



To the European Banking Authority

Reference: ITS (CP50)

EBA consultation paper on draft ITS on supervisory reporting requirements for institutions

The EBA has published a consultation paper on draft Implementing Technical Standards (ITS) on supervisory reporting requirements for institutions (CP50).

The Federation of Finnish Financial Services respectfully gives the following statement. We also support the comments given by the European Banking Federation (EBF).

1. General remarks

The Federation of Finnish Financial Services supports the goal of uniform reporting templates for all credit institutions in EU member states. It will ensure a level playing field and will streamline the reporting for cross-border groups. However, a level playing field requires that national authorities will not request additional information at national level. Although the harmonised reporting format in EU is good as such, the current proposal does not by any means reduce the reporting burden altogether. The current proposal will change a yearly reporting process into quarterly, which substantially increases the reporting burden for institutions. Therefore, it should be carefully reconsidered if all tables are really needed quarterly. Furthermore, the new data requirements far exceed the information currently reported on financial statements.

The industry recognises the growing information needs of authorities. Nevertheless, the high quality of information should be the first priority rather than the amount of information asked. A transparent cost-benefit analysis should be made since the new requirements heavily increase the reporting burden of institutions. In addition, the authorities should clearly explain the rationale behind all information required.

Materiality and proportionality should be the guiding principles of the required information. Information demands should not go beyond the mandate given to EBA. It seems that all reporting requirements of the respective countries have been put together without assessing the usefulness of the required information. The huge amount of data does not necessarily result in better understanding of economic or risk position of a bank but rather the relevance and high quality of the data.

Furthermore, the industry wants to point out that there is far too much overlap between FINREP and COREP templates as well as between FINREP and ECB's



statistical data collection. The industry recognises that different authorities need different data, but at the same time authorities should keep in mind that producing similar data with different concepts and different definitions is extremely burdensome for reporters and leads to double or even triple reporting in some cases.

FINREP framework should include traditional accounting dimensions only. FINREP should not mix CRD and IFRS definitions because that increases the reporting burden and implementation costs significantly, while benefits are not clear. In particular, CRD-based risk reporting dimensions should not be incorporated in the reporting of income statement figures. The needed reconciliation of the balance sheet figures can be found in the Pillar III reports already.

COREP templates should be reported on the highest reporting level only. Entity level reporting should not be required when an entity is part of a reporting group. CRR article 9 and CRD4 article 21 scope should also be applied in COREP.

2. Application dates

i. FINREP

The Consultation Paper wishes FINREP to become applicable already from 2013 onwards. EBA will submit the finalized ITS draft to the Commission for approval on 30 June 2012 and final versions of the templates will be available for reporters in September 2012. Since FINREP includes income statement information, flows have to be calculated from the beginning of the year. This means that IT systems have to be built by the end of the year. From this follows that reporters have a 3-month implementation period after receiving the final templates. Expensive IT changes cannot be made on the basis of draft templates. Otherwise there is a risk that the work will have to be done twice.

Taking into account the huge amount of new information asked and the IT changes this requires, it is not possible to report FINREP at the beginning of 2013. Finnish institutions have not implemented FINREP at the moment, which means that reporters will have to build all new tables from the beginning. Short implementation is very expensive for banks especially if there is not enough time to prepare properly and many changes have to be made afterwards. The quality of the data will also suffer. The authorities should provide reporters with sufficient time for implementation. Normally implementation of this size should require at least 18 months.

We propose that the first FINREP reporting will take place at the beginning of 2014 as follows: Balance sheet items to be reported for the reference date of 31/12/2013 and Income statement items for reference date of 31/3/2014.

As an alternative, we propose that Part I will be reported at the beginning of 2013, as requested, and the rest of the tables will be postponed to 2014.



ii. COREP

The timeframe for implementation is very challenging for new COREP requirements. The new templates for own funds and credit risk will increase the reporting burden substantially. Institutions should be provided with sufficient time to design and test all new tables.

Introduction of the new reporting from 31 March 2013 onwards is highly problematic. The CRD4 and CRR are to be finalised by the end of July 2012. EBA ITS will be finalised during the autumn. This would leave banks a maximum of six months to implement the necessary changes into their systems.

