

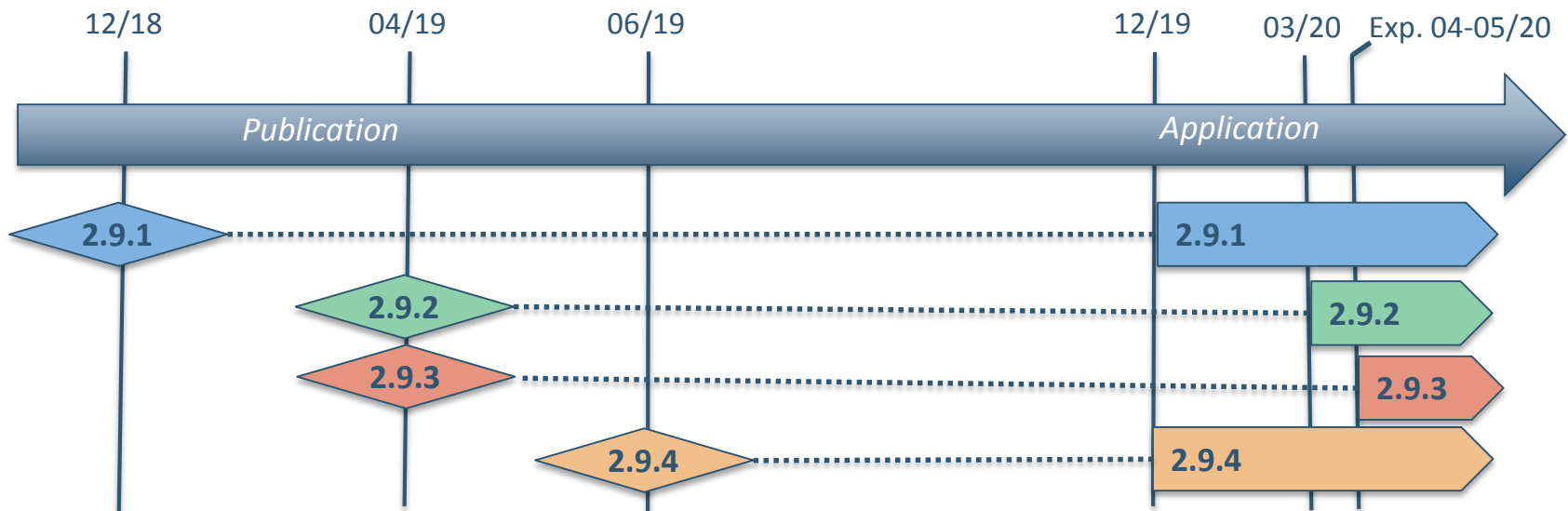


Consultation paper on amendments to supervisory reporting with regard to FINREP

Public hearing, 3 October 2018

Release v2.9 of the reporting framework (I)

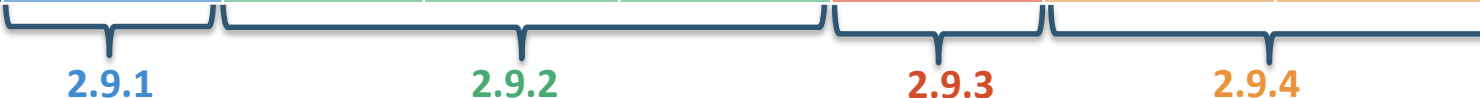
- For framework release v2.9, EBA intends to move to a new **modular release**, where different modules of the reporting framework will be published and applied at different points in time.
- This approach will provide institutions with **as much implementation time as possible** under the circumstances.



Release v2.9 of the reporting framework (II)

- Package 2.9.1: Resolution reporting
- **Package 2.9.2:** - COREP (new securitisation framework)
 - **FINREP (NPE, P&L and IFRS 16)**
 - remuneration benchmarking (DPM / taxonomy integration)
- Package 2.9.3: Liquidity Coverage Ratio (LCR amending Delegated Act)
- Package 2.9.4: Supervisory benchmarking of internal models, Guideline on Funding Plans

Package Code	RES	AE	COREP	FINREP	LCR_DA	FP	SBP
2.8	1.0.0	1.0.5	2.3.1	2.2.2	2.3.0	1.0.6	1.0.5
2.9.1	1.1.0	1.0.5	2.3.1	2.2.2	2.3.0	1.0.6	1.0.5
2.9.2	1.1.0	1.0.5/1.0.6	2.4.0	2.3.0	2.3.0	1.0.6	1.0.5
2.9.3	1.1.0	1.0.5/1.0.6	2.4.0	2.3.0	2.3.1	1.0.6	1.0.5
2.9.4	1.1.0	1.0.5/1.0.6	2.4.0	2.3.0	2.3.1	2.0.0	1.0.6



The consultation paper on amendments to FINREP

- **Main changes** proposed by the consultation paper
 - Amended and new reporting of **non-performing and forborne exposures**
 - Amendments to the reporting of **profit or loss items**, in particular on expenses
 - Amendments to reported data on **leases** due to new **IFRS 16**

- **Timeline**
 - Deadline for submission of comments to the consultation paper via the EBA website:
27 November 2018
 - ▶ A **draft data point model** (DPM) will be published for a shorter consultation period in early-October
 - Publication of final draft ITS envisaged for April 2019
 - Application of the revised reporting requirements envisaged for March 2020

Change to FINREP with regard to NPEs (I)

