European Federation of Building Societies
Fédération Européenne d'Epargne et de Crédit pour le Logement
Europäische Bausparkassenvereinigung

European Central Bank
Secretariat
"CP3 – Draft ECB Regulation
on reporting of supervisory
financial information consultation"
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EFBS Position paper on the intended adoption of a regulation on reporting of supervisory financial information

The European Federation of Building Societies (EFBS) welcomes the initiative of the European Central Bank (ECB) to consult the concerned credit institutions on possible impacts of a future regulation on reporting of supervisory financial information pursuant to article 6(5)(d) and Article 10 of the Council Regulation (EU) No 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions and Article 141(1) of the Regulation of the European Central Bank establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities.

The EFBS is an association of credit institutions and organizations that assist in and support the financing of home ownership. Its purpose is to encourage the idea of acquiring home ownership in a Europe that is converging, both politically and economically. Bausparkassen grant loans secured by residential property to finance home ownership as a bulk business. In addition to this Bausparkassen business in the stricter sense, Bausparkassen are also allowed to make investments, however only in particularly safe investment vehicles. In times of crisis, Bausparkassen as specialized credit institutions have proved to be particularly resistant. Their low-risk business model is determined by the strict legal provisions for the Bauspar business and for the reduced possibilities of financial investment.

Under the European Banking Authority's (EBA) "Implementing Technical Standards (ITS) on Supervisory Reporting", FINREP reporting became mandatory for the first time as of the end of September 2014 for capital-market-oriented IFRS users at group level, regardless of whether the credit institutions involved are significant or less significant. Initially, the EBA's "Implementing Technical Standards (ITS) on Supervisory Reporting" were not intended to be applied to all the credit institutions. However, under the planned ECB Regulation, the scope of FINREP reporting will be extended step by step to cover all the credit institutions. Generally speaking, we understand the objective pursued with the Draft Regulation presented by the ECB, which is to achieve better comparability specifically of financial information, based on "integrated reporting systems", which can be used not only for banking supervision but also for statistical purposes. However, we doubt whether this objective can be achieved by extending the scope of FINREP reporting. We are particularly concerned about the question of whether the FINREP templates, which are primarily designed for groups of credit institutions which prepare their financial statements under IFRS, can also be applied to credit institutions which prepare their financial statements under national GAAPs.

The ECB intends to introduce standardised data formats for non-harmonised financial information. Furthermore, the ECB as the "competent authority" will exercise the options in the ITS on Reporting of 16 April 2014 for significant credit institutions. Finally, similar financial information is to be collected by national supervisory authorities for all other national groups of credit institutions and individual entities, and the national supervisors will then report these data as a whole to the ECB. The reports will generally be guided by the FINREP content developed by the EBA for national GAAP users. The information collected includes data on the balance sheet, the P&L, equity, the breakdown of assets (liabilities) by group of instruments and debtors (creditors), derivatives, as well as performing and non-performing exposures, which are published in Annexes III and IV in the EBA's ITS on Reporting.

We expressly welcome the explicit provision in Article 1(4) of the Draft Regulation, according to which the Regulation shall not affect the accounting standards currently applied in the annual accounts, nor change the accounting standards applied for supervisory reporting. This provision is crucial to ensure that in Germany, for instance, credit institutions reporting under German GAAP will not have to prepare parallel IFRS accounts only for supervisory reporting. However, since the fundamental structure of the tables is guided by the financial statements prepared under IFRS, some of the data, at least, cannot be reasonably used to fill the tables because, to do so, it would be indispensable to take into consideration IFRS accounting standards. There are no fair-value hierarchies, for instance, under German GAAP.

According to the ECB's current Draft Regulation, the majority of the German credit institutions will be obliged as national GAAP users to report FINREP templates within the framework of simplified supervisory reporting of financial information or rather supervisory financial reporting data points, although they are, by and large, less significant credit institutions. In this context, it will be necessary first of all to clearly define and delineate the items included in the templates. The references to EU accounting standards currently contained in the templates do not permit an unambiguous definition of the items in all cases. To fill in the required templates, it will be necessary to develop reconciliation rules and technically implement them in the systems of the credit institutions, which will make it possible to "map" the template items that are guided by IFRS terms with corresponding German GAAP items. To this end, national banking supervisors should provide the necessary "reconciliation guidance" to create clarity and to ensure that the relevant template items will be filled in the same manner by all the credit institutions reporting under German GAAP standards.

We assume that, overall, significant technical adjustments will have to be made in the systems, which will require sufficient lead time for development, implementation, testing, etc. In addition, it must be assumed that not all the information required will be available in the current accounting system, so that extensive additional manual processing will be required. Apart from this, the reporting requirements associated with the FINREP reports will lead for the institutions and the data processing centres not only to very high initial implementation costs but also to significant running expenses. For this reason, we believe that thoroughness should take precedence over speed in this project.

In addition, individual entities and subgroups of credit institutions which already meet the requirements of FINREP templates under IFRS at least indirectly, due to their membership in a group of credit institutions, should be given a choice of either using national GAAP templates to report in accordance with their national accounting regime or using the IFRS templates for their reports. Such an option would not only make matters much easier from a procedural perspective when preparing and filing FINREP reports, but it would also help avoid interpretation and coordination difficulties as well as significant costs associated with the implementation and operation of a parallel reporting system.

We would also like to draw attention to the fact that credit institutions are currently still busy dealing with reports to be implemented this year (leverage ratio, liquidity coverage ratio, net stable funding ratio, etc.) and with additional new reports to be implemented by the end of the year (including banking statistics, asset encumbrance) along with implementing changes in the liquidity coverage ratio and the AnaCredit requirements expected in the course of 2015. Against this background and in light of the technical system adjustments cited above, we do not think that 31 December 2015 is a realistic cut-off date for significant supervised groups reporting under national GAAPs to file their first reports. We therefore strongly recommend that this date should be postponed by at least one year to December 2016 to enable credit institutions to properly implement the extensive new requirements.