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Dear Mr Vossen,

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

This is the British Bankers' Association's response to the above consultation paper. Although UK banks are not required to apply FINREP by the FSA, many have subsidiaries in Member States which mandate the use of the guidelines. At the outset we must make clear that we believe that FINREP should remain non-binding and that we would not support any amendment to the legislation underlying the Guidelines on Financial Reporting to mandate its use. Notwithstanding this, we believe there is a place for the guidelines to inform and guide those regulators and credit institutions that choose to follow them in their implementation of IFRS. We therefore provide our limited comments on the changes to the guidelines in this context.

Although we believe FINREP should remain non-binding, we have considerable sympathy with the Committee's desire to increase the comparability of financial reporting within the EU and to reduce the reporting burden on banks which operate in several Member States. In our view, an amendment to Article 74(1) of Directive 2006/48/EC to require all Member States to permit the subsidiaries of cross-border financial institutions to use IFRS as the basis of their reporting, as suggested in paragraph 25.a of the consultation, and to exempt them from national reporting requirements, would be a major step towards both reducing reporting burdens and enhancing the comparability of financial reporting.

We view the proposed work on the development of a bank specific extension to the IFRS XBRL taxonomy to be very important and believe that this is an area in which CEBS could contribute significantly by leading the development of European best practice for the banking industry. The development of best practice guidance is most successful in our view when the industry is engaged from an early point. We would therefore be happy to offer our assistance in this regard.

Our responses to the individual questions posed in the consultation paper follow below.

#### Impact Assessment

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

UK banks are not required to report under FINREP. Therefore if FINREP was to become mandatory this would lead to an increase in the reporting burden on UK banks. That being said, we would anticipate that the adoption and enforcement of an explicit ceiling on reporting requirements would reduce the reporting burden currently imposed by some Member States.

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

As above, we preface our comments with the fact that UK banks are not required to follow FINREP. Notwithstanding this, the model set out to adopt explicit minimum and maximum reporting requirements based on uniform definitions would reduce the current level of divergence in requirements.

**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?**

Whilst we recognise the desire to harmonise reporting in the EU, we believe this should be done on the basis of compliance with IFRS rather than mandatory adoption of FINREP and would therefore oppose any amendment to the underlying regulation to require the use of the FINREP framework. We agree with the discussion paper, however, that one of the greatest impediments faced by banks which operate cross-border in the EU is the requirement in some Member States for subsidiaries to apply national rules on bank accounting. We would therefore strongly favour an amendment to Article 74(1) of Directive 2006/48/EC to require all Member States to permit subsidiaries of cross-border banks to use IFRS as the basis for their regulatory reporting at the solo level and to exempt them from national requirements.

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?**

We think it would be helpful if, to the maximum extent possible, FINREP is based on the general purpose IFRS taxonomy with common, bank specific extensions being included. It is also desirable that the technical requirements for XBRL are consistent amongst all different applications both in the EU and internationally. This is particularly important given the recent SEC requirements for the use of XBRL.

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

Notwithstanding our comments above regarding the applicability of FINREP to UK institutions, the information remitted under the FINREP and COREP guidelines are of very different natures. COREP is prudential information whereas FINREP is based on accounting data. Given this we would suggest that biannual FINREP returns would be more than adequate.

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

The process set out in paragraphs 49 to 52 looks to be acceptable.

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?**

Given that the FSA does not require UK banks to follow FINREP, the impact on UK banks of the changes will be minimal. The changes will, however, impact the subsidiaries of UK banks based in other Member States. In the latter case we can foresee the changes proposed having a beneficial affect in terms of reducing reporting burdens.

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

N/A

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

N/A

**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?**

N/A

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

N/A

Harmonisation at IT level

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

We support the initiative to develop best practice provided it is in keeping with other EU and international requirements. This is particularly important given the recent SEC requirements for the use of XBRL.

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

As noted in our opening remarks, we see this as an important initiative and would be happy to offer our assistance.

Yours sincerely,



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