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Mrs Danièle Nouy
Chair
Committee of European Banking Supervisors
CEBS
Floor 18, Tower 42
25 Old Broad Street
GB- London EC2N 1HQ

Brussels, 16 May 2007

By email: CP06rev@c-ebs.org

Dear Mrs Nouy,

CP06 Revised, Amendments to the Guidelines on Financial Reporting, comments of the Belgian Bankers' and Stockbroking Firms' Association

The Belgian Bankers' and Stockbroking Firms' Association (ABB-BVB) welcomes the opportunity to comment on the proposed changes to the Financial Reporting (FINREP) model. The following remarks are communicated with reservation to the decision of our Board on these matters on 25th May 2007.

1. ABB-BVB welcomes technical changes to FINREP

The amendments proposed mainly deal with the incorporation of the option included in IAS 19 Employee Benefits (paragraphs 93A-D). On the whole, we welcome this change, which gives the institutions the possibility to recognise actuarial results in equity, rather than in P&L. However, we cannot see any coherence between new tables 38B and 38C, which have been added for this purpose. So, we would like to receive more guidance as for this coherence and in particular, as for the usefulness of note 38C, as well as the relation between table 38A and tables 38B and 38C.

Our comment in detail can be found under paragraph 1 in the annex to this letter.

2. ABB-BVB is highly concerned about the important national differences in the FINREP-model

Since the beginning of 2007, the use of the FINREP-model has been spreading within Europe which is considered as an important step forward. However, we continue to observe important differences between the national frameworks on financial reporting. In our letter of 28th June 2005 on the original CP06, we already mentioned that the FINREP-model lacked harmonisation

and as such, was not in line with the CEBS Charter which promotes convergence of supervisory practices. Unfortunately, we cannot but reiterate this opinion two years later.

Although we regret that the FINREP-model does not harmonise the amount of financial information required across Europe, this should not prevent cross-border institutions from working with a unique reporting format. Ideally, institutions should be able to rely on the original FINREP-model as developed by CEBS and indicate, country per country, which information must be reported or not. Unfortunately, even this pragmatic approach is made impossible due to the individual choices of each national regulator.

We note that the reporting content as well as the IT-framework which supports the reporting, are highly interlinked. All the events in this reporting chain must be put into line: reporting content, validation rules, XBRL-taxonomy. Changes in one of those events, inevitably affect the others and this may lead to inefficiency and administrative burden for institutions as well as for regulators. It is worth noting that the current approach followed by national regulators may seriously hamper the exchange of information between them in the context of a college of supervisors.

Since changes in the business requirements may have important implications for the FINREP taxonomy, we would like to suggest a more enhanced cooperation with XBRL experts who work for the regulators.

Last but not least we would like to draw the attention to the connection with the external reporting and thus the importance of a fully IFRS-compliant financial reporting framework.

In paragraph 2 of the annex to our letter, we have listed some differences in treatment between the main FINREP models of relevance for Belgian banks ie Belgium, France, Luxemburg and the Netherlands. All of these differences make it impossible for cross-border institutions to use a harmonised financial reporting framework in the way originally intended by CEBS.

- Reporting formats differ relating to the XBRL-taxonomy. For example : Hedge accounting: cancellation of the hedge in net investment in a foreign transaction and inclusion into the cash flow hedge, Belgium: when a subline is cancelled but the total remains unchanged, this changes the definition under XBRL, i.e. the definition of the tag “total” is changed and the same element cannot be reused.
- National regulators introduce changes and breakdowns which are not compatible with the FINREP-framework. CEBS-guidance is not respected or incomplete. For example : CEBS guidance regarding accrued interest is unclear when related to the XBRL-taxonomy. (see “Information that can be required throughout the tables” – part c “Accrued interest income and expense on financial instruments”). Information can be defined as ‘among which’ or as ‘additional required information’. In the last case, there is no problem, since it only means an extension of the taxonomy. In the first case, it implies that the CEBS-taxonomy cannot be reused.

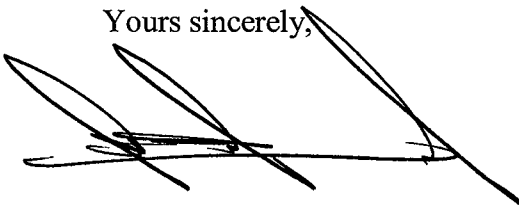
- Information is added to the FINREP-model which is inconsistent with the IFRS-rules. For example: Prudential provisions also mentioned in the P&L : not IFRS-compliant, Luxemburg. Not compatible with CEBS-FINREP framework. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.
- Sometimes, national regulators give interpretations of IFRS-rules. For example: Definition of collateral and "personal collateral - real collateral", France: Institutions should be allowed to follow one definition of 'exposure at default' in accordance with their auditors. Regulators must not impose national interpretations. In addition it implies a difference in the definition of collateral between the COREP and the FINREP frameworks, where harmonization can be reached.

