CEBS

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EAPB comments on the amendments of CEBS Guidelines on Financial Reporting (CP06 rev)

1. Introduction

The European Association of Public Banks (EAPB) represents the interests of 25 public banks, funding agencies and associations of public banks throughout Europe, which together represent some 100 public financial institutions. The latter have a combined balance sheet total of about EUR 3,500 billion and represent about 190,000 employees, i.e. covering a European market share of approximately 15%.

We thank CEBS for the opportunity to comment on the envisaged amendments to the Guidelines on Financial Reporting (FINREP) and would very much appreciate CEBS taking our comments into account.

2. Remarks relating to the core templates

- **Template 2**

Concerning the extension of the profit and loss account position “share of the profit or loss of associates and joint ventures accounted for using the equity method” to “share of the profit or loss of associates, subsidiaries or loss of associates, subsidiaries and joint ventures accounted for using the equity method” we have some critical remarks.

In an IFRS individual financial statement shares in subsidiaries have to be valuated either by their historic costs or in accordance with IAS 39 (IAS 27.37). The accounting of non consolidated subsidiaries in a consolidated financial statement is, as far as we know, not provided for under the IFRS. Therefore, shares in non consolidated subsidiaries are usually

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treated analogue to the individual financial statement. According to IAS 39 either valuation by historic costs or treatment as financial instruments are applied. The FINREP provision to valuate the shares in non consolidated subsidiaries by using the equity method creates a valuation standard, which is neither in line with IFRS nor with the common accounting practice.

3. Remarks relating to the non-core templates

- **Template 13**

  - Non current assets held for sale

The joint disclosure of shares in associated undertakings and subsidiaries can not be deducted from the balance sheet. In our opinion, there should be either a joint disclosure of shares in associated undertakings, in joint ventures and subsidiaries or a complete separation of this information.

  - Disposal group of assets

In our opinion, a valuation of subsidiaries according to the equity method is not adequate (see our remarks to Template 2).

- **Template 33 – Table C**

As set out in the motivation for the proposed changes in table C, financial liabilities out of the sale of assets in pensions are always attributed to the category „held for trading". In our opinion, these liabilities do not have to be compulsory categorised as "held for trading", as they do not alter in any case according to the present value of the sold financial assets (e.g. repurchase agreement). Moreover, a disclosure of liabilities out of the sale of assets in pension is not requested by IFRS 7.15(b). IFRS 7.15(b) only provides for the disclosure of the fair value of collaterals, which are sold or pledged.

- **Template 35 – movements in defined benefit plan obligation for defined benefit plan**

In our view, the classification does not correspond with the requirements under IAS 19.120A(c) and presupposes moreover the direct inclusion of actuarial profits and losses in the own funds. This limits the discretion set out under IAS 19. In addition, IAS 19 does not define "defined benefit plan obligations" but only "defined benefit obligations" and "plan assets".

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If you have any questions please do not hesitate to contact us.

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