10 March 2009

Consultation paper on amendments to the Guidelines on Financial Reporting (FINREP)

Background

1. In December 2005, the Committee of European Banking Supervisors issued Guidelines for the Implementation of the Framework for Consolidated Financial Reporting, commonly referred to as the Guidelines on Financial Reporting, or FINREP. These Guidelines were designed to be used by banking groups that use IAS/IFRS for their published financial statements and that submit similar information in their periodic prudential reports to supervisory authorities. The Committee issued a recast version of the Guidelines in December 2006, and published further amendments in July 2007, incorporating several changes stemming from new or amended accounting standards.

2. The Guidelines on Financial Reporting (together with the Guidelines on Common Reporting issued in 2006) are part of CEBS's broader effort to streamline reporting requirements for supervised institutions. This effort is consistent with the recommendations of the Financial Services Committee Report on Financial Supervision (the Francq Report) and the White Paper of the Commission on Financial Services Policy - 2005-2010.

3. The present consultation paper proposes amendments to the existing FINREP Guidelines which will streamline financial reporting and achieve a higher degree of harmonisation.

Executive summary

4. The Guidelines on Financial Reporting were intended to increase the comparability of financial information reported to different supervisors within the EU, increase the cost-effectiveness of supervision across the EU, reduce reporting burden on cross-border credit institutions, and remove a potential obstacle to financial market integration. However, the expected benefits in terms of cross-border supervision have materialised only to a limited extent, in part because supervisory authorities have adopted different reporting formats and different reporting data, as permitted by the current

framework[1]. For the same reason, the reductions in reporting costs for cross-border institutions have not been as great as initially anticipated. The proposals set forth in this consulation paper are designed to maximise the benefits of consistent reporting while at the same time reducing the cost of reporting for the reporting entities.

5. To achieve a high level of harmonisation and strong convergence in supervisory reporting requirements, CEBS has decided to adopt explicit minimum and maximum reporting requirements, both of which are based on the same set of data definitions. (The Guidelines will provide detailed data definitions, in case the IAS/IFRS definitions are not sufficiently clear). The minimum requirement will be reporting of all "core" information (templates 1.1, 1.2, 1.3, and 2). The maximum requirement will be reporting of this core information plus all of the "non-core" information contained in the rest of the templates. Each supervisor is free to choose a point anywhere between these two extremes. Member States must rely exclusively on financial information defined in the new FINREP framework, and may neither amend the information templates based on national need, nor require additional information that exceeds the fixed maximum. Thus FINREP will represent the only source of consolidated periodic supervisory financial reporting based on IAS/IFRS.

6. In other words, while the current Guidelines permit national supervisory authorities to require institutions to report any additional quantitative or qualitative financial information that they consider useful, above and beyond that specified in the FINREP framework, the proposed new Guidelines use a 'Maximum Data Model' which limits reporting requirements to the core and non-core information specified in the framework. This approach represents a compromise between the need for flexibility to accommodate different supervisory needs and the desire for greater convergence and harmonisation.

7. FINREP does not apply to financial reporting requirements at the solo level (although Member States are free to use FINREP as a reference for solo reporting). Nor does it apply to Pillar II templates (such as those covering liquidity risk, interest rate risk, exchange rate risk, concentration risk, or country risk), reporting of qualitative information, or statistical reporting to the ECB, IMF, or BIS. CEBS is currently working with the ECB on ways to reconcile supervisory and statistical data requirements for credit institutions, in order to reduce reporting burden and improve the quality and consistency of the data.

8. The FINREP templates have been streamlined and harmonised, with the goal of increasing convergence across the EU and reducing uncertainties in how terms are defined and templates are implemented. Additional amendments have been made to incorporate changes in IAS/IFRS.

[1] The Guidelines state that "national supervisory authorities may decide to require additional quantitative and qualitative financial information".

9. The net effect of these revisions (both the overall streamlining and the additions to reflect IAS/IFRS changes) is a reduction of 26% in the number of cells compared with the current extended implementation of the FINREP framework. The number of templates is expected to decline from 39 to 26.

10. National authorities are free to choose whether the reporting frequency for each template will be quarterly, semi-annual, or annual. The reporting dates will be 31 March, 30 June, 30 September, and 31 December. National authorities will retain a degree of national discretion regarding reporting deadlines, which shall fall within a ‘corridor’ of 20 to 40 business days after the reporting date.

