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Comments of the Association of German Banks on CEBS's Consultation Paper 06, revision 2: "Framework for Consolidated Financial Reporting" (FINREP)

Dear Madam, dear Sir,

Many thanks for the opportunity to comment on the revised framework for financial reporting (FINREP). We are pleased to set out our position on the issues discussed in the consultation paper.

Regulatory reporting requirements impose a considerable burden on all banks. This applies especially to banks operating across borders since they have to follow differing, as yet unharmonised rules in several jurisdictions. We therefore welcome CEBS's intention to revise FINREP with the aim of moving closer to achieving EU-wide harmonisation in this area.

FINREP has the potential to make a significant contribution to standardising the information submitted in group reports and reducing the reporting burden on financial institutions. At the same time, a careful balance needs to be struck between the sometimes opposed interests of banks operating only at national level, banks operating across borders and users of the reported data. The low level of acceptance of the current framework may be regarded not least as an indication that both banks and supervisors see room for improvement in cost-benefit terms. If the implementation of FINREP were made mandatory, this might certainly speed up further harmonisation of reporting regimes. First and foremost, however, judicious consideration must be given to the legitimate interests of the affected banks.

With this in mind, we would strongly urge that the scope of consolidation should be clearly defined as IFRS-based. As things stand, the Guidelines for Implementation of the Framework for Consolidated Financial Reporting give national supervisors the option of requiring consolidation under IFRS, the CRD or both. The German private banks, however, consider the idea of consolidating group accounts within the meaning of the CRD unacceptable because this would involve preparing an additional full set of consolidated financial statements.

In our view, moreover, FINREP should be confined to group accounts for the time being. While it is true that German law permits solo entities to prepare IFRS financial statements, this does not exempt them from filing German GAAP accounts as well.

Even if the above points were taken on board, however, the implementation of FINREP in the form currently proposed would impose a significant and continual additional burden on many banks. It is true that the number of templates and cells has been reduced. Nevertheless, much of the non-core information, in particular, does not correspond to information which has to be reported under IFRS. Since this data would therefore not normally be available at group level, it would have to be especially compiled and consolidated. Therefore FINREP should be confined to such information which is obligatory according to IFRS.

Furthermore, we would advise against restricting the exercise of presentational options permitted under IFRS. The draft guidelines currently allow national supervisors to prescribe specific formats in the interests of national harmonisation. But there are good reasons why IFRS grant the options in question. If FINREP adopted another approach, this would not only generate considerable extra costs for the banks but would also lead to differences between the figures presented in the prudential reports of financial statements and those shown in the financial statements themselves.

We also believe it is important for reporting frequencies and deadlines to be feasible and would advocate a maximum frequency of six months. As for deadlines, even 40 working days after the reporting date is tight. We consequently fail to understand the rationale behind giving national supervisors the option of shortening this period to 20 working days. If FINREP reports are to be based on audited data, moreover, more than 40 working days will be needed. We assume, however, that the reporting of audited data will not be required and that any diverging reporting dates currently used by the banks for their quarterly and annual accounts will be permitted in addition to those currently envisaged (31 March, 30 June, 30 September and 31 December).

Yours sincerely,

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