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BANCAIRE
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Paris, June 9, 2009

Consultation on amendments of the FINREP Guidelines

Dear Madam, dear Sir,

The French Banking Federation (FBF) welcomes the opportunity to comment on the FINREP Consultation paper. The FBF welcomes any initiative aiming to reduce reporting burdens for banks. In particular, banks operating cross border that are often exposed to heavy reporting requirements that differ across national jurisdictions. EU-wide harmonization in the area of reporting is much welcomed and supported.

The FBF considers that there is a reduction in the requested data compared to the current EU FINREP and supports the proposed principle of maximum data model. However we consider that it is necessary that the guidelines have to be applied by all supervisors. This is the only way to reach the objective of harmonization in Europe. We believe that the possibility for cross border groups to report under the Home selected tables for all subsidiaries would significantly reduce reporting burden. This possibility exists in France since 2008 for French subsidiaries of foreign groups.

Concerning new data requirements in the proposed version (information too detailed compared to the last version, breakdown not already relevant, information not requested by IFRS, information without reference), banks consider that the cost of implementation would be significant and not necessarily justified.

FBF is at CEBS' disposal for any further discussion on these issues.

***Impact Assessment*:**

a. Do you think the revised FINREP Guidelines will reduce reporting burden?

We support the principle of harmonization. We estimate this guideline could reduce future burden due to future evolutions required by the different regulators. Nevertheless this potential reduction is strongly dependant on the organization of each entity. Groups have most of the times implemented different solutions. The implementation of this target guideline must review the current set up. We consider that the possibility for cross border groups to report under the Home selected tables for all subsidiaries would significantly reduce reporting burden. In 2008, the French regulator accepted the home COREP for French subsidiaries of foreign groups.

b. Do you think the revised FINREP Guidelines will make financial reporting in the EU more uniform?

This guideline would make regulatory financial reporting more uniform if regulators do not add financial tables outside FINREP reporting. We propose that this FINREP should be the sole consolidated financial reporting and ask for a strict commitment from local regulators to apply this rule.
The consultation paper mentions that the guidelines are voluntary. We feel that this could lead to a distortion of competition between European banks; in countries where there is an important reporting burden (i.e. France), banks bear a higher reporting cost. To avoid distortion of competition and to improve the supervision of cross border banking groups, we consider that the guidelines have to be applied by all supervisors.

c. CEBS guidance is non-binding. However, the possibility has been discussed of making FINREP mandatory at the consolidated level, a step which lies beyond the responsibility of CEBS. In addition, some countries apply FINREP at the solo level as well. Against this background, we are interested in your views concerning:

i. The pros and cons of mandatory application of FINREP at the consolidated level by EU Member states.

We think it should be mandatory in order to have no competitor differences at the consolidated level.

ii. The possibility of extending the use of the FINREP guidelines to the solo level. Are all of your subsidiaries allowed to use IFRS?

In France we already have a strong supervisory reporting. Requiring FINREP at the solo level would certainly be an addition of reporting and would not reduce the reporting burden. Furthermore, IFRS are not allowed in France at solo level.

Summary of findings

d. Do you expect there to be a link between the FINREP framework and the IFRS-GP taxonomy?

We are interested in this principle, however we do not have sufficient information about the procedures related to IFRS GP taxonomy (update frequencies, deadlines) at this stage. There are some particularities to IFRS as adopted by the EU and banking financial statements.

e. What do you think of the proposals concerning reporting frequencies and reporting deadlines? Do you have alternative options?

The European Banking Federation sent a letter to Mr Vossen on this question. We would like that the debate on the COREP remittances dates be re-opened because the decided deadlines (20 working days for solo and 40 for consolidated data) are impracticable. Since most of the European banking groups have a centralized reporting platform, consolidated figures are prepared before solo figures. The European Banking Industry proposed 40 working days for solo and consolidated COREP.

Concerning the harmonization of FINREP, we strongly support the proposal to harmonize FINREP in Europe as banking groups currently face the preparation of a multiplicity of FINREP. However, care should be taken that harmonizing measures would not result in an increase of the banks' reporting burdens. Institutions must in any event be given sufficient time to prepare the reporting data to ensure the quality of their reporting.
Concerning the alignment of reporting dates, we believe that FINREP should not share the same frequency as COREP. FINREP cannot be compared with COREP when it comes to remittance periods and frequencies, given the differences in contents. The scope of FINREP differs from COREP; the latter is of prudential nature while the former has an accounting nature.
If FINREP's remittance dates and frequency are aligned to the publication of financial statements, we consider that FINREP should be reported semi-annually at most. Taking into account the internal organization of financial staff — many of which operate on the basis of a centralized reporting platform - there should be no difference between the remittance period at solo and at consolidated levels. Therefore, a greater degree of consistency, and thus quality, of reported data could be achieved if the remittance period for the solo-level data is aligned with the remittance date for the consolidated data. Remittance dates for annual data should be set at 50 business days both at solo and at consolidated level. As the French supervisor and the banks agreed on 60 working days for June, French banks would keep this agreement.

f. Do you have any comments on the proposals relating to versioning policy?