11. Once a year, CEBS will evaluate the need to update the FINREP framework, guidelines, and taxonomy. The decision to update will be guided by considerations of stability and cost-effectiveness, and if changes are made, an appropriate lead time for implementation will be provided.

12. CEBS recommends the use of XBRL, since the adoption of XBRL taxonomies will lead to greater harmonisation of IT formats. The current FINREP XBRL taxonomy, released in January 2008, is an *extension* (equivalent to an enlargement or derivation) of the IFRS XBRL taxonomy released by the IASCF in August 2006 (the most recent at that time). Since then, the IASCF has developed a new architecture based on the same IT concepts used in the COREP taxonomy. The new FINREP taxonomy will also be based on a new architecture.

13. To complement the XBRL taxonomy, CEBS will recommend IT best practices on cell definitions in order to standardise conversions to decimal values, precision, percentages, threshold/tolerance margins, identification of reporting institutions, and administrative codes, among other factors.

Methodology and Impact Assessment

14. CEBS has developed its amendments to the FINREP guidelines in a manner consistent with the European Commission's "better regulation agenda". In particular, to the extent permitted by time constraints, CEBS has followed the impact assessment (IA) guidelines published by the three Level-3 Committees in April 2008[2].

15. Advice for the impact assessment was sought from CEBS Members outside the expert group. Furthermore, various panels of stakeholder groups that assist CEBS, including both competent authorities and industry experts, were invited to comment on CEBS's proposals during the assessment process.

16. The impact assessment helped CEBS to describe and explain the decision-making process and to identify policies to be implemented. This analysis provided the basis for discussion at CEBS.

Aim and scope of the Guidelines

17. The aim of the present amendments to the FINREP Guidelines is to streamline financial reporting, reduce reporting burden, and improve harmonisation and convergence in the use of financial reports within the European Union.

18. As set out in the general guidelines to the framework, the scope of application of the Guidelines is limited to quantitative reporting at the consolidated and sub-consolidated levels. Member States are not required to apply the FINREP Guidelines to solo reporting, However, Member States are free to use FINREP for solo financial reporting if they so choose.

19. The current scope of application of the framework has not been changed. It can be defined with reference to either IFRS or CRD provisions on the consolidation of entities within a group. The Guidelines include an optional breakdown which can be used to reconcile the IFRS and CRD references.

20. Furthermore, the Guidelines do not apply to other frameworks for the collection of data that are not based on IFRS, or financial data collected for statistical or monetary policy purposes. The following table provides an overview of the various reporting requirements for credit institutions:

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[2] Impact Assessment Guidelines for EU Lamfalussy Level 3 Committees, issued in April 2008 and available on CEBS's website under: http://www.c-ebs.org/formupload/30/305f9126-d16e-473e-a843-5733e67687d0.pdf

Table 1: Overview of current reporting requirements

Origin of data requirement	Scope of application	Data use	Template
IFRS	Consolidated	Supervisory and ECB macroprudential purposes	FINREP* and national
IFRS/GAAP	Solo	Supervisory purposes	National
CRD Pillar 1	Solo and Consolidated	Supervisory purposes	COREP* and national
CRD Pillar 2	Solo and/or Consolidated	Supervisory purposes	National
Statistical	Solo and/or Consolidated	macroprudential purposes	National**
Statistical	Solo (domestic)	ECB statistical and macroprudential purposes	MFI statistics
* CEBS Guidelines are not mandatory, as CEBS Member States are subject to a "comply or explain clause" ** Including requirements from BIS and IMF			

Summary of findings from the Impact Assessment

Step 1: Problem Identification

21. The first step in the IA process, as described in the IA guidelines published by the three Level-3 Committees, is to identify the problem and the threat that it poses to regulatory objectives. FINREP was originally developed to address the lack of comparability in the financial information reported by supervised credit institutions, which made it more difficult for European supervisors to share financial information, impeded cooperation in cross-border supervision, and impeded the level playing field for European credit institutions. While FINREP has improved the consistency of the financial information reported to supervisory authorities, the expected benefits in terms of improved supervision have materialised only to a limited extent, in part because supervisory authorities have adopted different reporting formats and different reporting data. For the same reason, the reductions in reporting costs for cross-border institutions have not been as great as initially anticipated. Thus a regulatory failure[3] continues to exist, justifying further regulatory intervention.