Following our comment on the original CP06, we strongly plead for allowing cross-border institutions to work with a single financial reporting framework including breakdowns and taxonomy. This approach still leaves open the possibility for some national regulators to require information which is not asked for by other regulators (ie the distinction between core and non-core information). However, all of the information should be defined through a truly common framework.

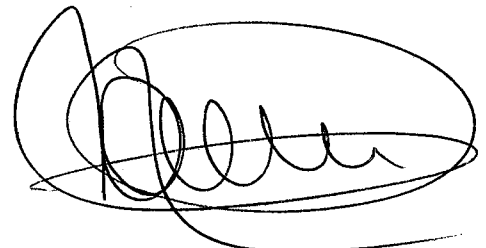
If needed, we would be happy to discuss these issues and examples provided in the annex of this letter more deeply with CEBS members.

We hope these remarks will be taken into account.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Michel Vermaerke".

Michel Vermaerke
Chief Executive Officer

A handwritten signature in black ink, appearing to be "Daniel Mareels".

Daniel Mareels
Head of the Taxation, Accounting Standards
and Prudential Regulations Department

Enc.

cc. Mr J.P. Servais, Chairman, Banking, Finance and Insurance Commission

Mr F. Van den Spiegel, Chairman Consultative Panel CEBS

Mr G. Ravoet, Secretary-General, European Banking Federation

CP06 Revised, Amendments to the Guidelines on Financial Reporting, comments of the Belgian Bankers' and Stockbroking Firms' Association, annex

1. Technical comments on the amendments proposed

- Table 11B Intangible assets: cost model. We ask not to delete the following sentence 'Increases or decreases resulting from revaluations and impairment losses recognised or reversed directly in equity'. Deletion indeed would make the XBRL taxonomy much more complicated. If this sentence can be kept in place, it may be sufficient to report a '0' value, if it does not apply to some institutions.
- Table 22 Gains (losses) on financial assets and liabilities designated at fair value through profit or loss.
- Table 38A Analysis of equity: the 'Interim dividends' column is lacking in the Belgian version of FINREP.
- Table 38B Statement of recognised income and expense and Table 38 C Analysis of equity other than income and expense
 - These new tables are meant to shape the option to include actuarial results in connection with defined benefit plans into the own capital.
 - The link between both tables is unclear. For example, table 38B contains an extra line 'Actuarial gains (losses) on defined benefit pension plans'. However, we wonder what could be the need for this extra table 38C. Would it be possible to give an additional comment for both these tables?

2. Exemplative list of differences in the FINREP-model in Benelux and France

We have compared the FINREP-models of Belgium, France, Luxemburg and the Netherlands. Only the latter showed no important differences with the FINREP-model. In the other three models we indicated the following differences¹ which impede institutions in using one single FINREP-model, or even in using a centralised information system/process for the different FINREP frameworks an institution has to send to supervisors.

¹ It should be noted that some differences are mentioned more than once, as they can be classified in several categories.

2.1. Reporting formats differ depending on the XBRL-taxonomy.

Examples:

- Hedge accounting: cancellation of the hedge in net investment in a foreign transaction and inclusion into the cash flow hedge, Belgium: when a subline is cancelled but the total remains unchanged, this alters the definition under XBRL i.e. the definition of the tag “total” is changed and the same element cannot be reused.
- The presentation of the operating income & expense on the front of the P&L differs from that used by CEBS, Belgium.
- Accrued income/expense from financial instruments mentioned on the front of the balance sheet, Luxembourg.
- Is “Endowment capital” the same as investment in associates subsidiaries and joint ventures ? Luxembourg. It is unclear if a change of wording also implies a change of content. If so, this has important consequences for the taxonomy. If positive, it also means a change in the core information defined by CEBS.
- Cancellation of the minority interest on the front of the balance sheet, Luxembourg. Core information has been deleted. Implications for the taxonomy.
- Related parties are mentioned on the front of the balance sheet and the P&L as well as in a number of tables as an additional column => incompatible with CEBS-FINREP framework since information that is present in the CEBS FINREP is asked in a different way, Luxembourg. Not IFRS-compliant. Implications for the XBRL-taxonomy since the tags related to the related parties tables cannot be reused and specific developments are to be made in the tables where this column is added.
- Cancellation of the interest gains and losses from trading and FVO, France. Core information deleted. Implies that interest result has to be taken into the trading margin and not into the interest margin which is not required under IFRS. Impact for the XBRL-taxonomy.
- The flows of the movement tables are different, Luxembourg and France. When lines are altered in movement tables this has a consequence on the opening and closing balance: it alters the movement table into a normal reporting table. This has consequences for the XBRL-taxonomy. If it means that the deleted information should be included in another movement, it changes the definition of the latter. It is not compliant with CEBS guidance and the taxonomy cannot be reused.
- Cancellation of the interest gains and losses on dividends, France. Core information deleted. Implies an interpretation of IFRS. Impact on the XBRL-taxonomy.

