommendation on the use of XBRL for FINREP framework. In addition some of the respondents welcome the goal to keep a link (to the maximum extend possible) between FINREP taxonomy and IFRS-GP taxonomy because much of the reporting burden will depend on how close these two elements of the reporting chain can be interlinked. Respondents also broadly support the initiative to develop IT best practices provided it will be aligned with other EU and international requirements.	CEBS' XBRL Network has been addressing, since the very beginning, the best practices in relation to both extending and linking common elements in taxonomies, as, for example in the case of IFRS and FINREP, using the features of this eXtensible Business Reporting Language. In 2007 the CEBS XBRL Network hosted the kick-off meeting on the Versioning standard, which had as an objective the ability to both identify common elements between two taxonomies as well as identify relationships between elements of successive editions of a taxonomy. An XBRL solution to link FINREP elements matching in characteristics and filing values with IFRS elements is being identified. CEBS recommends the use of XBRL taxonomy as a reporting tool and will continue to reuse IFRS taxonomy items to the maximum extent possible.	Paragraph 3 to be amended

Paragraph 3- Geographical breakdown	Some respondents ask to clarify the meaning of "domestic" in the geographical breakdown because it is confused in the context of a cross-border group	CEBS agrees that it is necessary to clarify the data to be included in the column "domestic".	Para 3 to be amended
Paragraph 4.2	Respondents stress that the balance sheet and corresponding tables use a dirty price approach while the guidance lack clarification.	In order to further harmonise and reduce options in the FINREP guidelines CEBS decided to use the "dirty prices" approach (including accrued interest) for reporting of financial instruments on the balance sheet affecting core and non-core templates. Items of the income statement are not affected. This is in accordance with IAS/IFRS.	Para 4.2 to be amended
Paragraph 6: reporting frequency	Generally respondents agree with the proposal that asks CEBS to establish the maximum frequency for reporting at quarterly. That is, if CEBS is to consider a quarterly frequency for a given report, national authorities would be entitled to require it on an annual basis; however, they may not require it with a monthly frequency. However for some reports data would only be available at annual frequency for which the guidelines shall prevent national supervisors from requiring these reports more frequent.	CEBS members are not in favour of setting uniform frequencies for each template as national supervisors would become less flexible. The national discretion for national supervisors shall remain due to differences in supervisory practices. Some national supervisors set one frequency for the whole set of FINREP templates that they chose for submission, rather than for individual templates. Meanwhile other supervisors ask some templates or sub-templates with less frequency than for the core templates. FINREP templates and a limited number of sub-templates (tables) can be reported with different frequencies within the quarterly maximum frequency. Hence some sub templates might be asked on a lower frequency (e.g. annual frequency instead of quarterly frequency) leading to a reduction of the reporting burden for supervised entities.	Para 6 to be amended

Paragraph 6: remittance dates	There is a large majority of comments regarding the remittance date proposal of a "corridor" of 20 to 40 business days after the reporting date. Respondents state that the reporting period is too short for accounting data and the comparison with COREP figures is not acceptable given the different nature of the data.	CEBS is aware of the different scope of information covered by FINREP compared to COREP; however some supervisors use FINREP templates to reconcile with COREP templates. That said, the proposal to retain the corridor approach for remittance date takes into account the needs of supervisors for having timely accounting information not necessarily audited and reflect differences in supervisory practices. At the same time national supervisors will have the possibility to collect audited data referred to annual reporting with the deadline period set out at national level for the publication of audited year-end results. In addition, for the time being CEBS cannot set out remittance dates for solo reporting as the Guidelines only deal with consolidated reporting.	No amendment
Chapter II			
Paragraph 14 on derivatives breakdown	Two concerns were expressed on derivatives breakdown (tables 3 and 8): the split of notional amount between assets and liability and the new information on "economic hedges". Related to first criticism, reporting agents argue they do not produce notional amount split for public statements, underlining the problems for allocating notional amounts as assets or liabilities as the derivatives´ fair value can	The information on the notional amounts of the derivatives that are recognized as assets and liabilities on the balance sheet can not be gathered from the fair value carrying amount disclosure. From a supervisory view the split of the notional amounts of the derivatives recognized as assets or liabilities is especially relevant for options and credit risk derivatives in order to assess risk exposure. For that reason, CEBS has been receptive to delete the split of notional amount introducing in tables 3 and 8 a new column "of which sold" only for options and	Para 14 and templates to be amended