To give both authorities and banks sufficient time to implement the new regulation, we propose implementing only the basic own funds reports (CA1-CA3) from March 2013 onwards and phasing in the remaining reports from the beginning of 2014.

3. The mix of financial data with risk elements

One of the major difficulties in FINREP templates arises from the fact that risk elements from COREP have been mixed with financial data. As risk and finance have their own systems and definitions, this imposes a significant burden for banks and the benefits are not obvious. Risk systems have been built for Basel II purposes and risk elements do not exist in accounting flows.

For example, in table 17.1 the sector allocation is required according to COREP exposure classes. However, income statement items are not available in risk systems at the moment since income statement information is not asked in COREP. Banks should build entirely new IT systems to get the sector allocation from risk systems and combine it with financial data from accounting systems. It is not clear at all how this should be done and how for example collaterals should be taken into account. Such an outcome is not even comparable with anything when there is nothing reasonable to compare to. Building new IT systems for this requirement would be extremely costly and burdensome. The industry fails to see the reasoning behind making huge IT investments in order to report data that seems irrelevant and will, in practice, not be comparable to anything.

Authorities should give a clear explanation to the industry on why this information is requested. Defining the purpose and usage of such information would allow reporters to gain a better understanding of what precisely they are expected to deliver.

In addition, risk-based exposure classes can vary from month to month if a customer's risk exposure changes (e.g. from corporate to retail). However, income statement items are reported cumulatively from the beginning of the year. How it is possible to report flows cumulatively for a customer if the CRD-based customer group changes



over time? There would be no continuity on the data and the data could not be comparable to previous reports.

Furthermore, the account schemes of banks are normally built according to product, not according to customer sector (and by no means according to COREP exposure classes). The sector allocation is not easy to build in any case, but is highly problematic and expensive to build according to COREP exposure classes.

The CRD-based risk reporting dimensions of the balance sheet asset amounts is as well problematic. The benefits of proposed economic sector allocation are unclear. FINREP allocation varies both from CRR exposure class allocation and from official sector allocation which would result in need to create new counterparty classification for FINREP purposes only. FINREP reports would not be compared nor matched to COREP data except for COREP table 3.3b CR IRB GB.

It is also worth mentioning that all other reporting to authorities follows the official ESA sector allocation. For example, Eurostat and ECB both use official sectors. If the official sector allocation is not used in FINREP, the data will never be comparable to ECB/Eurostat data.

The Federation of Finnish Financial Services proposes that FINREP is based solely on IFRS definitions and the official ESA sector classification. Income statement items should not in any case be asked according to COREP exposure classes. We wish that table 17.1 will be deleted, since the table will lead to enormous IT changes and is extremely expensive to build.

4. Overview of questions for Consultation

CHAPTER 1 - Subject matter, Scope and Definitions

1. **How would you assess the cost impact of using only CRR scope of consolidation for supervisory reporting of financial information?**
2. **Please specify cost implications if parts 1 and 2 of Annex III and of Annex IV of this regulation would be required, in addition to the CRR scope of consolidation, with the accounting scope of consolidation?**

Questions 1 and 2 are answered together:

Banks produce their financial statements according to IFRS scope of consolidation. Therefore, FINREP tables should contain only figures that are generated under IFRS. All internal reports of banks are based on IFRS consolidation. The costs will increase substantially if financial information needs to be reported also according to CRR scope of consolidation. As the information



generated under CRR scope of consolidation has no use internally, double reporting system would be created solely for regulatory purposes. This leads to heavy reporting burden and will be extremely costly.

Federation of Finnish Financial Services proposes that FINREP will be based on IFRS scope of consolidation and COREP will be based on CRR scope of consolidation.

CHAPTER 2- Reporting reference and remittance dates

- 4. Does having the same remittance period for reporting on an individual and a consolidated level allow for a more streamlined reporting process?**
- 5. How would you assess the impact if remittance dates were different on an individual level from those on a consolidated level?**

Questions 4 and 5 are answered together:

Consolidated level reporting always takes more time, so it should be given a longer remittance period, or individual remittance dates should be aligned with the consolidated remittance dates. We would also like to highlight that producing reports both on consolidated and individual level is very burdensome and banks should be given a sufficient time to prepare all the reports.