22. Under the current Guidelines, banks' reporting requirements can vary depending on the country in which they are located, due to differences in national supervisory models and reporting systems. Moreover, cross-border groups must report to each national supervisory authority in whose jurisdiction they have a subsidiary, and therefore must satisfy not only CEBS's Guidelines on Reporting but also the national reporting requirements of each Member State in which they operate. This multiplicity of reporting requirements, in combination with differences in data definitions, increases reporting burdens.

23. There are two aspects to the problem. The first relates to reporting *formats*, i.e. differences in the reporting templates (and their cells) and in the degree

[3] "Regulatory failure" refers to a regultory intervention whose costs are greater than its benefits, such that the net effect is harmful.

of flexibility in their use by different supervisors. These differences in reporting formats across EU Member States make it impossible for a cross-border group to implement a single reporting format.

24. The second aspect relates to reporting *data*, i.e. differences in the content of the templates and the way it is entered. In the current FINREP framework, differences in data definitions (derived either from IFRS accounting standards or national GAAP) make it impossible for a cross-border group to build a common dictionary of terms[4].

25. These differences present obstacles to the achievement of strong convergence in data definitions and the development of common IT formats and reporting procedures:

    a. As noted above, the FINREP templates are based on IAS and apply only at the consolidated and sub-consolidated levels. Nine EU and EEA Member States neither require nor permit financial institutions to use IAS in their annual accounts[5]. However, all Member States are free to use FINREP as a reference for solo reporting if they so choose. These differences lead to a situation in which cross-border banks are required to prepare multiple reports under different accounting regimes (IFRS at the consolidated level and national GAAPs at the solo level), at significantly increased cost to the banks. A solution to this problem is beyond CEBS's reach, as only the Commission has the power to amend the underlying regulations so as to require institutions in all Member States to use the FINREP framework. Specifically, Article 74(1) of Directive 2006/48/EC could be amended to require all Member States to provide that (cross-border) subsidiaries of banking groups may use IFRS as the basis for regulatory reporting at the solo level, and exempt them from applying national rules on bank accounting. This change would directly impact Member States' national tax systems.

    b. CEBS does not have the power to enforce the guidelines, which are voluntary. Only 21 out of 27 EU supervisors currently apply FINREP; the others have different supervisory practices. Once again, achieving full convergence is not within CEBS's powers.

    c. FINREP requires the reporting of core information, but this is a minimum requirement; the Guidelines allow supervisors to require additional information.

[4] This issue is especially relevant to cross-border groups that have centralised accounting systems. Cross-border groups that do not have centralised accounting systems could not take full advantage of simplified reporting procedures.
[5] According to a survey on implementation of the IAS regulation (1606/2002), nine of the 30 EU and EEA Member States neither require nor permit IAS in annual accounts for listed companies. These countries are Austria, Belgium, Germany, Spain (although its national GAAP are consistent with IAS/IFRS), France, Hungary, Portugal, Romania, and Sweden.

26. These discrepancies in reporting templates, data definitions, IT formats, and XBRL taxonomies increase reporting costs for cross-border banks and potentially distort market competition. Furthermore, the incompatibility of different reporting formats and the lack of comparability of financial information limits the exchange of information between supervisors and restricts the availability of data for cross-border analysis. These shortcomings could ultimately have an adverse effect on financial stability.

27. Since prudential supervision and financial stability are public goods, a market-based solution is unlikely to emerge, and there is a reasonable rationale for regulatory intervention.

Step 2: Definition of policy objectives:

28. The general policy objective by which the impact of the Guidelines was assessed is the soundness of the banking system, which is needed to ensure overall financial stability. More specifically, the objective of FINREP is to gather information that is needed to monitor and analyse the financial condition of credit institutions. From CEBS's point of view, measures that contribute to convergence in the supervisory practices of Member States increase the comparability and usefulness of reported information, thereby improving the efficiency of financial supervision and contributing to the soundness of the banking system.

29. The regulatory failure identified in step 1 was found to pose a threat to the objective of sound banking supervision.

