



Bank Association of Slovenia

Questions and remarks regarding EBA consultation paper on draft ITS

1) Referring to TABLES

1. In **table 5**. Breakdown of financial liabilities by product and by counterparty Financial liabilities should be divided by category: current accounts, deposits with agreed maturity, deposits redeemable at notice, repurchase agreement. Please explain in which type should we include financial liabilities with no maturity (e.g. call deposits)?
2. For all **tables 11**. Impairment there are no additional explanations in Instruction for reporting financial information. Please add instructions for these tables.
We also need additional explanation regarding investment property in table 11.1. Impairment on financial and non-financial assets: do we have to report amount of impairment in this table even if we use fair value model for investment property?
3. In instructions for reporting financial information in **tables numbered 17** (page 78) is mentioned reporting of gains and losses on derecognition of non financial assets other than held for sale (paragraph 57, page 80) and other operating income and expenses (paragraph 58, page 80), but above data are not included in any table. Please explain if these data should be reported and if yes – in which table.
4. For **table 28.3**. Information on unrealised gains and losses we need additional explanations:
 - What should be reported for investment property for which fair value model is used? Total difference between cost and current carrying value? These data in currently not available in our system because we do not post impairment on allowance account.
5. Paragraph 1 of Article 174 says that in all cases exposures above the limit, which is determined by the competent authorities, are due. Following the same article states that EBA develops draft regulatory technical standards to define the conditions under which the competent authority shall determine the upper limit specified in paragraph 1. EBA submits those draft regulatory technical standards until 31 December 2014. We are asking for an explanation, because the date is not in line with requirements for the first reporting as at 31 March 2013.



6. Data for following tables in currently not available:
- 10.1. Geographical breakdown of financial exposures subject to credit risk by residence of the counterparty
 - 10.2. Breakdown of loans and advances to non-financial corporations by NACE codes
 - 10.3. Geographical breakdown of debt securities held from general government by residence of counterparty
 - 14.3. Geographical breakdown of main income statement by residence of the counterparty
 - 23.1. Fair value hierarchy: financial instruments at amortised cost

Required information in these tables is so detailed that it will require expanding interface in group's data warehouse in order to assure correct information. As this is quiet demanding task we recommend that reporting these tables is delayed until 31 March 2014.

7. Instructions for distinction between other assets and other financial assets are rather short. Please provide as with more detailed instructions.
8. Instructions for other financial liabilities include some examples of items that fall within this category. We believe that these examples should include also accruals for goods and services (that will be settled in cash) and liabilities for salaries.

FINREP		
	Table	Questions
PART 1		
Table 1	1.3. Balance Sheet Statement: equity	Is the presentation of effects from transfer to IAS due to origination (equity securities, debt securities, other) to be entered? If yes and if it is not the first use of IAS is it still necessary to present a breakdown as to what a portion of effects from a certain item?



Table 2	2.Income Statement	Balance sheet item anticipates inclusion of a corresponding portion of profit/loss from investments in equity of subsidiary, associate and jointly controlled companies. In compliance with IAS 1.82 only disclosure for associate and jointly controlled companies accounted for using the equity method is anticipated. Subsidiaries are fully consolidated. In the light of the above, is there a mistake in the form?
PART 2		
ANNEX V	PART 1 / 3.COUNTERPARTY BREAKDOWN	"in paragraph 20(g) and (g) shall be aggregated into "households" => and (h)
PART 3		
Table 10	10.1 Geographical breakdown of financial exposures subject to credit risk by residence of the counterparty	What exactly is to be entered in this column (substantial explanation)?
Table 10	10.3 Geographical breakdown of debt securities held from general governments by residence of the counterparty and by residual maturity	Since there is "of which" we conclude that column "Measured at fair value" includes all data in column AFS, or are the securities measured at purchase price to be included?
Table 10	10.3 Geographical breakdown of debt securities held from general governments by residence of the counterparty and by residual maturity	Is a separate table for each individual country required ("reported country by country")?
Table 13	13. Fair value hierarchy: financial instruments at fair value	What exactly is to be entered in this column (substantial explanation)?
Table 13	13. Fair value hierarchy: financial instruments at fair value	What exactly is to be entered in this column (substantial explanation)?
Table 14	14.4 Geographical breakdown of assets by location of the activities	Location of the activity => the definition of the location of the activity is the jurisdiction of the company that recognises assets/liabilities. Question: Does it mean that the parent company in Slovenia designates assets and liabilities in the group balance sheet as domestic, the subsidiary in abroad as non-domestic.
Table 14	14.5 Geographical breakdown of liabilities by location of the activities	Location of the activity => the definition of the location of the activity is the jurisdiction of the company that recognises assets/liabilities. Question: Does it mean that the parent company in Slovenia designates assets and liabilities in the group balance sheet as domestic, the subsidiary in abroad as non-domestic.



Table 14	14.6 Geographical breakdown of main income statement items by location of the activities	Is the location of activities of income and expenses to be determined due to the location of assets and liabilities which generated these income/expenses?
Table 15	15. Off-balance sheet activities: Interests in unconsolidated structured entities	Requirement relates to the new standard MSRP 12 - Disclosures of shares in other companies. Substantial explanation?
Table 17	17.2 Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss by instrument	Reference to requirement ITS 3.52 provides breakdown of realized profits/losses by type of financial instrument (debt securities, deposits, loans, issued debt securities, other financial liabilities) within an individual balance sheet category (HTM, AFS, loans, financial liabilities measured by amortized value...). Why is the table not designed in compliance with requirement ITS 3.52?
Table 17	17.4 Gains and losses on financial assets and liabilities held for trading by risk	Why are the fields coloured grey? Does it mean that these cells are not to be completed?