For COREP, group level reporting should be the only reporting made to competent authorities, and individual reporting should only be considered in rare cases.

- 6. When would be the earliest point in time to submit audited figures?**

FINREP and COREP data should not be audited. It would be extremely costly and would inevitably delay the reporting processes.

- 7. Do you see any conflicts regarding remittance deadlines between prudential and other reporting (e.g. reporting for statistical or other purposes)?**

If the FINREP reporting process is based purely on accounting data and not partially on risk data, there will probably be no major conflicts for example with statistical data remittance dates. However, if the current proposal of mixing accounting data with risk data stays, there will be a lot of problems.



Problems would arise from the fact that financial and risk data are produced in completely different time frames. For example in Finland, accounting data is closed already on the 4th banking day of the month, since the MFI data have to be sent to the Bank of Finland on the 10th banking day at the latest. This means that accounting data is already closed when the compilation of COREP data begins. COREP data will not be ready until the 10th to 12th banking day so it cannot be reconciled with accounting data on detailed level. For this reason, amongst other things, it is impossible to mix the accounting and current risk systems. If the current proposal stays, FINREP data cannot be delivered before COREP data. Furthermore, current proposals mean that much more time should be given for institutions to reconcile and produce both reports.

CHAPTER 3 - Format and frequency of reporting on own funds requirements

8. Do the proposed criteria lead to a reduced reporting burden?

The industry supports all initiatives limiting the reporting burden by introducing materiality thresholds.

However, the proposed criteria would not limit the reporting burden significantly, since a bank has to calculate the geographical distribution in any case to see whether the 10% threshold is met. Moreover, this 0.5% threshold may even increase the administrative burden as it is dynamic and may change over time. Therefore we would like to propose a static country list of the most important countries for each reporter.

10. What would be the cost implications if the second threshold of Article 5 (1) (c) (ii) were deleted?

As stated in question 8, we would like to propose a static country list instead of dynamic calculations of thresholds.

11. Is the calculation of the threshold sufficiently clear?

On page 15 of ITS (CP50) it is said that “the threshold of 10% implies that banks without significant foreign activities will not report the geographical breakdown.”

Based on this, we assume that if the first 10% threshold is not exceeding, we can choose to ignore the other 0.5% threshold, even if there are individual foreign exposures of more than 0.5% of total exposures. We would need clarification on whether this assumption is correct.



In addition, the concept of “exposure” and what it includes (e.g. securitization) are not clearly defined here.

12. Do the provisions of Article 5 (2) lead to a reduced reporting burden for small domestic institutions?

Semi-annual reporting instead of quarterly reporting will reduce the reporting burden for small domestic institution and is thus welcomed. The reduction of reporting burden will come mostly from human resource costs, since IT systems will have to be built anyway.

15. What would be the cost implications if information on own funds as put forward in Part 1 of Annex I (CA 1 to CA 5) were required with a monthly frequency for all institutions?

Changing the reporting frequency to monthly basis would increase the reporting burden and costs significantly. Reporting of own funds is not an automated process and requires a lot of manual work. In practice reporting tables CA1 to CA5 requires to calculate risk weighted exposure amounts for all risk areas on monthly basis. Thus this would reduce reporting burden only by limiting number of tables required to report. For this reason, a heavy burden would be imposed on institutions if monthly reporting is required. Monthly reporting should only be considered in cases where the institution is at risk of falling under minimum capital levels. In normal conditions it is hard to find any rationale behind monthly reporting.

Format and frequency of reporting on financial information

17. What is your assessment of impact, costs and benefits related to the extent of financial information as covered by Articles 8 and 9?

Reporting costs will increase heavily, because there is so much more reporting and huge IT changes have to be made. At the moment, nowhere near the amount of asked information is available in the current IT systems. In Finland, the current reporting has mainly been on solo-basis. Therefore, much of the FINREP information is not available at the moment on a consolidated level.

In addition to huge IT costs, the proposed framework on quarterly frequency will lead to heavy human workload since a lot of manual work will be necessary to produce the tables. EBA should consider if the quarterly reporting of all tables is necessary, especially given that the information is quite stable. For example, tables 11, 19, 20 and 27 should be asked only annually.



If the current proposal of requiring COREP exposure classes for income statement items stays, costs will increase substantially. Removing this specific requirement (table 17.1) would make the project much more reasonable for reporters.