Step 3: Development of main policy options:

30. Three main policy options were considered:

- Option 1 (referred to in this consultative paper as the "Maximum Data Model") sets explicit minimum and maximum reporting requirements, both of which are based on the same set of data definitions. The minimum requirement is reporting of all the "core" information (FINREP templates 1.1, 1.2, 1.3, and 2). The maximum requirement is reporting of this core information plus all of the "non-core" information contained in the rest of the templates. Member States must rely exclusively on financial information defined in the FINREP framework; they may neither amend the templates based on national need, nor require additional information that exceeds the fixed maximum. However, they have national discretion to choose which parts of the non-core templates to use: i.e. where on the spectrum from minimum to maximum requirements they will lie. They may choose to vary that choice for different institutions or classes of institution, for example in accordance with the principle of proportionality; or they may choose to require all institutions to complete the same set of templates.

- Option 2 (the "Maximum Data College Model") also uses a common data format with explicit minimum and maximum reporting requirements. It differs from Option 1 in the nature of the flexibility provided to national authorities. In Option 2, the national supervisors of a given cross-border banking group, working through that group's college of supervisors, agree on a common set of templates to be used by all of the group's subsidiaries.

- Option 3 (the "Single Data Model") prescribes a single EU-wide data format, with no national discretion. In this option, every credit institution in every jurisdiction is required to report the same financial information, using the same templates and completing all of the cells.

31. Independent of the choice of FINREP data model, the FINREP templates have been streamlined and harmonised to reflect the conclusions of the commonality study and the user test survey conducted by CEBS. Data items that do not provide sufficient value-added from a supervisory perspective have been dropped. Other changes have been made to incorporate changes to IAS/IFRS.

Step 4: Assessment of likely costs and benefits of each policy option:

32. CEBS assessed the costs and benefits arising from the proposed changes to the FINREP Guidelines, compared with the *status quo*. The *status quo* can be described as follows:

    - The FINREP guidelines define a minimum set of templates. Member states are free to adjust FINREP templates in number, volume, and data definition to satisfy national supervisory needs. The current FINREP guidelines include 39 templates specifying financial reporting information, plus some optional breakdowns that can be required throughout the tables;

    - The FINREP framework contain 4,013 reporting items. This figure is not an absolute maximum, as Member States are currently allowed to request additional national (IFRS-based, consolidated) information. In practice, the implementation of FINREP has varied significantly across Member States, leading to a large variation in reporting volume.

    - Reporting frequency and reporting deadlines are not standardised. Reporting frequency can be either monthly, quarterly, semi-annual, or annual, and reporting deadlines range from 19 to 125 business days after the reporting date.

    - CEBS's guidelines in general, and the FINREP guidelines in particular, are not binding; they are implemented on a voluntary basis. This stems from the nature of CEBS's authority, which CEBS itself does not have the power to change. At present, only 21 Member States have implemented the FINREP guidelines.

33. These differences in national implementation mean that the baseline against which the options will be assessed differs across Member States, and therefore the costs and benefits of each option will also differ across Member States. This makes it difficult to assess the overall impact of the options. Harmonisation and convergence could reduce reporting burdens in some areas and increase them in others.

34. As pointed out above (step 1 - problem identification), harmonisation of data definitions is an essential ingredient in simplifying regulatory reporting procedures, since it permits reporting items to be mapped directly across different frameworks. Strong convergence in data definitions could significantly reduce reporting burdens, by simplifying administrative procedures within cross-border groups. However, differences in data definitions that stem from differences in supervisory approaches cannot be resolved by the reporting framework. Thus convergence in data definitions can be achieved only within the limits imposed by the current heterogeneous EU supervisory framework. These limits, and the benefits of achieving greater convergence in data definitions, are the same whatever the reporting format, and for all of the three options related to data *content*, whose likely costs and benefits are presented in the following table.

