



Committee of European Banking Supervisors  
Floor 18, Tower 42  
25, Old Broad Street  
GB - London EC 2N 1HQ

By email: [cp06rev2@c-eps.org](mailto:cp06rev2@c-eps.org)

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Subject: **Comments on the Consultation Paper (CP06 Revised2) on amendments on Financial Reporting (FINREP)**

## 1. Introduction

The Luxembourg Bankers' Association (the ABBL) is the professional organisation representing the majority of the 156 banks and other financial intermediaries established in Luxembourg. Its purpose lies in defending and fostering the professional interests of its members. As such, it acts as the voice of the whole sector on various matters in both national and international organisations.

The ABBL welcomes the opportunity to comment on the CEBS Consultation Paper on amendments to the FINREP.

## 2. General comments

We support the Maximum Data Model, which sets clear minimum and maximum reporting requirements, which are based on the same set of data definitions. This policy option is a significant step towards a full harmonisation of the FINREP, which should remain the ultimate objective. In our views, the Maximum Data Model is an intermediate step only.

It is crucial that all the Member States without any exception implement the Maximum Data Model. We are aware that the CEBS does not have currently the powers to impose binding decisions to national supervisors and, in this area, we approve the proposals of the European Commission (derived from the de Larosière report) that grant to the CEBS the power to set out binding technical standards and guidelines. Without prejudice of what the future supervisory architecture will be, a **“comply or explain”** mechanism should at the very least be set up. **Member States that do not implement the Maximum Data Model should thus have to justify their choice.** A transparent disclosure at CEBS level would also enhance the peer pressure on these Member States.

The reporting burden will be reduced only if the quantity of non-core information required by national authorities is kept at a reasonable level. As far as possible, national authorities should apply convergent requirements for the non-core information, i.e. the templates to be reported, their frequency and the deadline for the remittance dates.

We are also in favour of the extension of the FINREP to the individual level for the subsidiaries of cross border banks, which consolidate their accounts under IFRS. Hence, the subsidiaries should be allowed to use the FINREP templates for the accounting reporting at solo level. Ideally, the information required at consolidated level and at solo level should be harmonised in order to avoid the duplication and the overlaps. For example, the following situations should be the exception:

- Where a subsidiary has to remit to the host supervisor templates not required by the home supervisor at the consolidated level;
- Where a subsidiary has to provide templates required by the home supervisor for the group's consolidation purposes, which are not required by the host supervisor.

Concerning the frequency of the FINREP templates, we have indicated our preference in the table attached in the annex "Frequency of the FINREP". The deadline for the remittance dates should be the following:

- FINREP at consolidated level: 40 business days after the reporting date
- FINREP at solo level: 20 business days after the reporting date

The new guidelines allow (except for the balance sheet) the measurement and reporting of financial interests either at the "clean price" (excluding accrued interest) or at the "dirty price" (including accrued interest). The use of the dirty price implies to insert a line "accrued interest" in each portfolio of the relevant tables reporting the non-core information. We think that banks should be granted the option to choose between the clean and the dirty price measurement.

Finally, we call for a better harmonisation of the definitions between the COREP and FINREP, in particular as regards the definition of counterparties.

### 3. Detailed comments

- Table 3: Derivatives held for trading

The concept of « Economic hedge » is not clear and should be either clarified or removed.

- Table 4: Financial assets designated at fair value through profit & loss

The reference to IFRS 7.9 indicated in the document leads us to conclude that this table is only applicable to Loans & Receivables items (i.e. items that could have been classified in the Loans & Receivables category if they had not been designated at fair value through profit & loss).

- Table 5C: Counterparty breakdown for financial assets held for trading and financial assets designated at fair value through profit and loss

The reference to IFRS 7.9 leads to the same comment as for table 4

- Table 7: information on impairment and past due

Clarifications are necessary in order to fill in the last column of the table ("accumulated value adjustment"):

- Is it the sum of the incurred but not reported losses and specific allowances data (also available in the table)
- Should we consider that the columns of specific allowances and of incurred but not reported losses only refer to the current reporting year impacts (whereas the last column would correspond to the accumulated value since the asset was acquired / issued)?

For the column "allowances for incurred but not reported losses" we don't understand why the only possible input seems to be on line "equity instrument".

- Table 15A: Breakdown of interest income and expenses

We question the supervisory utility of this breakdown, the development of which will be problematic for some of our members.

- Table 15B: Breakdown of gains and losses

The reference to the "hedging derivatives" should be replaced by "hedging items". As a matter of fact, non-derivative financial instruments can be designated as hedging instruments for forex hedges. A reference to IFRS 7.24[c] should be added along with the reference to IFRS 7.24[b] (the former relates to hedges of net investments in foreign operations).

- Table 16B: Allowances movements for credit losses

This table should be simplified: the columns reporting the movements should be deleted and only the opening and the closing balance should remain.

- Table 17: Repurchase agreements, reverse repurchase agreements and related agreements

The concept of « Related agreements » should be clarified.

- Table 25A: Information on fair value of financial instruments

On the basis of an amendment of IFRS 7 issued in March 2009 the detail by level has to be provided only for instruments at fair value on the statement of financial position (thus, not for Loans & Receivables and Held To Maturity investments).