	change from asset to liability or vice versa during the contract life. They ask for classifying the derivatives according to their fair value as asset or liability once at the beginning of the contract without later reclassifications.	credit risk derivatives. For these items, keeping the current presentation is possible because the fair value for options and credit derivatives sold is a liability or zero during the whole agreement life. The guidelines will provide definitions on columns contents and on the new line item “economic hedges”. The guidelines will also clarify the counterparty breakdown applicable to these tables.	
Paragraph 15 on impairment breakdown	A new impairment breakdown has been proposed in order to get information on three levels of impairment. Some respondents want to distinguish between individually assessed and collectively assessed financial assets only. They ask that the breakdown by counterparty for collective impairment should not be reported.	Information on the approaches followed by the entities to estimate the impairment of their credit risk portfolio is essential for supervisory purposes. Therefore, the distinction among the three levels of impairment will remain. The breakdown by counterparty for collective impairment is maintained because IAS 39 regulations for impairment of financial assets establish that collective provisions should be done for groups of financial assets that share the same credit characteristic, and one important characteristic is the counterparty sector of the borrower (e.g. it is different the credit risk characteristics of loans that are classified as corporates than those that are classified as retail). For that reason, the templates retain the information of collective impairment by counterparty sectors. However the CEBS team that monitors IASB proposals will assess potential impacts of the IAS 39 changes on FINREP templates, which could lead to further amendments to templates dealing with the	No amendment. The impact of IASB proposals will be assessed

		breakdown of impairment.	
Paragraph 27 on counterparty breakdown	The industry does not express a clear preference on the definition of "retail" for the breakdown of financial assets as proposed in the consultation paper. Some respondents ask for a full reconciliation or at least a convergence between statistical and financial supervisory reporting to reduce the reporting burden. In-fact the mix up combination would only result in a significant burden. Some comments have also questioned the counterparty breakdown introduced for financial liabilities (the revised framework implemented the same breakdown for financial assets and financial liabilities) stating that COREP does not provide the possibility to collect this information.	CEBS accepts the proposal to enhance further the bridging between financial reporting and statistical reporting introducing practically the full reconciliation on the financial assets breakdown. The new breakdown– that implies a splitting of the items "non-financial corporates" and "retail" in four line items – is going to allow reconciliation with COREP breakdown and the breakdown used by ECB for MFI statistics. Supervisors will have all the items necessary to perform both prudential and financial assessment and banks will have a clear instruction on the way to reconcile different reporting frameworks. The main cost for the industry is coming from the granularity of some templates where the counterparty breakdown is currently required. This new counterparty breakdown will be applied for loans and advances included in the portfolios "Loans and receivables" and "Financial assets designated at fair value through profit and loss". For loans and advances classified as "Trading" and "Available-for-sale" as well as for "debt securities" in all portfolios, CEBS decided to keep the current proposal and to define "retail" in accordance with the CRD. As for the breakdown on financial liabilities CEBS decided to keep the current proposal, limiting the definition of "retail" to the ESA categories "households" and "non-profit institutions serving	Para 27 and templates to be amended

		households". To avoid potential misunderstandings, the terminology used in the FINREP templates shall be changed for exactly the same than in the ECB Regulation of balance sheet of the Monetary Financial Institution (from now on, ECB BSI regulation) (non financial corporations and households) and in the CRD (corporates and retail) to refer to the different sectors.	

Feedback table on CP06rev2 (Annex 1_templates): analysis of the public responses and suggested amendments

The first column of the feedback table makes reference to the terminology and paragraphs numbering used in the CP06rev2 (Annex 1) published for consultation. The last column refers to the amendments to be made after discussing the comments received during the consultation period.