For banks, there will be no clear benefits apart from the fact that reporting will be harmonised among EU member states.

18. In Articles 8(2) and 9(2) the proposed frequency is semi-annually. Does this reduce reporting burden? Please quantify the estimated cost impact of reporting with semi-annual frequency compared to quarterly.

We welcome all the efforts to reduce the reporting burden for institutions. However, these two tables are a minor part of the huge package.

Implementation costs will be the same in any case since IT systems will have to be built. For these two tables, semi-annual reporting would reduce the Q1 and Q3 reporting burden when it comes to manual work, since tables 10.2 and 10.3 are time intensive. However, the information of these two tables is already reported in different forms to the central banks/BIS and statistical bureaus. We strongly propose that these tables are removed from the FINREP framework to avoid double reporting. If they are not removed, the reporting should be at most on an annual basis. In addition, the COREP-based split into corporate/retail should definitely be removed.

19. What is your general assessment of applying reporting standards regarding financial information on an individual level?

Reporting on individual level increases the work remarkably, since there are large banking groups which consist of hundreds of units.

21. If the proposal was to be extended, what implementation time would be needed?

At least 12-18 months would be necessary to achieve high data quality. Implementation is possible only from that date onward when the final versions of the templates are available. IT changes cannot be made on the basis of draft templates.

CHAPTER 6 - IT solutions

22. What cost implications would arise if the use of XBRL taxonomies would be a mandatory requirement in Europe for the submission of ITS-related data to competent authorities?



The use of XBRL should remain optional for reporters.

CHAPTER 7 - Final provisions

- 23. How would you assess the cost implications of the following two options?**
- 1) Implement the ITS as of the first possible reference date (31/03/2013)**
 - 2) Delay the implementation of the ITS by 6 months (first reporting based on data as of 30/09/2013) and implement national interim solutions for reporting as of 31/03/2013.**

For FINREP, 31/03/2013 is not realistic at all, because Finnish banks have not implemented FINREP at any level at the moment. The new FINREP framework should become applicable only from 1 January 2014 onwards. "Former Core-tables" (PART 1) could be reported as requested 31/3/2013.

Short implementation of new IT systems is very expensive for banks especially if there is not enough time to prepare properly and many changes have to be made afterwards. IT expenditures could be substantially reduced if the authorities provided banks with sufficient time for implementation.

For COREP, the first option can be considered practically impossible. We propose implementing only the basic own funds reports (CA1-CA3) from March 2013 onwards and phasing in the remaining reports from the beginning of 2014.

In addition, national interim solutions are not recommended in the meantime. Current COREP reporting in Finland should presumably be sufficient until the ITS CP50 is fully implemented. For cross-border banks, implementing different national interim solutions in every country for a short period is unreasonable.

- 24. What would be the minimum implementation period to adjust IT and reporting systems to meet the new ITS reporting requirements? Please elaborate on the challenges which could arise.**
- 26. What would be the minimum implementation period required for institutions NOT subject to FINREP reporting at the moment to implement the financial reporting described in this consultation paper?**

Questions 24 and 26 are answered together:

Minimum implementation period should be at least 12-18 months as the proposed changes do not only affect reporting systems, but also require new



data flows from business systems. Finnish institutions are not subject to FINREP reporting at the moment.

27. Would the required implementation period be the same for reporting requirements on an individual basis and on a consolidated basis?

Yes. Reporting templates should also be identical both on an individual basis and on a consolidated basis

Annex I and Annex II

28. Do restrictions (restricted cells are cells which do not have to be reported to supervisors - displayed in the COREP templates as grey/blocked cells) reduce the reporting burden?

Restricted cells will only partially reduce the reporting burden since banks will still have to calculate each cell. However, we do not wish them to be removed, but would merely like to point out that they are not a sufficient relief and other forms of reducing the reporting burden are welcomed. It should also be possible for an institution to report all cells if it wants to, so restricted cells should rather be optional cells.

29. Compared to previous versions of the COREP templates are there additional reporting requirements which, cause disproportionate costs?

The geographical and currency breakdowns will result in significant increases to reporting burden and costs since IT systems will have to be redesigned and tested.

