

## **CONSULTATION PAPER ON AMENDMENTS TO THE GUIDELINES ON FINANCIAL REPORTING**

### **Introduction**

1. The Committee of European Banking Supervisors approved in December, 2005 the Guidelines on Financial Reporting. These Guidelines were intended to be used by banking groups when preparing their financial reports based on IAS/IFRS asked by the Supervisory Authorities of the European Union. The current version was released on December 2006, incorporating minor changes resulting from the development of the FINREP taxonomy.

2. The Guidelines on Financial Reporting (together with the Guidelines on Common Reporting) are part of the effort developed at L3 Committee to streamline the reporting requirements of the supervised institutions. This effort is consistent with the recommendations of the Financial Services Committee Report on Financial Supervision (so called Francq Report) and the White Paper of the Commission on Financial Services Policy 2005-2010.

3. CEBS is aware of the concerns raised by the banking industry with regard to the level of burden arising from CEBS reporting frameworks. Therefore, it is committed to make a proper analysis of the advantages and costs of the proposal, and to have a dialogue with the industry about this proposal.

### **Reasoning for this amendment**

4. As stated in the past, the Guidelines on Financial Reporting aims at developing a standardised consolidated financial reporting framework for credit institutions that is consistent with international accounting standards. Therefore, the Guidelines may need a review when a new IFRS is issued or an existing IAS/IFRS is modified and subsequently endorsed by the European Commission.

### **Characteristics of the proposal**

5. The proposed amendments to the Guidelines on Financial Reporting incorporate the option included in International Accounting Standard 19 *Employee Benefits*, paragraphs 93A-D. As a summary, these paragraphs allow that entities can recognise directly their actuarial gains and losses in equity, rather than in profit or loss. In the current version, this possibility was not included in the Guidelines. Therefore, a limited amendment is proposed to make this option available.

6. In addition to them, a number of changes have been introduced in the consultative paper. These changes aim to introduce further consistency in the Guidelines, either aligning the terminology used for the same items in

different templates, or providing additional references. In some cases, it also involves deleting or adding some cells to the existing templates, depending on whether an omission or an inconsistency was found during the implementation of the Guidelines at national level.

7. This proposal has the following implications for the current version of the Guidelines on Financial Reporting:

- a) More detail is introduced in table 35, to incorporate the new information asked by IAS 19.120A;
- b) A new set of tables 38B and 38C is added, that may apply as an alternative to the current table 38. According to the new wording of IAS 19.93B, entities that recognise the actuarial gains and losses in equity shall prepare a statement of recognised income and expense, instead of the statement of changes in equity in columnar format.
- c) Additions or deletions of some cells, in tables 8 (Derivatives – Hedge accounting), 11B (Intangible assets measured at cost model), 37 (Cash flow statement) and 38 (Analysis of equity).

A detailed explanation of the amendments is included in the first spreadsheet of the Annex 1 to this cover note, detailing the changes by template.

8. CEBS Guidelines on Financial Reporting establishes two layers of information (Core, non core), depending on whether the information shall be asked or not. In the current version, only the balance sheet and the income statement are included in the core category. Therefore, it is proposed that these new templates included shall be considered as non core information.

9. CEBS has considered in the past that XBRL can be a helpful tool in constructing a harmonised European reporting mechanism. As a consequence, CEBS has developed FINREP taxonomy, which will be updated if the envisaged amendment is finally incorporated to the Guidelines.

#### **Invitation to comment**

10. CEBS welcome comments on the consistency with the IAS/IFRS and on the availability of the data of the proposed amendments included in the annex to this cover note. Respondents are kindly requested to indicate clearly the table and/or items to which their comments are referred. Reasoning for the comments is also welcome.

Comments should be made in English and should be submitted by 20 May 2007 to CP06rev@c-ebs.org. Unless respondents request otherwise, comments received will be published on the CEBS website.

- **Do respondents agree that the proposed amendments to the CEBS Guidelines on Financial Reporting are IAS/IFRS consistent? Please indicate where you believe this is not the case.**
- **Do respondents believe that the data contained in these proposed amendments to the CEBS Guidelines on Financial Reporting are**

**available within the reporting entity? Please indicate for which data you believe this is not the case.**