COMMENTS ON THE DRAFT ECB REGULATION CONCERNING REPORTING ON SUPERVISORY FINANCIAL INFORMATION

Issue	Article	Comment	Concise statement why your comment should be taken on board
General remarks	---	Clarification	We understand that financial information should be reported based on the same accounting principles that are relevant for supervisory reporting. Therefore, we understand the rationale to implement a uniform set of reporting tables to cover also local GAAP where applicable. We accept that the application of IFRS would increase comparability, transparency and level playing field, which are important reasons to establish a standardised accounting framework. However, it is our view that financial institutions who are at present required to prepare their financial statements in accordance with local GAAPS should going forward have the option of preparing the FINREP reports in accordance with local GAAPs.
			Furthermore, there is some uncertainty regarding the responsibility related to supervisory financial information from third-country entities as well as entities in non-participating Member States. The local GAAPs of countries located outside the Union are not relevant for groups that have reporting requirements for consolidated figures as they are obliged to report both FINREP and COREP based on IFRS. In this respect it should be clarified who will take responsibility for local GAAP in relation to the reporting requirement for supervisory financial information. Assuming changes in the relevant local GAAP of a non-participating Member State: How does the ECB envisage the flow of information regarding changes in local GAAP which will necessarily trigger changes in the supervisory reporting requirements? We assume that the local, third-country NCA has to inform the NCA responsible for the parent institution, and that the entity in the third-country has to inform the parent institution located within the Union. It is necessary that the information regarding local standards of non-participating countries is available in an official EU language and it has to be clarified which information should be provided and what the flow of information to the relevant NCA in the Union should be. In this respect we therefore ask the ECB to clarify how institutions and/or NCAs will have the power to obtain the information they need in a timely manner and with the quality and detail that is required by the ECB.

Applicable Accounting Standard	---	Clarification	Entities that, at a consolidated level, must apply IFRS, have to prepare the figures in the existing new FINREP-structure (starting Q3/2014) for group-purposes according to IFRS. Entities that are located in countries that also apply IFRS as the local accounting principles therefore do not have to change the templates for the solo-report. In contrast, where the consolidated entity is located in a country in which local GAAP is different to IFRS, the FINREP report according to local GAAP has to be implemented separately. This causes a huge additional workload and costs for the implementation of the new report. The structure of the FINREP-tables as defined in Annex IV of the relevant Implementing Technical Standards follows the IFRS-structure which is in most cases different to the presentation according to local GAAP.
			The presentation of the figures in a financial report should be readable in the context of the underlying accounting principles. Therefore we are concerned that reports of figures based on local GAAP included in the FINREP structure according to Annex IV would give a fair view on the figures, and we also fear that this might lead to misinterpretations. Any future changes to the FINREP-reporting requirements and to the IFRS-principles would cause a double workload for entities located in countries that normally apply local GAAP at entity level and IFRS at a consolidated level. We believe that the IFRS 9 implementation will have a significant impact on the structure of the FINREP reporting set. However, IFRS 9 might also have an impact on local GAAP as some local standard-setters already seek to align local GAAP to the IFRS-principles. This could certainly lead to significant efforts for IT and various departments (risk, accounting, etc.) especially for entities that are required to report under two different accounting standards (IFRS for the group level and local GAAP for the solo level). Therefore, we are concerned that the requirement to present figures according to local GAAP from entities that are obliged to deliver IFRS-figures for group-purposes could be disproportionate to entities located in countries where IFRS is applied. We would highly welcome an elimination of discrepancies by giving the option for entities that are consolidated according to IFRS to also prepare the entity level FINREP reports in accordance with IFRS. This would prevent the aforementioned additional costs and additional burden for the institutions concerned. In conclusion, from our point of view, a harmonisation of reporting sets within the EU could be very useful for both the industry and the authorities. However, this benefit will only be achieved if the underlying accounting principles are harmonised as well. Therefore, we kindly ask the ECB to grant subsidiaries the option to report for this purpose according to IFRS also at the solo-level if their parent institution applies IFRS on a consolidated basis, even if local accounting principles differ from IFRS.
Subject matter	Art 1	Clarification	Article 1 (2) of the draft regulation of the ECB on reporting of supervisory financial information refers to exceptions of Articles 6 and 13 for supervised entities on individual level (reference: Part One,

			Chapter 2 of Regulation (EU) No 575/2013). We want to point out that exemptions from subgroup-reporting should be defined in the ECB-regulation in cases where subgroup-reporting is not relevant under Regulation (EU) No 575/2013, e.g. in case a subgroup is subordinated to a supervised group in the same country.
Format and frequency of reporting & reference dates and remittance dates	Art 8 & 9	Clarification	In our view, there is not yet sufficient clarity provided regarding reporting requirements for institutions located in the EU with subsidiaries outside the SSM as well as outside the Union, especially in the case of a multilevel group-structure. We would like to illustrate this with an example: Assuming a parent institution located in Germany has a subsidiary in Slovenia and the Slovenian entity has a subsidiary in Croatia. Which entity has to fulfil the relevant reporting requirements at which level? We assume that the parent in Germany would have to report only the figures of the parent to the German NCA while the Slovenian entity would be required to report the requested figures for the Slovenian entity as well as the Croatian entity to the Slovenian NCA. Our conclusion is that for the Slovenian NCA the terminology of Articles 4 (15) and (16) (EU) No 575/2013 would be relevant and therefore the direct participation in the Croatian subsidiary would be the relevant one for the purposes of the ECB-report. Apart from that, it has to be clarified whether there are any references to Articles 8 and 9 of the ECB Draft Regulation on the reporting of supervisory financial information to Article 22 CRR; sub-consolidation in cases of entities in third countries. We therefore asks the ECB to clarify which institution should report the information for the relevant third-country institution to its local NCA – i.e. the superior parent, meaning the parent of the entity that has a subsidiary in the third-country, or the entity, that is in the scope of Article 22 CRR and that holds the direct parentage of the third-country entity?
Implications of IFRS 9 on the reporting of supervisory financial	---	Clarification	IFRS 9 will have a huge impact on the accounting frameworks of the EU-countries regardless of whether IFRS or local GAAP is applied for accounting-purposes. The implementation of IFRS 9 will not only impact valuation and measurement but also the presentation of figures and very likely also

information			financial reporting as well as regulatory reporting (COREP). It is also very likely that local standard setters will introduce the whole set of changes or at least parts of IFRS 9 in their national GAAP to avoid enlargement of differences between local and international accounting principles. Therefore both IFRS and local standards will change significantly within the upcoming two years. We believe that this will also have a significant impact on the reporting of supervisory financial information. Information and feedback provided for the purpose of the public consultation as well as cost-estimates therefore have to be understood as very preliminary. Here, we also want to remark, that due to the parallel implementation of the supervisory financial information and IFRS 9 we consider the content and significance of the new report as a moving target as long as IFRS 9 is not fully implemented at EU-level and at Member State-level. In this respect, we would like to refer to the upcoming endorsement and the unpredictable impacts on existing accounting standards as well as future reporting standards. A possible impact of IFRS in COREP is considered within the CRR (e.g. Article 80 (4) CRR). We would be pleased if foreseeable changes like IFRS 9 implementation within the ECB Draft Regulation on reporting of supervisory financial information were taken into account.