

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

The Spanish Bankers Association (AEB) welcomes the opportunity to comment on the CEBS consultation paper on amendments to the Guidelines on Financial Reporting (FINREP) and supports any initiatives aiming at reducing regulatory reporting burdens for credit institutions operating in the European Union.

The AEB shares the opinions and comments expressed by the European Banking Federation (EBF), of which it is a member, and particularly those related to the harmonisation of reporting requirements for cross-border institutions, to the avoidance of redundant costs that will result from the planned amendments to the IFRS (IAS 1, IAS 39, etc.) and finally the comments contained in the Impact Assessment section on the Reporting Burden.

In addition, we would like to pass on to the CEBS the following

General Comments

- Detailed breakdown of interest income and interest expenses (by type of portfolio) and gain (losses) on financial assets and liabilities held for trading (net) (by product) in the Consolidated Income Statement

This is an annual information requirement under the IFRS. Requiring this information with higher frequency will only increase processing costs without improving the quality of data to any significant extent. For this reason, we suggest:

1. Transferring it from core tables to non-core tables.
2. That this information should only be subject to an annual reporting requirement

- Reporting frequency and remittance dates

The proposed content for FINREP reports is thoroughly detailed in the consultation paper but the maximum frequency of reporting is not set out and is left at the discretion of national authorities. To achieve harmonisation in the frequency of reporting and remittance dates, we suggest the following:

1. CEBS should establish a maximum frequency for reporting, but national supervisory authorities should have the discretion to require institutions to report with a lesser frequency (less

demanding period of reporting). That is, if CEBS is to consider a half-yearly frequency for a given report, national authorities would be entitled to require it on an annual basis; however, they may not require it with a monthly or quarterly frequency.

2. The remittance deadlines should be 40/50 calendar days, considering the complexity in completing such a detailed information and even more in an initial phase when divergence between consolidated and individual data (different formats) may occur.

Here we are particularly concerned about the frequency of the reporting of credit risk valuation (tables 4 and 10): we suggest that the tables including this data should be required annually, as it is currently the case under the IFRS,

- Implementation period by the industry of FINREP changes

A tentative schedule has been already set up. CEBS would deal with the definition of the reports; national supervisory authorities in each Member State would prepare the taxonomy and any others requirements in 2010 and the financial institutions would implement any necessary changes in 2011. Finally, the new reports would be submitted in 2012. On this schedule, we would request the following:

1. A 1-year period should be guaranteed for the industry to carry out any necessary changes so that entities are not obliged to absorb any possible accumulated delays from earlier stages.
2. The above should be taken into account particularly in the case of entities with a large number of subsidiaries, because of the complexity involved in making changes in each of them.

- Harmonisation in breakdown by sector

Information requirements in terms of breakdown by type of sector should be harmonised so that it is similar for the 3 sets of information - Statistics, FINREP and COREP - for both individual and consolidated reports.

Should the different purposes of the information (statistical, supervisory and COREP) prevent the achievement of full harmonization, we would suggest combining under the same heading the following items: "Other Financial Corporations", "Non-Financial Corporates" and "Retail". This would align it substantially with the current economic sector allocation classes and reduce the cost of producing the new reporting.

- Information on derivatives

We consider that the promemoria item on “economic hedges” should be a reporting requirement regarding risk management and not related to accounting, given the enormous complexity in registering whether each individual transaction is being used as a hedge or not. This is because the same derivative instrument may change its purpose according to the dynamic management of the portfolio. There are internal models that cover this requirement extensively.

- Taxonomy XBRL

We fully agree with the CEBS recommendation about the use of XBRL. Regarding this, we consider it extremely important to properly define its taxonomy in order to avoid any problems such as those encountered during the implementation of COREP taxonomy used for the reporting of own funds which were basically due to their huge complexity. We suggest that the accumulated experience of the national supervisory authorities (in our case, the Bank of Spain) should be taken into consideration. This experience has enabled the complexity to be considerably reduced. Therefore, we propose a taxonomy as simple as possible.