The new COREP CR SA templates considerably increase the number of reporting fields and, therefore, will significantly increase reporting costs for companies who report according to SA. It is also questionable, why SA reporting requirements are increased so heavily at the same time when companies are encouraged towards IRB models.

The new own funds sub-templates will have a much larger quantity of reporting fields and will therefore increase reporting costs substantially.

30. Are the templates, related instructions and validation rules included in Annex I and Annex II sufficiently clear? Please provide concrete examples where the implementation instructions are not clear to you.

There are many parts in the instructions that are not sufficiently clear:



CA Templates

- CA1 - Direct and indirect holdings should not be deducted, if they are already deducted from the equity (capital instruments and/or share premiums) on the balance sheet.
- CA1 - Items should be reported net of deferred tax liabilities. Reporting DTLs separately does not bring any added value, even though it increases the reporting burden of banks unnecessarily.
- CA1, row 120 ID 1.1.4.2.3 - no reference to any article.
- CA1, row 180 ID 1.1.3 Accumulated other comprehensive income – it is not clear what should be included in this cell, especially in relation to ID 1.1.9.2 Cash flow hedge reserve.
- CR SA column 510 - definition of how to calculate the number of counterparties in SA (individual, group) is needed.
- MKR SA EQU - Authorities need to define what they mean with “markets” when reporting equity risk.
- CA4 - The need for memorandum items should be carefully assessed and for the remaining necessary reporting, phasing in should be applied.
- CA5 - The need for information on transitional provisions should be carefully assessed and for the remaining necessary reporting, phasing in should be applied. The reporting format should also be reconsidered, since it deviates substantially from current COREP format (one report per page). Massive reporting of temporary transitional items is not necessary and creates unnecessary one-time costs to banks.
- GS - The contribution part does not define how group level eliminations should be allocated to single entity level. The interpretation of allocation can lead to different approaches which will result in different results.
- GS - Group Solvency report is justified only when group level reporting is applied.
- GS - column 100 – reference is not correct
- GS - column 180 – reference is not correct



CR IRB

- Column 271. Which CVA capital requirement or value adjustment should be reported in this row? If it is value adjustment, is it possible to avoid using the same definition for different matters?
- Column 272. Also in this row, should the CVA capital requirement or value adjustment be reported?
- Column 280. Is it possible to clearly define the difference between the number of obligors and the total number of counterparties?
- If reporting both in FIRB and AIRB, shall there be one “CR IRB - Total” for FIRB and one for AIRB?
- Definition of how to calculate the number of counterparties in IRB (individual, group) is needed.

CR IRB GB - Geographical breakdown of exposures subject to credit risk (IRB approach)

- CR IRB GB not described on Annex II Reporting on own funds requirements.
- Are the thresholds described in Annex II Part 3.3.4 also applied for CR IRB GB report?
- Should there be a separate CR IRB GB report for each reported country? 10 (1 domestic + 9 foreign) reports if thresholds are passed?
- The country cell contains the comment “Total plus top 10 countries”. How about country code?
- PD assigned to the obligor grade or pool (%): There are no rows for individual PD pools. Are individual PD pools reported on their own rows or only the exposure weighted average of PDs? And for which rows (010, 100 and 210, or all)?
- Why are breakdowns according to FINREP, not according to Basel?
- Clarification is needed for the definition of the country of the exposure (e.g. host country of the accounting unit) or country of the customer. How to treat exposures against a customer’s foreign branches?



CR EQU IRB – Equity exposures under the internal ratings based approach

- There are mistakes in validation rules. At least “equal to” marks are missing from equations CREQU080-130. For example CREQU080 {070;080} {070;060}*190%.
- Are specific credit risk adjustments the same as “value adjustments and provisions” in the COREP template which is now applied? Column “(-) value adjustments and provisions disappears” and adjustments take into account in “020 original exposure pre conversion factors”?

