



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

## Public consultation

on the draft Regulation (EU)  
2017/XXX of the European Central  
Bank of XX 2017 amending  
Regulation ECB/2015/13 on reporting  
of supervisory financial information  
(ECB/2015/13)

BANKENTOEZICHT

February 2017

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# 1 Introduction

This consultation document sets out the proposed amendments to Regulation (EU) 2015/534 of the European Central Bank of 17 March 2015 on reporting of supervisory financial information (ECB/2015/13) (hereafter, "the Regulation"). The proposed amendments result from the changes to be introduced to Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting of institutions with regard to financial reporting (FINREP) following the changes to the International Accounting Standards.

Further amendments and clarifications based on the experience gained since 31 December 2015, when the Regulation was first implemented, are also included.

## 2 Proposed changes following the changes to the International Accounting Standards (IFRS 9)

### 2.1 Rationale behind the proposed changes

In July 2014 the International Accounting Standards Board issued "IFRS 9 - Financial Instruments" which supersedes the reporting standard for financial instruments in force in the EU since 2005 (IAS 39). IFRS 9 fundamentally changes the way financial instruments are accounted for. In its amended final draft implementing technical standards (ITS) on the reporting of financial information (EBA/ITS/2016/07), the European Banking Authority proposed changes to Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting in order to align supervisory reporting with changes resulting from IFRS 9. In order to ensure consistency between IFRS-FINREP (Annex III) and nGAAP-FINREP (Annex IV), the nGAAP templates will also be adjusted in Commission Implementing Regulation (EU) No 680/2014.

The Regulation requires banks to report based on templates modelled by the EBA and forming part of Implementing Regulation (EU) No 680/2014. For this reason the changes to be adopted in Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting should also be reflected in the Regulation.

The aforementioned changes, which do not change the scope of the reporting requirements, are set out in this document.

### 2.2 Proposed changes to the Regulation

Owing to the change of the FINREP template structure in Annex III and Annex IV of Commission Implementing Regulation (EU) No 680/2014, the current references to FINREP templates 4.2, 4.3, 4.4, 5, 6, 9.1, 12, 16.4 in Annex I ("Simplified supervisory financial reporting") and Annex II ("Over-simplified supervisory financial reporting") of the Regulation should be replaced by references to the new FINREP templates 4.2.1, 4.2.2, 4.3.1, 4.4.1, 5.1, 6.1, 9.1 and 9.1.1, 12 and 12.1, and 16.3 and 16.4. Changes to the names of the templates should also be incorporated. Please refer to the Annex for further details.

Annex IV ("FINREP data points" under IFRS or National GAAP compatible with IFRS) and Annex V ("FINREP data points" under National GAAP not compatible with IFRS) of the Regulation should be also updated owing to changes to Annexes III and IV of Commission Implementing Regulation (EU) No 680/2014. The proposed changes are in line with the amended final draft implementing technical standards

(ITS) on the reporting of financial information published by the EBA on 30 November 2016.

Lastly, please note that Annexes I, II, and VI now clarify that the relevant NCAs have to decide (based on the features of the relevant national GAAP) whether the entities applying the relevant national GAAP should report either template 9.1 or 9.1.1, 11.1 or 11.2, 12 or 12.1 and 16.3 or 16.4 respectively.

## 2.3 Date of application

The date of application of the Regulation is aligned with the date of application of the proposed amendment of Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting with regard to financial reporting (FINREP) following the changes to the International Accounting Standards and will be 1 January 2018.

However, a 12-month transition period will be granted to less significant institutions that apply national GAAP. For these institutions, the date of application will be 1 January 2019. The Regulation also gives the ECB the option, if an NCA so requests, of applying the Regulation to those entities established in the Member State of that NCA from 1 January 2018.

## 3 Other clarifications and amendments

Further clarifications and amendments based on the experience gained since 31 December 2015, the first reference date for reporting in accordance with the Regulation, have also been integrated into the new proposal and are set out below.

### 3.1 Applicability of FINREP templates 17 and 40 to certain solo reporters

The proposed amendment clarifies that FINREP Template 17 "Reconciliation between accounting and CRR scope of consolidation" and Template 40.2 "Group structure on 'instrument-by-instrument' basis" of Annexes III and IV of Commission Implementing Regulation (EU) No 680/2014 are also applicable to all significant credit institutions that are not part of a supervised group within the SSM (i.e. stand-alone institutions) and do not produce consolidated financial statements for prudential purposes but are required to produce financial statements for accounting purposes on a consolidated basis.

The rationale behind the clarification is the following: supervised entities that do not have a prudential scope of consolidation may still have subsidiaries. Information on these subsidiaries (i.e. their name, the relevant instruments and their size) is pertinent for supervisory purposes.

Data on the "Group structure: entity by entity" (FINREP Template 40.1) will be required for all supervised credit institutions that are neither a branch nor part of a significant supervised group in order to align the reporting requirements for less significant institutions with those for significant institutions. This requirement will enable supervisors to obtain a comprehensive view of the subsidiaries and associates of supervised entities.

### 3.2 Responsibility for reporting in respect of subsidiaries established in a non-participating Member State or a third country

It is clarified that significant credit institutions at the highest level of consolidation within participating Member States (i.e. SSM ultimate parent institutions) should ensure that financial information in respect of subsidiaries established in a non-participating Member State or third country is reported.