COREP

CA		What will be reported on CA form?
GS		Will standalone data by companies with already excluded inter-relations (consolidated data) be entered? Will the form be completed for all companies or just for a certain type of companies (e.g. banks)? If yes for all companies does that also include companies which are not fully consolidated?
CRSA		As we understand there will be only 4 different CR SA forms and a comprehensive form in addition. We do not see any changes in CA form - is it still reported by 15 categories. Is CA form to be changed again?
MKR SA TD1a		Is this form to become obsolete? If yes, how will the capital requirements be calculated on the MKR SA TDI form?



2) Answers with reference to explanatory text for consultation purposes – QUESTIONS FOR CONSULTATION

Q6: When would be the earliest point in time to submit audited figures?

A: 20 April

Information on geographical distribution of exposures by country

Q8: Do the proposed criteria lead to reduced reporting burden?

A: No.

Q9: What proportion of your total foreign exposures would be covered when applying the proposed thresholds? Please specify the number of countries that would be covered with proposed threshold, both in aggregate and separately for each exposure class?

A: In the biggest Slovenian bank applying the proposed thresholds would cover approximately 95% of our total foreign exposures for loans (12 countries) and 99% of total foreign exposures for securities (16 countries).

Q10: What would be cost implications if the second threshold of Article 5 point 1 (c) ii) were deleted?

A: For our bank there would be no cost implications. From the technical point of view it would be even easier if threshold was deleted but this would lead to increased number of immaterial data being reported (there are cases when we only have one client in a foreign country).

Q11: Is the calculation of the threshold sufficiently clear?

A: Yes

Q22: What cost implications would arise if the use of XBRL taxonomies would be mandatory requirement in Europe for the submission of ITS-related data to competent authorities?



A: The reasons why we wouldn't implement XBRL data exchange format are:

- IT implementation cost are too big (an extra layer of activity would be added to complex reporting activity, which is costly)
- Implementation would take too long
- We do not see any added value for our bank by preparing XBRL reports
- We will comply by using XML data exchange format with all validation rules, precision rules and other specifications which are included in the XBRL taxonomies.

We think that in the future banks should implement XBRL taxonomies, but at the moment the banks should focus on the financial crisis instead of technology investments.

Q23: 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.

A: We assess that costs associated with implementing second option are too big and waste of time, therefore we prefer implementation of the ITS as of the first possible reference date, i.e. 31/03/2013 (except for tables 10.1., 10.2., 10.3, 14.3. and 23.1., as we already mentioned)

Q24: 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?

A: Minimum implementation period would be 1 year from the date when all reporting requirements are specified.

Q25: What would be the minimum implementation period required for institutions already subject to FINREP reporting to implement the financial reporting described in this consultation paper?

A: 1 year, same as question 24.

Q44 - Does the IAS 7 definition of cash equivalents follow the practice used when publishing financial statements? How would this definition interact with definitions of IAS 39 for assets in held for trading portfolio?



The IAS 7 definition of cash equivalents follow the practice used only when preparing statement of cash flows.

Otherwise Slovenian credit institutions use in the statement of financial position for public disclosures under IFRSs current FINREP item "Cash and cash balances with central banks" (without other cash equivalents) according to definition of aforementioned item from Articles 4 and 13 of the accounting directive [86/635/EEC](#). That is possible under paragraphs 57 b) of IAS 1, which introduce flexibility for financial institutions. Paragraph 54 of IAS 1, which requires disclosing cash and cash equivalents, was drafted more for industrial companies.

A comment about recognizing gold bullions in the balance sheet.

Regarding IAS 2.3. gold bullions are inventories but measurement requirements of IAS 2 do not apply. Therefore, these inventories shall be measured at fair value less cost to sell, and all changes in the fair value less cost to sell shall be recognized in profit or loss.

However IAS 39.(IG) B.1. says that gold bullion is not a financial instrument but a commodity. Although it is highly liquid, there is no contractual right to receive cash or another financial asset inherent in bullion.

After the discussion with Bank of Slovenia and the Auditor in 2011 we concluded that if gains or losses of selling gold bullion are recognized in Gains or losses from financial assets held for trading, then gold bullion cannot be recognized as inventory in Other assets but as Financial assets held for trading as well to get consistency between profit and loss and balance sheet. The FINREP mapping has been set this way though (see the FINREP table 17.4 of ITS on supervisory reporting requirements for institutions).

In 2012 the Auditor opposed recognizing gold bullion in financial assets held for trading and according to their experiences of London banks proposed recognizing it as inventory, while the revaluation should be included in financial income.

We disagree with this kind of inconsistency and ask for further discussion and amended guidelines about that.

Past due financial instruments

Table 7,8

We have question about reporting of past due derivatives (for ex. forward contract that was not paid on maturity date). Is such exposure still on balance sheet reported as derivative and reported in table 7/8 or is moved among other assets.