09 June 2009

CEBS Secretariat
The Committee of European Banking Supervisors (CEBS)
Tower 42 (Level 18)
25 Old Broad Street
London
EC2N 1HQ
United Kingdom

Dear Sir/Madam,

FRSGlobal Comments in response to "Consultation paper on amendments to the Guidelines on Financial Reporting (FINREP) 10 March 2009"

We thank you for the opportunity to comment on the new FINREP proposals. We welcome the attempt to streamline and harmonize the report templates, and we look forward to closer definitions in the Guidelines.

Below are our comments. We thank you for your consideration and look forward to your feedback.

Yours Sincerely,

A J Craven
Senior Business Analyst, IFRS Product Owner

Financial Reporting Services UK Ltd
Registered in England and Wales
Company n° 4597430
120 Aldersgate Street
London EC1A 4JQ
United Kingdom

T +44 20 7539 6500
F +44 20 7539 6501

VAT number: 809 839 780

Comments to CEBS

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FRSGlobal comments on the "Consultation paper on amendments to the Guidelines on Financial Reporting (FINREP) 10 March 2009"

Introduction

The changes introduced at the hearing of the 27th May are very welcome to those of us that have supported FINREP and the standards over the years. In particular, the aim of tightening up the guidelines and providing clear definitions for all items will improve the transparency and harmonization of the reports. The streamlining of the reports with the removal of unnecessary detail, cuts the information down to its essence, and will provide valuable cross border financial data.

The Maximum Data Model

Although the adoption of the 'maximum data model' looks to be a significant difference, on closer examination it seems as though the situation might not really change. Currently national supervisors can include their additional information requests in their own versions of FINREP reports using the National Discretions. If this ceases to be the case we have two fundamental questions. Firstly, how will you encourage the take up of Non Core reports? And secondly, the national supervisors could ignore the Non Core reports and define their own report sets to produce what the FINREP National Discretions used to provide them. This would seem to be counterproductive and a move away from alignment. Do you have any means of preventing this?

In our experience across many countries we have found that the additional breakdowns in the local variations of the reports do not cause too much distraction from alignment. The current setup using national discretions and the way we have organised around this means we can quickly adapt to any local variations of the reports, but more importantly, we retain the common part consistent across countries. It is mostly the difference of opinion on how to complete the forms that has been the topic of discussion and main cause of misalignment. This should be overcome by the clear guidelines you intend to set. If national supervisors disregard the Non Core reports and create their own, the huge benefit of the guidelines will not be realised.

XBRL

As we deliver our solution in many countries in the world, we have found that the adoption of XBRL is patchy across countries. Some have a strong level of adoption whilst others have none. We think that the recommendation to use XBRL should aid harmonization. However, we are concerned that there are no direct incentives to adopt. Do you have a program in place to aid adoption of XBRL?

Convergence with other bodies

We welcome the closer links to the ECB, BIS, IMF, etc and the aim of convergence that CEBS has initiated. There are a number of challenges in reconciling financial information across regulators. The panel at the hearing mentioned gaps between the standards and we wondered if there will be further analysis or investigation into reconciliation? Also, has there been any impact assessment of changes to other regulations that are currently under way, for example, ECB 25/2009 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2008/32)?

Convergence with CRD/Basel II

The creation of comprehensive and clear definitions in the Guidelines will be a major improvement in the alignment across countries. We are curious to know how the definitions are being agreed on.

Secondly, although it was stated that there are no gaps between IFRS and CRD/Basel II in the current templates and guidelines there are a series of inconsistencies and items that do not reconcile. For example, the 'grey' area of securitized debt that can appear as a Liability or Equity or be split between the two means that the definitions do not match and subsequently figures are inconsistently applied in FINREP and in Basel II. Another example is the discrepancy between balance amounts that is caused by netted balances in FINREP. Under the new templates would this require an adjusted amount in Notes or something similar?

Whilst these are more general examples, there are still more detailed examples. On template 11, Table A.

Derecognition and financial liabilities associated with transferred financial assets, there is a column that requires the local rules of Reg Cap Reporting. The column ‘Amounts derecognized for capital purposes’ will require adherence to the local regulator, so we are not convinced that there can be a definitive description of the requirements for this column.

Frequency of production

If Core reports are submitted quarterly and Non Core annually or semi annually, then the data can be sourced differently causing issues with line allocations. For example, the total of a detail report say 12. Provisions will be delivered from a detailed source annually. This will be very hard to match the figures presented on the Core BS in report 1.2 as this will be delivered from an aggregated source monthly. However if the frequency were to be aligned this would prevent this. We do realise there are templates where the information is rarely available more than once or twice per year, e.g., tables 22 Statement of Changes in Equity, and 23 Scope of Consolidation. Therefore this could not apply to all reports, but still could make a valuable recommendation for the majority of detail reports.

Clearly there are technical challenges here that banks are facing. To our customers we recommend a solution where the details can be saved and validation rules can be applied to check the consistency, as our system currently provides this flexibility. However we think this may be good as a general recommendation in your guidelines perhaps as a ‘best practice’.

Timeline

Our final comments relate to the timescale of delivery. The end date of 1st January 2012 for adoption seems to be an inordinately long time. We recognize that there may be some delay for the finalization of changes in the standards such as IAS 39. However, these changes will not introduce significant additional data requirements and may only affect slight format changes. Our system, our products and our solutions are equipped to adapt quickly to satisfy regulatory requirements and we are confident that the timescale can be greatly reduced. Although we appreciate the lead time, it would be a shame if we had to wait that long for these great improvements.

Conclusion

Overall, the proposed changes are very welcome. We are looking forward to being engaged in discussing the implementation of the new FINREP templates with all parties. We have in-depth, cross regional expertise and are happy to offer any aid or assistance to any bodies, for mutual benefit, to gain insight and understanding in this crucial area of financial reporting.

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