- Adding "previous financial year result pending allocation" on the front of the balance sheet, Luxembourg. The CEBS-FINREP model is not followed. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.
- Prudential provisions also mentioned in the P&L : not IFRS-compliant, Luxembourg. Not compatible with CEBS-FINREP framework. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.
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2.2.National regulators introduce changes and breakdowns which are not compatible with the FINREP-framework. CEBS-guidance is not respected or incomplete.

Examples:

- CEBS guidance regarding accrued interest is unclear when related to the XBRL-taxonomy (see "Information that can be required throughout the tables" – part c "Accrued interest income and expense on financial instruments"). Information can be defined as 'amongst which' or as 'additional required information'. In the latter case there is no problem as is it only means an extension of the taxonomy. In the former case it implies that the CEBS-taxonomy cannot be reused.
- The breakdowns in table 37 (Belgian FINREP) differ from those used by CEBS (table 30), Belgium: the CEBS breakdown is not followed.
- Definition of notional amount CEBS in tables 3 and 8, Belgium and France. It is not clear under CEBS guidance if one should look at the finality of the contract itself or at the result of the contract to define the notional amount For example: writing puts can be considered as an amount to sell (finality of the contract) or as a possible obligation to buy (result of the contract). In Belgium, it is asked to report the amount "to deliver" (result of the contract) whereas in France the market practice is to report the amount to sell (finality of the contract).
- Split-up of equity instrument differs from that required by CEBS (participating interest + other instead of quoted - non quoted), Luxembourg.
- Is "Endowment capital" the same as investment in associates subsidiaries and joint ventures ? Luxembourg. It is unclear if a change of wording also implies a change of content. If positive, this has important consequences for the taxonomy. If so, it also means a change in the core information defined by CEBS.

- Cancellation of the minority interest on the front of the balance sheet, Luxembourg. Core information is deleted. Implications for the taxonomy.
- Cancellation of the reassessment reserves on Tangible and Intangible, Luxembourg. Core information is deleted. This implies that institutions are imposed to follow the cost model and have no possibility to follow the reevaluation model.
- Adding "previous financial year result pending allocation" on the front of the balance sheet, Luxembourg. The CEBS-FINREP model is not followed. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.
- Prudential provisions also mentioned in the P&L : not IFRS-compliant, Luxembourg. Not compatible with CEBS-FINREP framework. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.
- The breakdown of the Fee and Commission income and expense has been changed => incompatible with CEBS-FINREP framework, Luxembourg.
- Related parties are mentioned on the front of the balance sheet and the P&L as well as in a number of tables as an additional column => incompatible with CEBS-FINREP framework since information that is present in the CEBS FINREP is asked in a different way, Luxembourg. Not IFRS-compliant. Implications for the XBRL-taxonomy since the tags related to the related parties tables cannot be reused and specific developments are to be made in the tables where this column is added.
- Accrued income/expense from financial instruments mentioned on the front of the balance sheet, Luxembourg. As a matter of fact, CEBS guidance specifies that *"FINREP allows the measurement and reporting of financial instruments using the clean price or the dirty price convention. In the balance sheet, unpaid accrued interest should under both conventions be included in the (category of) financial instruments to which it relates"*.

2.3.Information is added to the FINREP-model which is inconsistent with the IFRS-rules.

Examples:

- Adding the prudential provisions on the front of the balance sheet : not IFRS-compliant, Luxembourg. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.
- Prudential provisions also mentioned in the P&L : not IFRS-compliant, Luxembourg. Not compatible with CEBS-FINREP framework. This information should be asked as additional breakdown of one element of the core information. It also has an impact for the taxonomy.

- Related parties are mentioned on the front of the balance sheet and the P&L as well as in a number of tables as an additional column => incompatible with CEBS-FINREP framework since information that is present in the CEBS FINREP is asked in a different way, Luxembourg. Not IFRS-compliant. Implications for the XBRL-taxonomy since the tags related to the related parties tables cannot be reused and specific developments are to be made in the tables where this column is added.

2.4. Sometimes, national regulators give interpretations of IFRS-rules.

Examples:

- Cancellation of the reassessment reserves on Tangible and Intangible, Luxembourg. Core information has been deleted. This implies that institutions must follow the cost model and have no possibility of following the reevaluation model.
- Cancellation of the minority interest on the front of the balance sheet, Luxembourg. Core information is deleted. Implications for the taxonomy.
- Cancellation of the interest gains and losses from trading and FVO, France. Core information deleted. Implies that interest result has to be taken into the trading margin and not into the interest margin which is not required under IFRS. Impact for the XBRL-taxonomy.
- Cancellation of the interest gains and losses on dividends, France. Core information deleted. Implies an interpretation of IFRS. Impact on the XBRL-taxonomy.
- Definition of collateral and "personal collateral - real collateral", France: Institutions need to be able to follow one definition of 'exposure at default' in accordance with their auditors. Regulators should not impose national interpretations. In addition it implies a difference in the definition of collateral between the COREP and the FINREP frameworks, where harmonization can be reached.