

24 July 2007

Feedback document

CEBS's Public Statement of Consultation Practices states that the Committee will "publish a summary of the responses received and a reasoned explanation addressing all major points raised as feedback" (PSCP 10.iii). The aim of this document is to summarize the feedback received on the Consultation Paper on amendments to the Guidelines on Financial Reporting (CP06rev) and the related annexes (published in April 2007) and the ways in which these comments have been dealt with.

Five responses have been received to the Consultation Paper. Some of the responses include comments on issues outside the precise scope of the consultation, although they are considered significant as they highlight problems faced by the industry in the implementation of the Guidelines on Financial Reporting.

General comments

Most respondents support the initiative taken by CEBS to incorporate the option included in IAS 19.93A-D in the text of the Guidelines. They also consider that the structure of the Guidelines should remain non-binding; while one respondent considers it positive that there is a process for alignment of the terms and definitions used in different templates.

Two more critical concerns were raised:

- lack of harmonisation of the national implementations of FINREP: this issue has been forwarded to the relevant national authorities; and
- synchronization of the changes in the templates with the changes in the XBRL taxonomy: CEBS intends to publish a new draft version of the XBRL taxonomy on its website shortly.

Specific comments

There have been a number of comments in response to the Consultation Paper. The three main points which have been modified as a result are the following:

1. Use of equity method for investments in subsidiaries: it has been clarified in the Guidance for Implementation that this possibility was foreseen in the context of the use of the scope of consolidation prescribed in the CRD.
2. Movement analysis of the defined benefit plan obligation (template 35.3): a comment received questioned the accuracy of this template in relation to the disclosure requirement included in IAS 19.120A.c). The template has been modified accordingly.

3. Guidance on the use of the templates 38: a comment asked for further guidance on the interrelation between the templates 38. A new point has been included in the Guidance for Implementation to clarify this aspect.

Other comments were received, but not accommodated. In general terms, CEBS has agreed to approve the changes in the Guidelines but taking into account the potential IT implications for the banking industry.

Finally, one major comment was made by one respondent seeking to limit the additional information, not included in the Guidelines, that may be asked for by national authorities; it was agreed not to accommodate this comment since it may pre-empt a deeper discussion between members and the industry. CEBS realises that this discussion will be required in the future.



General comments

Topic/Template	Comments received	Analysis	Action
Incorporation of the option of IAS 19.93A-D	Welcome the inclusion of this option in the Guidelines	Support for the initiative of change in FINREP.	None
Alignment of terminology	Welcome the proposals to use equivalent terms in same items	Support to the proposals.	None
Templates not included in the core layer	Support of the proposal to consider the templates as non-core templates	Agreed with the proposal.	None
Non compulsory character of the Guidelines	The Guidelines on Financial Reporting should remain non-binding; the optional character should be retained.	This Consultation Paper does not foresee any change in this aspect, so national authorities are free to implement FINREP.	This aspect is clarified in the Guidance for implementation.
Lack of harmonisation in national implementation	The national implementations of some European countries show a lack of harmonisation among them that precludes the establishment of centralised reporting systems, creating problems for cross-border groups aiming to set up centralised reporting systems	This comment is not related to the Consultation Paper.	The comparison will be forwarded to the relevant authorities.

Synchronization of changes in the Guidelines and in the XBRL taxonomy	Enhance the cooperation with XBRL experts working for regulators	This comment is not related to the Consultation Paper.	It is CEBS's intention to publish a new draft version of the XBRL taxonomy when the Guidelines have been approved.
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Specific comments

Topic/Template	Comments received	Analysis	Action [proposal]
Table 2	Extension of the "share of the profit or loss of associates and joint ventures accounted for using the equity method to subsidiaries is not correct under IAS 27.37	Correct, the inclusion of this item was limited to those cases where the scope of consolidation is the one prescribed in CRD	Add one paragraph in the Guidance for Implementation with that restriction. Include the term "subsidiaries" between brackets in the templates when referring to this situation.
Table 2	Accounting of non-consolidating subsidiaries in consolidated financial statements is not foreseen in IAS 27, so an analogue treatment may be derived from the rules for individual financial statements	CEBS considers that in such cases these investments would be accounted for as available-for-sale.	None
Table 11B	Deleting the row "Increases/Decreases resulting from revaluations and impairment losses recognised and reversed in equity" makes the taxonomy more complicated	Not necessarily, since the taxonomy may restrict the reporting in this area. However, CEBS realises that changes in the taxonomies (when not strictly necessary) may create	Change the GL, but ask for detailed comments when publishing the draft taxonomy to see the problems raised by the introduction of this change in the taxonomy.