	Option 1 – **Maximum Data Mmodel**	Option 2 – **Maximum Data College model**	Option 3 – **Single Data Model**
Size of the framework	Potentially varying within the limits of minimum and maximum level. Provides a framework in which a national authority can achieve uniformity within its jurisdiction, to the degree it wishes	Potentially varying within the limits of minimum and maximum level, but uniform for a specific banking group. Potentially larger than in option 1, as each supervisor would tend to insist on collecting information that it considered relevant from a national perspective.	Uniform implementation across Europe. The size of the framework would depend on whether national banking supervisors reach a common view on the content of FINREP. The size would probably be larger than in Options 1 or 2 in the short term, but in the longer term could be in the middle of the range from minimum to maximum.
Implementation costs for institutions	Depending on core requirements and on the degree of commonality in national implementation of non-core requirements	Depending on the core requirements and on the decision of the college	Depending on the size of the FINREP

Implementation costs for supervisors	Low	Medium	Depending on the size of the FINREP
Maintenance costs for institutions	For cross-border banks: Medium as different reporting subsets to national authorities For domestic banks: low	For cross-border banks: Low, as for banks similar to option 3. Additional costs may arise when composition of college changes For domestic banks: same as for option 1	Potentially lower, but a uniform but large reporting system is not necessarily less costly than a number of smaller systems with a high degree of commonality.
Allocation of costs	Proportionate	Proportionate	Higher costs to smaller banks
Harmonisation of reporting procedures	Possible with strong convergence on definitions	Possible with strong convergence on definitions	Possible with strong convergence on definitions
Reporting frequency	Quarterly frequency for all options leading to the same impact across the three options		
Remittance dates	National discretion on remittance dates	Common remittance dates within college	Common remittance dates across EU
Convergence of reporting formats	Level of convergence depends on minimum level and on the commonality related to the non-core; takes account of differences in supervisory approaches	Full convergence within college but different practices within authorities as different data requirements per bank – leading to high costs for supervisors	Full convergence possible across Europe, but possibly on highest level.
Possibility to adapt reporting requirements to banks' risk profile	High	High	Low

Harmonisation of validation of reporting data on EU level (EU test centres)	Possible with strong convergence on data definitions	Possible with strong convergence on data definitions	Possible with strong convergence on data definitions

Step 5: Comparison of options and identification of a preferred policy option:

35. As noted above, the issue of reporting data is independent of the reporting format. Therefore, the potential cost reductions associated with strong convergence in data definitions are the same for each option.

36. Based on its evaluation of the costs and benefits presented in the preceding table, CEBS considers Option 1 to be the most attractive alternative. It provides for convergence in FINREP reporting formats while respecting the principle of proportionality: allowing supervisors to adapt reporting requirements to the risk profile, size, and complexity of different banks and to supervisory needs. Option 3, with its fixed set of templates for all banks, has the highest potential for full convergence, but appears likely to impose disproportionate burdens and to create competitive disadvantages, particularly for smaller banks.

Methodology for redesigning FINREP templates

37. The redesign of FINREP templates was carried out in two steps. In the first step, the templates were streamlined to reflect the conclusions of a commonality study and a user test survey.

    a. In 2007, CEBS conducted an assessment of convergence in supervisory reporting. The study found a high level of commonality across EU Member States in the core part of the reporting framework, but a low level of commonality in the non-core part[6].

    b. CEBS also surveyed Member States on the use of FINREP information for supervisory purposes. The survey found a strong correlation between implementation of a template and its relevance for supervision in the respective country.

    c. Based on the results of the user test survey and on information provided in Supervisory Disclosures, CEBS concludes that the number of cells in the current FINREP templates could be reduced by 41%.

[6] The study concluded that "the Guidelines on Financial Reporting are a relevant movement for convergence, reflecting very high level of commonality in the core layer. However they have achieved a low level of commonality among members in the non core part of the framework, which is not aligned with the objective set by the Financial Services Committee."

38. In the second step, the templates were expanded to include certain additional items of financial information (IFRS-based, consolidated) that supervisors currently require banks to report in their national implemention of the FINREP framework. This step was considered essential for generating a consensus, since the revised FINREP guidelines prohibit national supervisors from using FINREP to collect any information that is not explicitly included in the templates.

    a. The additional (IFRS-based, consolidated) information to be included in the revised FINREP templates was identified through a questionnaire on national extensions to FINREP which was submitted to CEBS Members.

    b. CEBS considered including additional information that was collected by five or more countries, as well as additional information collected by fewer than five countries when a strong need for supervisory purpose was given.

    c. The preliminary proposal was to include the addition of information considered highly useful for supervisory purposes, such as:

        i. Information on loans and advances and on impairment;

        ii. Information on interest expense and income by product;

        iii. Information on the geographical breakdown of assets and liabilities;

        iv. Information on asset management, custody, and other service functions;

        v. Information on assets and liabilities measured at fair value.

    d. The financial statements of a sample of 19 cross-border banks[7] were reviewed to check the availability of the additional FINREP information. (Information that could be found in published financial statements was considered to be less costly to include in the revised reporting framework.) The sample consisted of cross-border banking groups whose home authority has implemented, or is in process of implementing FINREP in its national jurisdiction, and that draw up their financial statements based on IAS/IFRS as endorsed by the EU.