We support the idea of yearly FINREP review in concurrence with IFRS changes. At this stage we do not have enough information about the procedure. It is important to maintain a link between the IFRS standards and the FINREP reporting but the implementation of the changes in FINREP should be further discussed.

Annexes: revised FINREP templates (Annex 1) and Guidelines (Annex 2)

We need some information about the revision procedure of FINREP when a new international standard is adopted. For example, IAS 39 is to be finalized before June 2010 and may have some consequences on FINREP reporting. How will the CEBS take into account these changes?

Some tables present a reference to IAS 1.55 and IAS 1.85 to justify some lines. But IAS 1.55 and 1.85 specify that if information is relevant, this information has to be disclosed by the entity. However, it is up to the entity's judgment to estimate what is relevant or not. We propose the deletion of those references.

g. What impact do you expect the revised FINREP framework to have on your reporting procedures?

French banks consider that extra financial information not already included in published financial information or in COREP reporting will require additional work which is not compatible with the deadline shortening and the reducing of reporting burden.

h. Is the new information added to the framework already available within your entity? Please specify reporting items that are not available.

See comments in tables.

i. FINREP guidelines do seek to interpret IFRS. Are the references and instructions sufficient for completing in the templates? Please specify where more instructions are needed.

The IFRS may be interpreted only by IFRIC. The FINREP guidelines do not need to interpret the IFRS. We consider that IFRS references are sufficient but for the non IFRS requirement (such as « economic hedges » in Table 3, Table 24), additional guidelines are needed.

j. The Guidelines on FINREP (Annex 2) provide a definition of the counterparty breakdown. Section II. 29 (6) identifies two possible definitions regarding Retail exposures. Which option do you prefer, and why?

k. Do you think that all redundancies in the current framework have been eliminated?

In order to avoid redundancies, the information requested by the CRD directive should remain in COREP reporting and not in FINREP.

- **Table 3 : « derivatives held for trading »**

The « economic hedges » information does not exist in the IFRS and thus should be deleted from this table. We consider that the breakdown of derivatives by product or by type of market is very heavy to fulfill and not relevant because some of derivatives instruments are not asset or liabilities but belong to assets or liabilities according to their valuation at the closing date, there will be no possible link between the balance sheet and the notional amount

Concerning the column "notional amount", the definition of asset or liability is not clear. We propose a unique amount.

- **Table 5A : "Loans and receivables and held-to-maturity investments" (Breakdown of financial assets)**

We cannot fill the column "Allowances for incurred but not reported losses" because this type of allowance is included in "allowance for collectively assessed financial assets" (previous column). Therefore, we propose the merger of the two columns.
Moreover, the detail requested per line is not possible for collective impairment since they are calculated on a global basis.

- **Table 5c : « Counterparty breakdown for financial assets held for trading and financial assets designated at fair value through profit or loss »**

This breakdown is not relevant for equity instruments as there is nor credit risk neither counterparty risk. So we propose to delete this breakdown.

It is not possible to identify the credit risk for the assets held for trading because this is not the way to manage this portfolio (since the credit risk is included in the fair value of the instruments).

- **Table 5D : « Geographical breakdown of financial assets by residence of the counterparty: carrying amount [IFRS 7.IG18.(c)] »**

We need a definition of "domestic" for consolidated reporting. If domestic means the country of the home regulator, the meaning will be different for the subsidiaries of a cross border group.

- **Table 6 : « Breakdown of loans and advances by product: carrying amount »**

This table requests a breakdown of loans and advances by product type and asset class/economic sector. There are differences in asset classes between FINREP and COREP and the given correspondence tables in Annex 1. Although there may be good reason for the definition (given the different purposes of both reports), as banks want to reconcile FINREP and COREP, such differences in definition create problems. E.g. the asset class 'retail' in COREP refers to three asset classes in FINREP ('Other financial corporations', 'Non-financial corporates' and 'Retail'). Banks would appreciate additional clarification on definitions for the three retail-related asset classes.
Banks would also appreciate more guidance as to which products can form part of which categories and clarification of the meaning of 'other secured loans'.

Concerning para 29 p 20 (cf 6), IFRS 7 IG 21 requires a breakdown of credit risk by instrument class having the same economical characteristics. Each bank estimates what is relevant for its activity. The CEBS gives an interpretation of IFRS 7 IG 21 with the justification of IFRS 7.

