

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

June 2009

The Spanish Confederation of Saving Banks (CECA) thanks CEBS the opportunity to comment on its Consultation Paper on *Amendments to the Guidelines on Financial Reporting (FINREP)*, in that regard CECA supports any initiative aiming at reducing supervisory and reporting burdens for credit institutions in the EU.

Generally, Saving Banks welcome the proposed amendments to the referred financial statements, however deem appropriate making comments on some of them, with the goal of improving its structure and avoiding unnecessary costs which may not result in better financial information.

In this respect, Saving Banks` comments refer to the following aspects:

I. Detailed information on interest income by categories in profit and loss account and breakdown by type of product of financial assets designated at fair value through profit or loss category.

According to IFRS this information requirement has annual frequency, complying totally the necessary information requirements for that purpose. Consequently, Saving Banks are of the opinion that requiring the referred information with a lower frequency would multiply the data processing costs, and may not result in a substantial improvement of the information.

Thus, Saving Banks propose, first, this information being removed from “core” tables to “non-core” tables. Secondly, this information should be required with annual frequency.

II. Frequency and remittance periods.

The analysed consultation paper describes in detail the CEBS proposed content for the FINREP statements. However, the referred paper does not suggest the remittance frequency, leaving this aspect at the discretion of national supervisory authorities within the EU.

Saving Banks believe that it would be preferable to propose the desirable homogeneity of the required information, not only referred to the frequency of reporting dates to the supervisory authorities but also to the remittance periods, for this purpose CECA suggest including a specific reference to the two following aspects:

- ❖ On one hand, CEBS should add to the document a maximum frequency for each statement, leaving at the discretion of each supervisory authority the possibility of requiring it with a lower frequency (longer remittance period). In other words, if CEBS consider suitable for a particular statement a semi-annual frequency, national authorities could require it with annual frequency, but could not require it monthly or quarterly.

- ❖ On the other hand, the remittance period to the corresponding supervisory authorities should be set at 40 natural days, taking into account the complexity involved for credit institutions in preparing the highly detailed information required in FINREP statements. The referred complexity increases, primarily during the first phase of its implementation, aligning appropriately the information at the solo level with the consolidated data, as both levels require different formats.

In case applying the suggestions previously set out to all the FINREP statements were not possible, at least “core” tables and “non core” tables should be differentiated, in order to allow a higher submission frequency and a longer remittance period to the supervisory authorities for the latter.

III. Implementation period for the proposed changes on FINREP for the industry .

In relation to the implementation period for the proposed changes on FINREP statements, the consultation paper defines an estimated time line in which CEBS would finalize the definition of the statements in 2009, supervisory authorities from each Member State would prepare the taxonomy and other requirements during 2010 and financial institutions would implement the necessary changes during 2011 so as to submit the new statements in 2012.

Initially, Saving Banks agree on the calendar described. However, Saving Banks believe that in any case they should be granted a one year period to carry out the necessary changes to submit the information with the format required, so as credit institutions were not obliged to assume the possible cumulative delays of previous phases.

IV. Homogeneity in classification.

Under a general criterion, current package of information requirements should be harmonized regarding breakdowns by sectors, thereby does not exist differences between: Statistical, FINREP and COREP, at both, solo and consolidated level.

In case a total homogeneity is not viable for the different purpose of the information (statistical, supervisory and COREP), CECA suggest reconciling in one item “Other Financial Corporations”, “Non-Financial Corporates”; and “Retail”; what will make the proposed classification very similar to the current for other purposes and may reduce development costs of new statements.

V. Information on derivatives.

The pro-memoria of “Economic hedges” must be a risk management information requirement, but not an accounting requirement, due to the enormous complexity that assessing at every moment for each individual transaction its hedge nature, taking into account that a derivative instrument may change its purpose according to a dynamic management of the portfolio. Currently, internal models fully comply with this requirement.

VI. Use of XBRL.

Saving Banks agree on the CESB proposed recommendation for the use of XBRL. For that purpose, consider of great importance the appropriate definition of its taxonomy, through a structure as simple as possible so as to avoid the arising problems in COREP taxonomy implementation, both for the supervisory authority and the industry.