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[7] The sample included Barclays, Commerzbank, Deustche Bank, Santander, BBVA, BNP-Paribas, Societe Generale, Allied Irish Bank, Bank of Ireland, Intesa-San Paolo, Unicredito, ING, Rabobank, Nordea, SEB, National Bank of Greece, KBC, Fortis, and Dexia Bank Belgium.

e. The review found that part of the new FINREP information is available in published financial statements. This led to the conclusion that the additional information could be collected without significantly increasing reporting costs. Looking at the results in more detail, CEBS found that information on interest income and expense and on the geographical breakdown of assets and liabilities was either partially or fully available. The level of detail of information on assets and liabilities measured at fair value varied significantly, ranging from fully available to unavailable. The required level of detail of information on loans and advances was partially available, while information on asset management was usually not included in financial statements.

39. Even with these new additions to the FINREP templates, the overall effect of the changes proposed in the new Guidelines would be to reduce the number of cells in the templates by 26%, and to reduce the number of templates by 33% (from 39 to 26).

Summary of findings

Summary of CEBS's proposal: the Maximum Data Model

40. The amended FINREP framework will be based on the 2008 version of IAS/IFRS as published by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The approach proposed for consultation is the "Maximum Data Model", which CEBS feels strikes the best balance between convergence and flexibility. The Maximum Data Model sets explicit minimum and maximum reporting requirements, based on a common set of data definitions. Member States must rely exclusively on financial information defined in the FINREP framework; they may neither modify the templates based on national need, nor require additional information that exceeds the fixed maximum. Thus FINREP will represent the only source of periodic consolidated supervisory financial reporting based on IAS/IFRS.

41. While most of the revisions involve streamlining the existing templates, CEBS considered it necessary add a few new templates, corresponding to information which is not covered by the current templates but which various Member States currently require banks to provide in their financial reports as a matter of national discretion. These additions were judged essential in reaching a consensus among national authorities on accepting the new FINREP templates as a maximum requirement, and thus achieving the goal of strong convergence. While these additions increase the overall size of the templates somewhat, they provide a benefit to banks – and in particular cross-border banks – by standardising the information that will be required on a consolidated level for financial reporting based on IAS/IFRS.

42. FINREP does not apply to financial reporting requirements at the solo level (although member states are free to use FINREP as a reference for solo reporting). Nor does it apply to Pillar II templates (such as those covering liquidity risk, interest rate risk, exchange rate risk, concentration risk or country risk), reporting of qualitative information, or statistical reporting to the ECB, IMF, or BIS. CEBS is currently working with the ECB on ways to reconcile supervisory and statistical data requirements for credit institutions, with the goal of reducing reporting burden and improving the quality and consistency of the data.

43. As explained above, FINREP guidelines will continue to distinguish between "core" and "non-core" information. This approach represents a compromise between the need for flexibility to accommodate different supervisory needs and the desire for greater harmonisation and convergence.

44. Core information is the minimum information that will be required in all Member States whose national supervisory authorities require that consolidated prudential financial reports be prepared under IAS/IFRS.

45. Core information currently consists of the following tables:

    a. 1. Consolidated Balance Sheet

i. 1.1 Assets

ii. 1.2 Liabilities

iii. 1.3 Equity

b. 2. Consolidated Income Statement

46. Non-core information will be reported in additional FINREP templates that provide more detailed information on core items, or ask for additional information. Each national supervisory authority will decide which non-core information shall be required to meet its supervisory needs for off-site supervision. As in the current FINREP framework, national supervisors will have the option of applying only part of a non-core template. However, they may neither modify the templates based on national need, nor require additional information that exceeds the fixed maximum. Thus FINREP will represent the only source of periodic consolidated supervisory financial reporting based on IAS/IFRS. Quantitative information that national supervisors currently collect through the FINREP framework, but which does not appear explicitly in the revised framework, must be dropped from national periodic reporting requirements. This does not preclude supervisors from requesting such information on a non-periodic, *ad hoc* basis in special circumstances, when they consider it necessary.