Please also note that the accounting framework applied by significant credit institutions at the highest level of consolidation within participating Member States (i.e. SSM ultimate parent institutions) for consolidation determines the accounting

framework to be used for reporting financial information in respect of subsidiaries established in a non-participating Member State or a third country.

The rationale behind this clarification is the need to assure both the accountability of the SSM ultimate parent institution and consistency between the data of the subsidiary and the consolidated financial statements of the SSM ultimate parent institution of the supervised group.

### 3.3 Removal of solo reporting requirements for (mixed) financial holding companies ((M)FHs)

Under the Regulation, financial holding companies, mixed financial holding companies ((M)FHs) and supervised credit institutions have identical financial reporting requirements on a solo basis. Supervised entities that have been given a waiver regarding the application of prudential requirements on an individual basis are not required to report supervisory financial information. However, the Regulation does not currently provide waivers for financial reporting by (M)FHs.

Based on the experience gained since the entry into force of the Regulation and in order to reduce the reporting burden for institutions, financial reporting requirements for (M)FHs on an individual basis have been removed in the amended Regulation. Ad hoc solo financial information on these (M)FHs could still be required if it is deemed useful. Please note that, pursuant to Article 11 of the CRR, the consolidated financial statements of supervised groups already reflect the consolidated situation of any related M)FHs.

Lastly, it is also worth noting that the changes made to the amended Regulation do not alter the reporting requirements for (M)FHs subject to CRR requirements at a consolidated level.

### 3.4 The application of the individual consolidation method and reporting on an "individual basis" in accordance with the Regulation

Subject to certain conditions being met, the competent authorities may permit, on a case-by-case basis, parent institutions to incorporate, in the calculation of their own funds, capital requirements, large exposures, exposures to transferred credit risk and disclosure requirements, and subsidiaries which meet specific conditions (Article 9(1) of Regulation (EU) No 575/2013<sup>1</sup>). Where institutions apply the individual consolidation method referred to in Article 9 of that Regulation, those institutions should report financial information in accordance with the Regulation on the same

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<sup>1</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p. 1–337

basis, i.e. taking into account the subsidiaries that they incorporate in their calculations of the above-mentioned requirements. This has been clarified in the Regulation.

The rationale behind this clarification is that reporting of regulatory capital requirements should be aligned with financial reporting.

### 3.5 Reduced transitional period for reporting after change of reporting requirements and clarification of procedures to identify a change of reporting requirements

For supervised entities changing their status from less significant to significant, as referred to in Article 45(1) of Regulation (EU) No 468/2014<sup>2</sup>, the transitional period for reporting in accordance with the new requirements is shortened from 18 months to 12 months after notification of the decision on the change of significance status.

Supervisory financial information concerning subsidiaries of significant credit institutions established in a non-participating Member State or a third country will be required to be reported from the next reporting reference date where the total value of the assets of a subsidiary exceeds €3 billion on two consecutive reporting reference dates. Reporting for these subsidiaries is not required from the next reporting reference date where the total value of the assets of a subsidiary is below or equal to €3 billion on three consecutive reference dates.

Enhanced reporting for less significant credit institutions – on a consolidated or on an individual basis – and less significant branches will be required from the next reporting reference date following two consecutive reporting reference dates when the total assets of the supervised group/entity exceeded the €3 billion reporting threshold. A switch to the lower reporting obligation will be made if the total assets of the supervised credit institutions and less significant branches are below the threshold for three consecutive reference dates. The above changes will align the treatment of thresholds in the Regulation with Article 4(1) and (3) of Commission Implementing Regulation (EU) No 680/2014. While a period of 18 months was justified in the early phases of the Regulation, 12 months is now deemed a sufficient time for a significant supervised entity or a significant supervised group to produce reports as required by the Regulation.

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<sup>2</sup> Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17), OJ L 141, 14.5.2014, p. 1–50.

### 3.6 Alignment of the dates for submission of financial information reported by supervised entities from national competent authorities to the ECB

The dates for submission of financial information reported by supervised entities from national competent authorities (NCAs) to the ECB have been aligned with the provisions laid down in the decision of the ECB (ECB/2014/29) on the provision to the ECB of supervisory data reported to the NCAs by the supervised entities pursuant to Commission Implementing Regulation (EU) No 680/2014. The proposed amendment does not affect the remittance dates for supervised entities.

The rationale underlying the proposal is the need to harmonise the dates on which financial information is received by the ECB regardless of the applicable accounting framework (IFRS or national GAAP) or of whether it is the financial reporting on a consolidated or on an individual basis by a supervised entity which is not part of a significant supervised group.

### 3.7 Other changes

Lastly, a number of technical amendments have been made to the Regulation. These amendments merely aim to provide clarifications and are policy neutral.

In order to align the Regulation with Commission Implementing Regulation (EU) No 680/2014, the term "supervised group" has been replaced by the term "credit institution on a consolidated basis". As a consequence, the definition of "sub-group" in Article 2 of the Regulation has been deleted. The proposed amendment aims to clarify which entity within a supervised group has a legal obligation to report financial information on a consolidated basis. The amendment does not change the prudential scope of consolidation.

## 4 Annex