CR IP LOSSES - Exposures and losses from lending collateralised by immovable property

- Annex VII Instruction for the reporting on losses stemming from lending collateralised by immovable property includes the same references as the ref list of COREP report. More detailed instructions are needed. The basic definition of “loss” is also required. If the collected loss data is to be used for adjusting the risk weights, the authorities should consider if it is really useful for that purpose. For example, if the authorities are expecting to see write-off figures, they can occur several years after the customer has started having problems. Similarly, possible reversals and recoveries can come many years after the default. Therefore adjusting the risk weights based on this type of information does not reflect the current situation in real estate loan market very well. Furthermore, this type of information is already reported in other reports that banks submit (financial reporting). Information on provisions and past due items are also already reported in other reports, so it is difficult to find justification for reporting those on this suggested loss report either.
- How often are CR IP Losses reported? Annually or quarterly?
- Losses are reported from past year. If frequency is once a year, is the reporting point 31st of December? If frequency is quarterly, are losses always reported from past year (rolling year) or do losses cumulate to the end of year?
- Is commercial immovable property to be accepted as collateral without national discretions? This national discretion is not currently applied in Finland.
- What is the difference between “010 Sum of losses stemming from lending up to the reference percentages” and “050 Sum of overall losses”? Comments are same for both of these.



- Does this refer to original exposure (pre conversion factors) or exposure value (EAD) by exposure (090-110)?
- What is the function of columns 020 and 060 “of which: immovable property valued with mortgage lending value”?
- “Validation rules applicable to CR IP Losses” refers to column 120 ($\{*;110\} \geq \{*;120\}$), but there is no such column in the CR IP Losses template.

MKR SA FX – Standardised approaches for foreign exchange risk

- Annex II Reporting on own funds requirements 5.5.1 138. “To determine the gross long and gross short positions columns 010 and 020 are considered (row 010).” Should be columns 020 and 030?
- COREP template currency 1 comment and Annex I MKR SA FX ref list 090-01 – 090-N: “5 fixed currencies plus all currencies above 2% of gross (net+short) positions”. Should be long+short?

31. CR IRB – What is your assessment of cost implications of the new lines for “large regulated financial entities and to unregulated financial entities”? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

There should be a list of those entities available for example on EBA’s website. Unregulated financial entities in particular are very hard to identify according to the definition in CRR.

32. CR SA – What is your assessment of cost implications of the new lines to gather information about exposures without a rating or which have an inferred rating? What is the most cost efficient way of incorporating this kind of information in the reporting framework?

It would be extremely costly to gather such information. If such data is required it should apply only to material exposures of the institution.

Annex III, Annex IV, and Annex V

33. Are the templates included in Annex III and Annex IV and the related instructions included in Annex V sufficiently clear? Please provide



concrete examples where the implementation instructions are not clear to you.

It would be essential for reporters that they are provided with detailed instructions as soon as possible. This is a matter of quality and comparability of the reported data.

In addition, validation rules are missing. It would be easier to build the templates if there would be information of cross-checks and which cells sum up to each other.

At the moment, instructions are not sufficiently clear at all. Moreover, in many cases the instructions and definitions are completely missing. Tables 10, 11, 14 and 19, for example, have no instructions at all.

One of the most confusing issues is the sector allocation. For example, in tables 3.1-3.8 COREP sector allocation is required, but there are no clear instructions on how for example collaterals should be taken into account when defining the customer groups. There is a reference to the Capital Requirements Directive, yet market value is used. It seems that this is the third different way of placing collaterals since it differs from the instructions of both the ECB and COREP reporting. Having three different ways of reporting collaterals to different reports is very confusing and burdensome. Furthermore, in table 21 the instructions are slightly different from all the other instructions, so in total this would make four different ways of placing collaterals.

In Annex V, Part 3 “Counterparty breakdown”, point 25 states that “the economic sector allocation is based exclusively on the nature of the direct counterparty”. It remains unclear whether residential collateral should be taken into account so that it could be possible to make the split between retail/corporate.

Due to many difficulties, we strongly believe that official sector allocation should be used in FINREP instead of COREP exposure classes.

In table 17.1 income statement items should be reported according to COREP exposure classes. This is highly problematic and expensive and we strongly propose that this table is removed (see also point 3. on pages 3 and 4). At least the official sector allocation should be used instead of COREP exposure classes.

In tables 7 and 8, EBA asks for “economic hedge” information. It is unclear how this requirement is defined. In addition, sector allocation for derivatives cannot be derived from current IT systems, so this sector allocation requirement leads to significant costs.