		<p>additional problems in internal systems.</p> <p>Finally it was not noted that the deletion of the row is not in accordance with IAS 16.</p>	
Table 13	Disclosure of associates, subsidiaries and joint ventures shall be made either jointly or separate the three categories	The current proposal is not consistent, since it includes in one item the investments in subsidiaries and in associates.	It is proposed to include in one item all the investments in subsidiaries, joint ventures and associates.
Table 13	Extension of the "share of the profit or loss of associates and joint ventures accounted for using the equity method to subsidiaries is not correct under IAS 27.37	Correct, the inclusion of this item was limited to those cases where the scope of consolidation is the one prescribed in CRD	<p>Add one paragraph in the Guidance for Implementation with that restriction.</p> <p>Include the term "subsidiaries" between brackets in the templates when referring to this situation.</p>
Table 22	Gains (losses) on financial assets and liabilities designated at fair value through profit or loss.	This proposal involves a change in the taxonomy without any difference in the meaning.	Delete the proposal
Table 33	Financial liabilities arising from the sale of assets in pensions (e.g. repurchase agreements) do not necessarily have to be in the held-for-trading category	IAS 39.AG15.b) states that obligations to deliver financial assets borrowed by a short seller shall be included in the held-for-trading category. That was the reasoning used to decide that sales of assets included in repurchase agreements shall be included in this category. However, since the	Accept the amendment proposed, but without implying that the liabilities shall be included in the held-for-trading category.

		comment considers this interpretation to be inconsistent with IAS 39, CEBS proposes to accept the change, but without implying that these liabilities shall be recorded in the held-for-trading category.	
Table 33	Disclosure of financial liabilities arising from the sale of assets in pensions (e.g. repurchase agreements) is not requested by IFRS 7.15.b), since this paragraph only provides the mandate to disclose the fair value of collaterals sold.	CEBS's analysis indicates that this reference is correct for these operations. However, CEBS would like to stress that this decision does not preclude that these liabilities are included in a specific category of financial instruments	None.
Table 35.3	The structure of the table does not correspond with IAS 19.120A.(c) and it presupposes the direct inclusion of actuarial gains and losses in equity, limiting the discretion set out in IAS 19.	Correct, the breakdown is not mirroring exactly the content of the disclosure requirement included in IAS 19.120A.	Adapt the template accordingly.
Table 38A	The column "Interim dividends" is lacking in the Belgian version of FINREP	That is an issue for national implementation by one member.	None.
Table 38B and C	Provide additional guidance for both tables and the relation between them and table 38A, since it is considered that there is no coherence between both tables	Table 38B is the proposal for a "Statement of recognised income and expense" which shall be submitted when using the option of recognising actuarial gains and losses in equity, whereas table 38C includes the remaining information asked for IAS 1.101, last phrase that prescribes those data required by IAS 1.97 to be disclosed in the	Include one paragraph in the Implementation Guidance explaining it.

		notes. In other situations banks can always apply either table 38A or table 38B+C	
Implementation Guidance, Chapter 1. 3	Precise the meaning of the last phrase of the chapter 1.3 with the following wording: "National supervisors may decide to require additional quantitative and qualitative financial information <i>as long as consistency within the EU is kept and this additional information is compatible with the FINREP network and IFRS requirements</i> ".	<p>Flexibility in FINREP national implementation was one of the basic principles of FINREP, due to the differences in the current supervisory models across members and in the use that members make of financial reporting information (some members uses the information collected only for supervisory purposes, whereas other members include other reporting requirements (e.g. statistics) in their national implementation).</p> <p>Nevertheless, CEBS recognises that further efforts to mitigate the impact of the reporting burden will be faced in the future. However, before proceeding accordingly, further discussions between national authorities and industry participants are needed to build broader consensus.</p>	None