Reporting dates and frequency

47. CEBS is proposing to align FINREP and COREP in terms of reporting frequency. The reporting frequency may be quarterly, semi-annual, or annual. National authorities are free to decide on the reporting frequency for each template. The reporting dates will be 31 March, 30 June, 30 September, and 31 December.

48. National authorities will retain a degree of national discretion regarding reporting deadlines, which shall fall within a “corridor” of 20 to 40 business days after the reporting date. Member States will have the option of requiring reporting of audited data as of 31 December in addition to the quarterly reporting. In case this option will be chosen the relevant reporting deadline might exceed 40 business days depending on national regulations regarding the publication of audited year-end results.

Maintenance of framework and taxonomy

49. To ensure a maximum level of harmonisation, and to standardise the implementation procedure across Member States, CEBS members have agreed on a harmonised versioning policy for the FINREP format and the XBRL taxonomy. They also agreed that when a national authority decides to implement FINREP, it should always implement the most recent version. This harmonisation is essential to avoid differences between national implementations arising from the implementation of different versions.

50. The FINREP framework and the XBRL taxonomy may be affected by new or revised accounting standards, evolving supervisory needs, changing market

conditions, and developments in information technology. Such effects will be addressed in the following way:

51. CEBS will compile a list of such changes in the FINREP environment as they are identified. The list will include a description the change and mention of how the FINREP framework, taxonomy, or guidelines could be modified in response (e.g., add a line, remove a line, modify the guidelines, or update the taxonomy).

52. This list will be made available to CEBS's stakeholders on CEBS's website. Once a year, based on this list, CEBS will evaluate changes in the environment and decide whether there is a need to update the FINREP framework, guidelines, or taxonomy. CEBS will base this decision primarily on considerations of the stability and cost-effectiveness of the framework.

Work plan

53. A public hearing will be held on 27 May 2009 to provide all interested parties an opportunity to comment on these proposals. CEBS proposes the following time line for finalisation and implementation of the new Guidelines:

10 March to 15 June 2009:	Consultation period
27 May 2009:	Public Hearing
December 2009:	Endorsement of the Guidelines by CEBS
2010 and 2011:	Implementation of the Guidelines

FINREP harmonisation at IT level

54. CEBS recommends the use of XBRL on a voluntary basis. The first fully functional version of the European FINREP IT reporting formats, the so-called XBRL taxonomies[8], were released in September 2006 and implemented in a number of countries. The current FINREP XBRL taxonomy, released in January 2008, is an *extension* ("extension" is an IT term equivalent to an enlargement or derivation) of the IFRS XBRL taxonomy[9] released in August 2006 (the most recent at that time). Since then, the IASCF staff in charge of XBRL issues has grown considerably, and has developed a new architecture based on dimensions[10]. IASCF will release an updated XBRL taxonomy with each release of the Bound Volume. The next version is due in April 2009.

CURRENT STATUS

[8] Please visit www.finrep.info for complete information. XBRL is the acronym for eXtensible Business Reporting Language. A taxonomy is a full description of a business reporting format in this standard IT language. See www.xbrl.org for details.
[9] Please visit http://www.iasb.org/XBRL/XBRL.htm for complete information.
[10] In the XBRL technology, dimensions are equivalent to mathematical tables, used for the first time in the development of the COREP taxonomy.

55. The XBRL Network, along with key experts from the FINREP Network, IASCF, and XBRL Europe, has concluded that the new FINREP taxonomy will need to be completely revised in light of the improvements in the IASCF architecture.

56. The main requirements for the FINREP taxonomy are:

    a. Stability across the time.

    b. Ready to be directly utilised, at each country's discretion.

    c. Ready to be integrated with other taxonomies/extensions.

    d. Use of IFRS taxonomy elements when relevant for FINREP.

    e. Isolation from IFRS taxonomy changes that are not relevant to FINREP.

    f. Quality control from the outset, with a zero-defects approach.

    g. Guidance in the migration from the old to the new FINREP versions.

