German Banking Industry Committee

Die Deutsche Kreditwirtschaft

# Comments

## Consultation Paper
## Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions with regard to financial reporting (FINREP) following the changes in IFRS 9

Contact:
Silvia Schütte
Director
Telephone: +49 30 1663-2180
Fax: +49 30 1663-2199
E-Mail: silvia.schuette@bdb.de

Berlin, 8 March 2016

The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

Coordinator:
Association of German Banks
Burgstraße 28 | 10178 Berlin | Germany
Telephone: +49 30 1663-0
Telefax: +49 30 1663-1399
www.die-deutsche-kreditwirtschaft.de

**Comments on draft IST amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions with regard to FINREP following the changes in IFRS 9**

Thank you for the opportunity to respond to the consultation paper issued on 8 December 2015 on amendments to the FINREP supervisory reporting templates (Implementing Regulation 680/2014 (FINREP)).

We welcome the EBA’s timely publication of its draft amendments to the FINREP templates to reflect the accounting changes brought about by IFRS 9. This will make it easier for banks to coordinate the provision of information desired by the EBA on the one hand and accounting information in accordance with IFRS on the other. Harmonisation would improve the general comprehensibility and the comparability with financial statements.

Changing over to IFRS 9 will require substantial time and effort in the first year of application and may lead to delays at some banks in compiling reporting data. We would therefore recommend postponing the deadline for submitting the first FINREP templates completed on the basis of IFRS 9. The submission deadline for the 31 March 2018 reporting date could be pushed back so that data could be submitted together with banks’ half-yearly reports, for example.

We would also like to make the following points:

The reference to IFRS 9.5.7.2 in template 2, row 241, concerning gains or losses on derecognition for assets at amortised cost is misleading. It should be clarified (by means of a reference to IAS 1.82(aa), for example) that provisions should not be reported here but in their entirety in row 460 to enable a breakdown of the data in template 12.1.

Template 12.1 (movements in allowances and provisions for credit losses) requires a less granular breakdown than the table of loss allowance under IFRS 7 (IFRS 7.35H-I and IFRS 7.IG20). IFRS 7 requires a detailed breakdown of provisions in the event of transfers between stages, for instance. The FINREP template, by contrast, subsumes various items in column 020 (impairment or reversal of impairment (net) with transfer between stages) and column 030 (impairment or reversal of impairment (net) without transfer between stages). This may cause IT-related technical problems. We therefore believe it would be worth considering the idea of aligning FINREP reporting with the loss allowance table required under IFRS 7.35H-I and IFRS 7.IG20.

In column 040 of template 12.1, banks are asked to show “changes due to update in the institution’s methodology for estimation (net)”. Annex V, Part 2.130 does not, however, provide any concrete indication of the scale of the model changes or the type of quantification. The problem is that both parameters and/or methodologies are involved in changes to estimates. It is not normally possible to make a distinction at individual transaction level, as required by Annex V, Part 2.130, between whether only parameters have changed or whether changes have been made to the methodology. It is not feasible to categorise and break down these effects in the detailed structure of the template. Other sections of the templates dealing with changes to estimates (e.g. on fair values) do not require information about the effects of model changes. The separate requirement for information about model changes in template 12.1 should therefore be deleted.

In the reconciliation from the opening balance to the closing balance in template 12.1, FINREP requires the separate reporting for all the listed sub-categories of recoveries of previous write-offs as well as a breakdown into partial (column 110) and total (column 120) write-offs. This will necessitate a high level of data granularity, which will require additional time and effort.

**Comments on draft IST amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions with regard to FINREP following the changes in IFRS 9**

In template 12.2, only the gross carrying amount has to be reported of assets transferred between stages in the course of the financial year. This is a subset of the table of gross carrying amounts required by IFRS 7.35H-I. Not all systems are designed to be able to filter out this subset. It is difficult to compile the requested information. The requirement is not geared to information available under IFRS 7.35H-I and IFRS 7.IG20. We call for requirements to be based more closely on the information available in financial statements.