- **Table 7 : « Information on impairment and past due »**

Concerning the column « specific for individually assessed financial assets », it is not possible to split by counterparty. It is the same for « allowances for IBNR ».

We propose a unique column in place of « specific for individually assessed financial assets » and « allowances for IBNR ».

- **Table 8 : Derivatives - Hedge accounting**

This table has changed significantly compared to the previous version. The meaning of the descriptions 'assets' and 'liabilities' as related to notional amounts is unclear. See our comments about table 3. A clarification would be appreciated. It is also noted that there will not always be a notional amount available. This should be taken into account when creating the validation rules.
Also, "Economic hedges" do not exist in the IFRS and the requirement should be removed.
A clarification would be appreciated.

It is difficult to mix information by product and by type of market. We propose either by product or by type of market.

- **Table 10 C « Geographical breakdown of financial liabilities by residence of the counterparty: carrying amount »:**

The breakdown by counterparty according to Basel 2 is not relevant for liabilities.
We require a definition of "domestic" for consolidated reporting. If domestic means the country of the home regulator, the meaning will be different for the subsidiaries of a cross border group.

- **Table 11 : « Transfer of financial assets »**

New information required by the last column (financial assets entirely derecognized) is not required by IAS 1 and we propose to delete this column.

- **Table 14 : Fee and commission income and expenses**

More guidance is needed to complete this table as the differences between the different fees and commissions are unclear.

The information is too detailed compared to the last version. We propose to reduce the requests (into lines for custody, securities, customer resources) and to avoid the breakdown.

- **Table 15 A « Breakdown of interest income and expenses » :**

Banks do not realize a split between interest income and interest expenses internally. Only the interest margin is important for managing the interest results. Therefore, it is difficult to understand the value of this table for regulators. Compared to its very limited use, the costs of implementing this table are too huge.. This table should be reviewed taking into account similar changes to the validation rules and XBRL taxonomy.

- **Table 16B « Allowances movements for credit losses »**

Is the table 16D1 a detail of the previous table 16D?
Concerning the column « specific for individually assessed financial assets », it is not possible to split by counterparty. It is the same for « allowances for IBNR ».

- **Table 18 A**

IAS 24 17 (b) does not require information about the commitment. Concerning derivatives, we propose a unique line (not two for assets and liabilities).

- **Table 20 :**

The breakdown per counterparty of doubtful loan commitments and financial guarantees is very hard to implement.

- **Table 23 :**

The need to obtain a full report of the consolidated entities each quarter and its use by supervisors is questionable, in particular for large cross- border groups which include hundreds of companies in consolidation. Filling in all the requested data fields which may not always be available from central systems of banks and checking the report may be quite burdensome.

Information on changes in the report (new entities and sold entities) would give much more insight, providing that a full report is submitted on a yearly basis.

- **Table 24 « Asset management, custody and other service functions »**

We need some precisions on “gross carrying amount”. The requested data is not accounting data. Therefore, we propose the deletion of this information.

- **Table 25 A « Information on fair value of financial instruments »**

IFRS 7 requires the splitting of unrealized gains and losses only on level 3 valuations, and we do not have the information requested by CEBS. So we propose to delete the columns « unrealized gains and losses » for level 2 and « gross unrealized gains and losses » for level 1 and 2. Such a requirement is very expensive to implement and it is not consistent with the way banks monitor the portfolio.

- **Table 25 B : « Information on unrealized gains and losses »**

We don’t understand why this table is requested, and there is no reference. We therefore request the deletion of this table.

- **Table 25D « Hybrid financial instruments not designated at fair value through profit or loss » :**

After separation from the host contract, it is very difficult to identify the “rest of separable hybrid contracts”. We request the deletion of this template.

- **Table 26 « Reconciliation from CRD to IFRS scope of consolidation » :**

The consolidation scope under IFRS differs from the consolidation scope under the CRD. The adjustments are only available on the total of the balance sheet and certainly not line by line, as it is impossible to calculate e.g. the value of an adjustment at the level of debt securities.

Because of the huge differences between the different scopes mentioned, there is no obvious added value of the table.

Another significant issue is the column ‘insurance activities’ as the balance sheet (especially the liability side) from an insurance company is completely different from the one of a bank.

Lastly, it is unclear to us whether the grey filled column ‘adjustments and eliminations’ must be filled in.

We would request the deletion of this table.

Section: Harmonization at IT level

l. Do you support CEBS’s initiative of recommending IT best practices on cell definitions, as a complement to XBRL-related issues?

A change in taxonomies (para. 12) is not a main subject, as organizations do not seek a major change to their interfacing mode that was recently put into place. This represents a complementary cost: what is the cost advantage brought on by the development of the technical solution?

m. Do you have any comments on the work plan? Is your institution interested in collaborating on it?

No we don’t.