CP06rev2 (Annex 1_templates)	Summary of comments received	CEBS's response	Amendments to the CP proposals
Templates of the framework for consolidated financial reporting (FINREP)			
Templates 1.2 and 12	The breakdown of the line "provision" include the item "pensions and other post retirement benefit obligations" with reference to IAS 1.78 (d). However, IAS 1.78 (d) requires showing separately provision for employees benefit from other provisions. Some respondents ask to clarify if CEBS want to include "all employees benefit" in this item. If so, the name of the item should change.	Clarification will be included in the guidelines.	Paragraph 13 to be amended
Template 2	Few respondents ask explanations concerning the content of the line « interest income – other assets » and « interest expenses – other liabilities"	Clarification will be included in the guidelines.	Paragraph 19 to be amended

	Where gains or losses from securitisation of loans should be classified in the breakdowns of the line “Gains (losses) on financial assets and liabilities held for trading”?	The gains or losses from trading loans that are derecognized after a securitisation should be classified in the line « interest rate instruments and related derivatives”. This clarification will be included in the GL together with those others needed to clarify where will be classified other gains or losses from securitisation.	Paragraph 19 to be amended
	The hedge accounting interest and expenses in the income statement should be further described	The Guideline will be amended accordingly.	Paragraph 3.5 to be amended
	The line item « Other (including hybrid derivatives) » should be renamed in « Other (including hybrid instruments) »	The item « Other (including hybrid derivatives) » will be renamed.	Table 2 to be amended
	Some respondents ask that the breakdowns of interest income, interest expenses and gains (losses) on financial assets and liabilities held for trading, net, are data that should be asked with less frequency than the Consolidated income statement.	The Guideline will be amended accordingly.	Tables 2 and 15 to be amended
Templates 5C and 10	Some respondents asked whether the amount of cumulative changes in the fair value attributable to changes in the credit risk are valid for both portfolios.	The guideline will be amended to clarify that the item is the total of the two portfolios.	Guideline to be amended.

Templates 7 and 16 B	Some respondents mentioned that impairments on equity is always recorded directly against asset.	The templates will be amended.	Templates 7 and 16 B to be amended.
Template 10	Some respondents would like specification concerning the classification of regulated savings deposits.	Regulated savings deposits should be classified in accordance with the ECB BSI regulation[see BSI, Annex II, part 2, item 9.2 and 9.3].	Paragraph 5 to be amended
Template 14	Some respondents would like specifications concerning the item "commissions to agent"	Clarification will be included in the guidelines.	Paragraph 25 to be amended
Template 15A: Interest income and expense	Some respondents criticize that banks do not use internally a split between interest income and interest expenses in such a granular way (with instrument and counterparty breakdown). They state that the costs of implementing such a reporting requirement are huge and hard to realize; other comments state that the information is not available from an IT perspective for the time being.	The second breakdown by type of counterparty is simply representing an additional granularity of the disclosure that banks are delivering for market purpose at least for "Loans and receivables" class of financial assets. In-fact the breakdown of interest income and expenses for central banks, banks and other customers is already used by some of the largest EU banks. In addition it is useful for supervisory purposes in order to assess the profitability by counterparty.	No amendment
Template 15	Respondents claim that one item regarding hedge of net investment in foreign operation is missing and that the line item names are misleading.	The guidelines and template will be clarified on these points.	Paragraph 19 to be amended

	The possibility to recognise interest and expenses on derivatives should be described further in the Guideline	This point will be described further in the Guidelines.	Paragraph 19 to be amended
	The line items of table 15 B only deal with hedging “derivatives”. However, non-derivatives financial assets or liabilities can be used for hedging of FX risk	This point will be described further in the Guidelines.	Paragraph 19 to be amended
Template 17	Some respondents requested to include more clarification in the guidelines to review the references	CEBS analysed the information on repos and reverse repos included in Table 17 of the revised FINREP, aiming to clarify the data to be reported, to avoid duplicities in the information requested and to increase the clarity, accuracy and consistency (across templates and internally in the same template). The agreement reached entails, first, to include in the Guidelines a definition of repos elaborated taking as reference the definition included in ECB BSI regulation and, second, to delete table 17 moving to tables 10A, 11A and 16D the information that in the revised version is not already included in other tables.	Templates and guidelines to be amended
Template 20	Respondents claim that the term “doubtful loan commitment” and “doubtful financial guarantees” have to be defined.	“Doubtful loan commitment” and “doubtful financial guarantees” will be defined in the Guideline.	Paragraph 24 to be amended
Template 22	Some respondents claim that the logical order of the line items would be that the «comprehensive income for the year» is the last	CEBS agrees with the proposal and changes the order of the line items.	Template 22 to be amended