- Table 25D: Hybrid financial instruments not designated at fair value through profit or loss

The title of the table (Rest of separable hybrid contracts) leads us to understand that it only relates to hybrid instruments for which the bifurcation is required under IAS 39. Thus, we see no reason why the Held For Trading category is available here.

- Tables 26A and 26B: Reconciliation from CRD to IFRS scope of consolidation

The scope of consolidation of the CRD is by nature divergent from the scope of consolidation of the IFRS. Therefore, we have some doubts about the added value of this table. As a consequence, we 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. As indicated in the annex, the frequency of the table should be annual.

**ANNEX: FREQUENCY OF THE FINREP**

<b>TABLE N°</b>	<b>DENOMINATION</b>	<b>PREFERRED FREQUENCY</b>
1.1	Consolidated balance sheet statement - Assets	<b>Q = Quarterly</b>
1.2	Consolidated balance sheet statement - Liabilities	<b>Q = Quarterly</b>
1.3	Consolidated balance sheet statement – Equity	<b>Q = Quarterly</b>
2	Consolidated income statement	<b>Q = Quarterly</b>
3	Derivatives held for trading	<b>Q = Quarterly</b>
4	Financial assets designated at fair value through profit or loss : credit risk information	<b>Q = Quarterly</b>
5A	Loans and receivables and held-to-maturity investments	<b>Q = Quarterly</b>
5 B	Available-for-sale financial assets	<b>Q = Quarterly</b>
5 C	Counterparty breakdown for financial assets held for trading and financial assets designated at fair value through profit or loss	<b>Q = Quarterly</b>
5 D	Geographical breakdown of financial assets by residence of the counterparty: carrying amount	<b>A = Annual</b>
6	Breakdown of loans and advances by product : carrying amount	<b>A = Annual</b>
7	Information on impairment and past due	<b>A = Annual</b>
8	Derivatives – Hedge accounting	<b>Q = Quarterly</b>
9A	Tangible and intangible assets : carrying amount	<b>Q = Quarterly</b>
9 B	Tangible and intangible assets : assets subject to operating lease	<b>Q = Quarterly</b>
10A	Financial liabilities : breakdown by product and by counterparty	<b>Q = Quarterly</b>
10 B	Subordinated liabilities	<b>Q = Quarterly</b>

10 C	Geographical breakdown of financial liabilities by residence of the counterparty : carrying amount	<b>A = Annual</b>
11A	Transfer of financial assets : derecognition and financial liabilities associated with transferred financial assets	<b>A = Annual</b>
11 B	Transfer of financial assets : collateral pledged	<b>A = Annual</b>
12	Provisions	<b>Q = Quarterly</b>
13	Minority interests : revaluation reserves and other valuation differences	<b>Q = Quarterly</b>
14	Fee and commission income and expenses	<b>Q = Quarterly</b>
15 A	Gains and losses recognised in income statement : breakdown of interest income and expenses	<b>Q = Quarterly</b>
15 B	Gains and losses recognised in income statement : breakdown of gains and losses	<b>Q = Quarterly</b>
16 A	Information on Credit risk and impairment : Overview of impairment	<b>Q = Quarterly</b>
16 B	Information on Credit risk and impairment : Allowances movements for credit losses	<b>Q = Quarterly</b>
16 D	Information on Credit risk and impairment : Collateral held	<b>Q = Quarterly</b>
16D1	Information on Credit risk and impairment : Loans and advances - maximum collateral that can be considered	<b>Q = Quarterly</b>
16 E	Information on Credit risk and impairment : Collateral obtained by taking possession during the period	<b>A = Annual</b>
17 A	Repurchase agreements, reverse repurchase agreement and related agreements :repos and related agreements (transferor)	<b>Q = Quarterly</b>
17 B	Repurchase agreements, reverse repurchase agreement and related agreements : liabilities (financing obtained) (transferor)	<b>Q = Quarterly</b>
17 C	Repurchase agreements, reverse repurchase agreement and related agreements : reverse repos and related agreement (transferee)	<b>Q = Quarterly</b>
17 D	Repurchase agreements, reverse repurchase agreement and related agreements : assets (financing granted) (transferee)	<b>Q = Quarterly</b>

18 A	Related parties: amounts payable to, and amounts receivable from, related parties	<b>Q = Quarterly</b>
18 B	Related parties: expenses and income generated by transactions with related parties	<b>Q = Quarterly</b>
18 C	Related parties: key management personnel compensation	<b>A = Annual</b>
19	Defined benefit plans and employee benefits	<b>A = Annual</b>
20	Loan commitments, financial guarantees and other commitments	<b>Q = Quarterly</b>
21	Statement of comprehensive income	<b>A = Annual</b>
22	Statement of changes in equity	<b>A = Annual</b>
23	Scope of the group	<b>A = Annual</b>
24	Asset management, custody and other service functions	<b>Q = Quarterly</b>
25 A	Information on fair value : information on fair value of financial instruments	<b>A = Annual</b>
25 B	Information on fair value : information on unrealized gains and losses	<b>A = Annual</b>
25 C	Information on fair value : use of the fair value option	<b>A = Annual</b>
25 D	Information on fair value: hybrid financial instruments not designated at fair value through profit or loss	<b>A = Annual</b>
26 A	Reconciliation from CRD to IFRS scope of consolidation : consolidated balance sheet	<b>A = Annual</b>
26 B	Reconciliation from CRD to IFRS scope of consolidation : consolidated income statement	<b>A = Annual</b>