■ Background and context

- Non-performing exposures are one of the **key priorities** for supervisors and one of the **biggest challenges** faced by many institutions across Europe
- Council Action Plan to tackle non-performing loans in Europe (July 2017)
 - ▶ initiatives in particular in the area of supervision and development of secondary markets for distressed assets
 - ▶ EBA draft Guidelines on the **management** of non-performing loans (NPLs)
 - ▶ EBA draft Guidelines on **disclosure** of non-performing and forborne exposures

■ Rationale

- Strengthen supervisors' **ability to assess and monitor** non-performing portfolios
- Obtain key information to **assess institutions' strategy on the management of NPLs** as well as the overall effectiveness of these strategies
 - ▶ Shed light on measures available at the different points of the lifecycle of an exposure (e.g. forbearance, closure actions, sale of exposures)

Change to FINREP with regard to NPEs (II)

- **Main features of the proposal and proportionality**

Module 1
All institutions

Amendments to existing templates

- information on selected types of exposures (CRE loans, loans by LTV ratio, NPEs / forborne exposures to SMEs, ...)
- NPEs by accounting stages
- Inflows into and outflows from the NPE portfolio
- Enhanced information on collateral and guarantees received

Module 2
Institutions with elevated levels of NPEs (>= 5%)

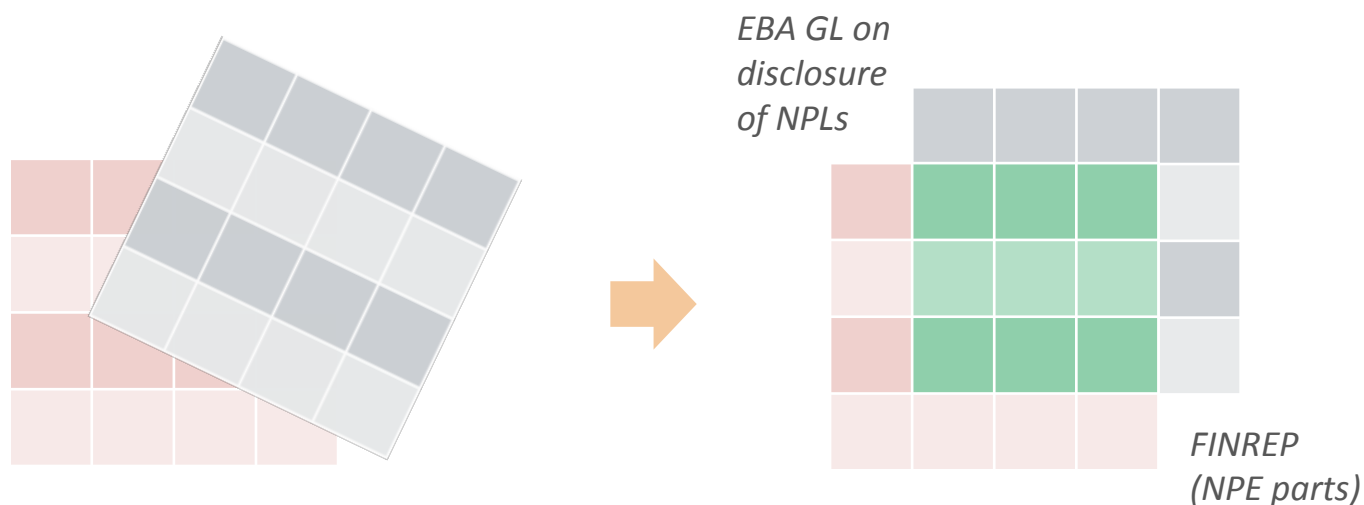
New templates with granular information

- Supplementary information on NPEs (e.g. litigation)
- Drivers for inflows into or outflows from the NPE portfolio
- Collateral in- and outflows, vintage
- Details on forbearance management and quality of forbearance

Change to FINREP with regard to NPEs (III)

- **Fostering the consistency between reporting and disclosure requirements**

- ▶ Reporting as basis for supervisors to evaluate the situation of an institution
 - ▶ Disclosure as basis for market participants to understand and assess the institutions' situation
- Relevance of information for both supervisors and market participants
- Facilitate compliance with both



Change to FINREP with regard to profit & loss

■ Main content of the proposal

- Additional details on administrative expenses (F 16.08 [new], F 44.03, F 44.04 [new], F 45.02, F 45.03), particularly staff and IT expenses
- Revisions to the reporting on fee and commission income and expenses (F 22.01)
- Additional information related to profitability indicators (F 48.00)
- Minor amendments to reflect contributions to resolution funds and interest income / expenses on selected exposure types

■ Rationale

- Expenses play a crucial role in institutions' performance, but are, compared to institutions' income, asymmetrically represented in the current reporting framework
 - ▶ Improvement of the level of detail provided especially on operating and administrative expenses
- Some additional insights on institutions' governance

Change to FINREP with regard to IFRS 16

■ Rationale

- IFRS 16 Leases ('IFRS 16') replaces IAS 17 as the new standard for the accounting of leases from 1st January 2019 onwards
- Move to IFRS 16 affects mainly the lessee view - no further differentiation between finance and operating leases

■ Main content of the proposal

- Minor adjustments in FINREP, mainly separate presentation of
 - ▶ lease liabilities (F 08.01)
 - ▶ interest expenses [income for lessor] from leases (F 16.01)
 - ▶ lease assets (F 42.00)



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