In table 3, financial assets should be reported with accrued interests included. However, IFRS allows banks to decide whether to use a clean price or dirty price approach, and the IT systems of banks have been built according to these decisions. We strongly believe that this decision should be left to banks also in FINREP framework.

Table 10, "Credit risk" seems to be risk related and should be removed from FINREP. For example table 10.1 could be removed from FINREP and added to COREP table 3.3b. In addition, the information in tables 10.2 and 10.3 is already reported to the ECB. There is no justification for requesting this information twice. Thus tables 10.1-10.3 should all be removed from FINREP.

Template 10 (Annex III and Annex IV)

34. Do the provisions of Article 8 (3) and 11 (3) lead to a reduced reporting burden?

The proposed criteria would not limit the reporting burden significantly, since a bank has to calculate the geographical distribution in any case to know if the threshold is met. Therefore we would like to propose a static country list of the most important countries for each reporter.

35. What are the cost implications of introducing a breakdown by individual countries and counterparties?

Such balance sheet data are already reported to Bank of Finland on solo level, so FINREP would lead to double reporting. Available data should be enough to meet all the information needs of different authorities since the data is highly detailed already. Introducing the same kind of data requirements with different format would result to heavy reporting burden.

For consolidated level in FINREP, geographical breakdowns are much more difficult to produce and they should not be asked country-by-country level.

Income statement items should not be broken down by individual country or counterparty in any case.

36. What are the cost implications of introducing a breakdown by economic sector by using NACE codes?

This data is already reported to the ECB on solo-level. Authorities should make more use of each other's data. Double reporting of this data cannot be justified anyhow. Therefore we propose that this table is deleted from



FINREP. At least the split to corporate/retail should be deleted, since this kind of risk-based classification is not available on accounting systems.

38. What would be the difference in cost if the geographical breakdown would be asked only by differentiating between domestic and foreign exposures compared to country-by-country breakdown?

Country-by-country breakdowns would be much more expensive and we strongly oppose that proposal. Domestic/foreign breakdown should be sufficient.

**39. What are the cost implications of introducing breakdown of sovereign holdings by country, maturity and accounting portfolio?
Template 14 (Annex III and Annex IV)**

Such data are already reported to Bank of Finland on solo level. Authorities should make more use of each other's data. Double reporting of this data cannot be justified anyhow. Producing this data on consolidated level for FINREP would increase costs significantly.

40. How would you assess the cost implications on providing a geographical breakdown of these items with the proposed breakdown to domestic, EMU countries, other EU and rest of the world?

Country-by-country balance sheet data are already reported to Bank of Finland on solo level. Authorities should make more use of each other's data. For consolidated level in FINREP, geographical breakdowns are much more difficult to produce.

In addition, introducing such geographical breakdowns would increase the administrative burden since EU and EMU countries will change over time. Therefore, we would prefer split to domestic/foreign.

Income statement data should not be asked with geographical breakdowns in any case since it would require massive IT changes and benefits are not obvious.

41. Would application of a materiality threshold similar to Article 8 (3) and 11 (3) (reporting the breakdown only if foreign exposures exceed 10 % of the total exposures) reduce reporting burden?

The proposed criteria would not limit the reporting burden significantly, since a bank has to calculate the geographical distribution in any case to know if the threshold is met. Therefore we would like to propose a static county list of the most important countries for each reporter.



42. What would be difference in cost implications if breakdown would be requested only with differentiation between domestic/ foreign or alternatively country by country with similar threshold than in Article 8 (3) and 11 (3) compared to the proposal in the Consultation Paper?

We support the domestic/foreign split. Income statement data should not be requested with geographical breakdowns at all.

Instructions in Annex V

45. How do you assess the impact of reporting interest income and interest expense from financial instruments held for trading and carried at fair value through profit and loss always under interest income and interest expense?

We object to the removal of the option to report interest items from trading items through profit and loss in gains and losses from these portfolios. Trading portfolios are measured at fair value, and that is the decisive factor when disclosing these items. This is how the systems have been built. The interest component in trading items is not relevant and not even always that easy to define. Consequently in our business model the market value of future cash flows is decisive and therefore all future pl cashflow items should be reported under MTM valuation and all past pl items at realized. The split between interest and other pl items is irrelevant.

Federation of Finnish Financial Services

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