WORK PLAN

57. Three main tracks have been identified in the work plan, of which only the Taxonomy Development Track is closely related to XBRL topics. The tracks related to Supervisory Domain and Best Practices are potentially useful for all countries, independent of the standard or technology used in formats.

    a. ***Supervisory Domain Track:***

       Involving supervisory/accountant experts

       March-August, 2009:

       i. Identify the IFRS elements relevant for FINREP

       ii. Define element characteristics (data type, label, reference...)

       iii. Define validation rules

       iv. Prepare meaningful test cases in Excel spreadsheets

       v. Provide labels in national languages at each Member States' discretion

    b. Best Practices Track:

       Involving IT/XBRL experts

       January-September 2009:

i. Definition and development of Best Practices. The collaborative framework will be improved, unifying the legacy distinction at XBRL level between COREP and FINREP IT collaborative frameworks and domain names. For this purpose, it has been suggested to use the Internet domain name of *Eurofiling* as open collaborative website www.eurofiling.info

ii. Best Practices to be discussed related to: Decimals, Precision, Scale, Percentages; Threshold/tolerance margin; Report type identification (Solo, Consolidated, other options); Reporting institution identification; Nil, null, zero and blank values; ID and tagging of cells and (sub)totals; Administrative data and feedback parameters; Non numeric elements: definition and values; Character codification (UTF8 or others), and so on

c. ***Taxonomy Development Track:***

Involving XBRL experts, with the help of supervisory experts.

March-September 2009:

i. Approval of FINREP data model/matrix schema (primary items, dimensions, modules)

ii. Development of FINREP taxonomy, with peer review

iii. Validate the FINREP taxonomy against the test cases

iv. Create the European FINREP formula link base for validation

v. Documentation using/extending CEBS taxonomies

SCOPE

58. Due the demanding workload, tight deadlines, and limited resources, the work will focus on IT best practices relating to cell definitions and XBRL formats. EU-wide IT formats will be developed for FINREP, according to the streamlined and harmonised data definitions, following a common IT methodology and process, also allowing qualitative information and footnotes.

Invitation to comment

59. Stakeholders of CEBS are invited to comment on general as well as on specific questions. The consultation period ends on 10 June 2009. Comments received will be published on CEBS's website unless respondents explicitly request otherwise. Please send your comments to the following e-mail address: cp06rev2@c-ebs.org.

60. A public hearing will be held on 27 May 2009 at CEBS's premises to allow all interested parties to present their comments.

Section: Impact Assessment

a. Do you think the revised FINREP Guidelines will reduce reporting burden?

b. Do you think the revised FINREP Guidelines will make financial reporting in the EU more uniform?

c. CEBS guidance is non-binding. However, the possibility has been discussed of making FINREP mandatory at the consolidated level, a step which lies beyond the responsibility of CEBS. In addition, some countries apply FINREP at the solo level as well. Against this background, we are interested in your views concerning:

    i. The pros and cons of mandatory application of FINREP at the consolidated level by EU Member states.

    ii. The possibility of extending the use of the FINREP guidelines to the solo level. Are all of your subsidiaries allowed to use IFRS?

Section: Summary of findings on amendments to FINREP guidelines

d. Do you expect there to be a link between the FINREP framework and the IFRS-GP taxonomy?

e. What do you think of the proposals concerning reporting frequencies and reporting deadlines? Do you have alternative options?

f. Do you have any comments on the proposals relating to versioning policy?

Section: Annexes: revised FINREP templates (Annex 1) and Guidelines (Annex 2)

g. What impact do you expect the revised Finrep framework to have on your reporting procedures?

h. Is the new information added to the framework already available within your entity? Please specify reporting items that are not available.

i. FINREP guidelines do seek to interpret IFRS. Are the references and instructions sufficient for completing in the templates? Please specify where more instructions are needed.

j. The Guidelines on FINREP (Annex 2) provide a definition of the counterparty breakdown. Section II. 29 (6) identifies two possible definitions regarding Retail exposures. Which option do you prefer, and why?

k. Do you think that all redundancies in the current framework have been eliminated?

Section: Harmonisation at IT level

l. Do you support CEBS's initative of recommending IT best practices on cell definitions, as a complement to XBRL-related issues?

m. Do you have any comments on the work plan? Is your institution interested in collaborating on it?

Annexes:

CP06rev2 (Annex1): FINREP templates

CP06rev2 (Annex2) Guidelines on FINREP