	line item just before closing balance.		
Template 24	Comments received during CP, refer to the non accounting nature of data requested in this table to ask for its deletion.	Current information on off-balance sheet exposures is not sufficient to get a clear view of risks that banking groups are assuming with activities not recognized on the balance sheet. Table 24 provides more detailed information on these activities whose fees and commissions incomes are collected in T 14. Table 24 also shows the materiality of assets under management and custody assets. Hence, CEBS agrees to retain this template.	No amendment
	One respondent asks for clarification on the definitions of “gross carrying amount“ and “instruments issued by the entity”.	Clarification will be included in the guidelines.	Paragraph 24 to be amended
Template 25A	The main criticism received from respondents related to table 25A is that CEBS’ design has gone beyond IFRS 7 requirements.	CEBS underlines that disclosure on fair value requested in table 25 is the most important template among new ones introduced in the revised FINREP; even more CEBS has highlighted in 2008 on the importance of disclosure of fair value although it is not asked for in IFRS 7. To clarify its content, this table will be revised indicating the cells that do not have to be reported.	Template 25A to be amended
Templates 25 B and C.	Some respondents would like to understand the reason of inclusion of the table in its current format.	Template 25 B is necessary for analysing the impact of prudential filters.	No amendment.
Template 26	Respondents expressed some doubts about the added value of this table due to differences of the scope of consolidation of the CRD	Some supervisors collect information included in T 26 outside of FINREP as part of the Financial Conglomerate Reporting in a more detailed format – although only for institutions that are classified as	Template 26 to be deleted and template 23 to

	from the scope of consolidation of the IFRS. As a consequence, they propose to delete this table. If the table was maintained, it should be significantly simplified: for example, the balance sheet should not be reconciled line by line, but only based on the total balance sheet. Also the frequency of the table should be annual.	Financial Conglomerates (10 % ceiling). As information outside FINREP is not standardized some find template 26 useful for enhancing bridging between data produced for different regulatory requirements and also for financial stability assessments. Taking in consideration that the balance sheet and the income statement can be asked with IFRS and CRD scopes, CEBS agrees to delete template 26, but introducing two columns in table 23 (scope of the group): “Total assets of investee” and “Profit (loss) of investee”, to have an idea of the impact of the insurance and non financial corporations in the IFRS scope.	be amended
References throughout the templates and instructions in the guidelines	The main comments received about the references and instructions are: • need of additional instructions for non IFRS requirements and to fill in the templates in a uniform way, • need of harmonisation between IFRS and FINREP definitions, • divergent interpretations among the regulators, • not to be able to reconcile different reporting	CEBS is aware that the more detailed the references and instructions are the more harmonised the implementation will be. The actions for the framework are: to keep IFRS references for all IFRS requirements; to put additional instructions in the guidelines for non IFRS requirements and for filling in the templates (where necessary); to update the IFRS references and identify divergent definitions between IFRS and FINREP items and to make an effort to reconcile different reporting requirements. All questions that arise during implementation shall be addressed to and answered by CEBS’ FINREP network.	GL and references to be reviewed

	requirements (for example: FINREP, COREP, ECB).		
Use of BSI definitions in FINREP	One respondent suggests replacing the FINREP definitions that are not clearly defined in IAS/IFRS with the corresponding BSI definitions or, at least, to establish the links required to allow their reconciliation. Another respondent flag the issue that debt securities and loans and advances are not defined in IAS 39 and suggest the deletion of the wrong references.	CEBS welcomes the comments of linking the definitions of those FINREP financial instruments that are not defined in IAS/IFRS to the definitions provided in the ECB BSI regulation. To harmonize data definitions across both frameworks will imply benefits not only for the reporting entities (reductions of cost) but also for supervisors and central banks (increases in comparability and quality of the data). This harmonization shall be made, considering that links between FINREP and IAS/IFRS have to be maintained. Amendments and clarifications will be included in the guidelines.	GL and templates to be amended