



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Feedback statement

Responses to the public consultation
on the draft regulation of the
European Central Bank amending
Regulation ECB/2015/13 on reporting
of supervisory financial information

August 2017

BANKING SUPERVISION

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This document is intended to give an overview of the comments received during the public consultation from 17 February to 27 March 2017 on the draft regulation of the European Central Bank amending Regulation (EU) 2015/534 on reporting of supervisory financial information (ECB/2015/13) and to present an assessment of those comments. It explains the amendments made to the draft regulation as a result of the consultation. As such, this document does not prejudge the future interpretation of the provisions laid down in Regulation (EU) 2015/534 on reporting of supervisory financial information, as amended.

1 Overview and analysis of responses

On 17 February 2017 the European Central Bank (ECB) launched a public consultation on the draft regulation of the European Central Bank (hereafter “the draft amending Regulation”) amending Regulation (EU) 2015/534 on reporting of supervisory financial information (ECB/2015/13) (hereafter “the Regulation”).

The amendments to the Regulation result from the changes introduced in Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting in order to align the financial reporting (FINREP) with changes resulting from IFRS 9. Further amendments to and clarifications of the Regulation based on experience gained since 31 December 2015, when the Regulation was first implemented, are also included.

The public consultation ended on 27 March 2017. In addition to inviting written comments, the ECB gave the general public an opportunity to provide input at a public hearing held via conference call on 20 March 2017. Building on the feedback received, the ECB has amended a number of provisions in the draft amending Regulation.

As a result of the public consultation, a total of five responses were received, among which four were written in English. Responses were submitted by three banking associations and two private individuals. The comments of the private individuals are outside the subject matter of this public consultation and have therefore been forwarded to the relevant units within the ECB. The comments of the three banking associations are available on the [ECB's website](#).

Following the closure of the consultation, the ECB analysed and gave due consideration to all comments received. This feedback statement presents an assessment of those comments. In the following sections and for each topic, short summaries of the comments received precede the ECB's assessment. For ease of understanding, references to the specific provisions of the Regulation are based on the current Regulation where applicable. In completing the draft amending Regulation, the ECB also took into account further inputs from key stakeholders within the Single Supervisory Mechanism (SSM). A table summarising the amendments made to the draft amending Regulation is included in Section 5.

Following the above-mentioned analyses, this feedback statement and the updated draft amending Regulation were proposed by the Supervisory Board of the ECB to the Governing Council of the ECB, for adoption. As a result of this process, the draft amending Regulation¹ was approved by the Governing Council on 25 August 2017 and was published on the ECB's website on 28 August 2017.

¹ In what follows, the draft amending Regulation as approved by the Governing Council of the ECB on 25 August 2017 will be referred to as the “amending Regulation”.

2 Rationale for and scope of the amendments

2.1 Amendments following the changes to the International Financial Reporting Standards (IFRS 9)

In July 2014, the International Financial Reporting 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. As a consequence, and in order to adapt the financial reporting (FINREP) to those changes, the European Commission adopted the implementing act amending the Regulation No (EU) 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on 29 June 2017 (Commission Implementing Regulation (EU) 2017/1443).

In order to ensure consistency between IFRS-FINREP (Annex III) and national Generally Accepted Accounting Principles (nGAAP)-FINREP (Annex IV), the nGAAP templates were also adjusted in the amended Commission Implementing Regulation (EU) No 680/2014.

The Regulation requires banks to report financial information based on the templates modelled by the EBA and forming part of Commission Implementing Regulation (EU) No 680/2014 (as amended), therefore the changes introduced in the latter have been reflected in the amending Regulation.

2.1.1 Details of the amendments following the changes to the International Financial Reporting Standards (IFRS 9)

Due to the changes made to the structure of the FINREP templates (Annex III and Annex IV of Commission Implementing Regulation (EU) No 680/2014 (as amended)), the references made in the Regulation to FINREP templates 4.2, 4.3, 4.4, 5, 6, 9.1, 12 and 16.4 in Annex I ("Simplified supervisory financial reporting") and Annex II ("Over-simplified supervisory financial reporting") have been 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, 12.0 and 12.1, and finally 16.3 and 16.4. Changes to the names of the templates have also been incorporated. Please refer to the amending Regulation 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 have also been updated due to the changes made to Annexes III and IV of Commission Implementing Regulation (EU) No 680/2014.

Lastly, please note that Annexes I and II of the amending Regulation now clarify that the relevant national competent authorities (NCAs) may decide whether the entities applying the relevant national GAAP (henceforth, nGAAP) should report either template 9.1 or 9.1.1, 11.1 or 11.2, 12.0 or 12.1 and 16.3 or 16.4 respectively.

2.2 Date of application

The date of application of the amending Regulation is aligned with the date of application of the amended Commission Implementing Regulation (EU) No 680/2014 adopted on 29 June 2017 (Commission Implementing Regulation (EU) 2017/1443) and will be 1 January 2018.

However, at the request of an NCA, the ECB may decide to apply the amending Regulation to less significant supervised entities which are established in and subject (on the basis of Directive 86/635/EEC) to the nGAAP of the Member State of that NCA as from 1 January 2019 onwards, if such nGAAP is not compatible with IFRS.

2.3 Other clarifications and amendments

In addition to the changes implied by IFRS 9, further clarifications and amendments based on the experience gained since the entry into force of the Regulation have also been integrated into the amending Regulation and are set out in the next sub-sections.

2.3.1 Applicability of FINREP templates 17 and 40 to certain solo reporters

The amending Regulation clarifies that FINREP templates 17 ("Reconciliation between accounting and CRR scope of consolidation") and 40.2 ("Group structure on 'instrument-by-instrument' basis") of Annexes III and IV of Commission Implementing Regulation (EU) No 680/2014 (as amended) 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 for which the corresponding information (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 significant institutions with those for less significant institutions that are already

required to comply with this requirement. This requirement will enable supervisors to obtain a comprehensive view of the subsidiaries and associates of supervised entities.

2.3.2 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 standard applied by significant credit institutions at the highest level of consolidation within participating Member States (i.e. SSM ultimate parent institutions) determines the accounting standard 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 ensure both the accountability of the SSM ultimate parent institution and the consistency between the data of the subsidiary and the consolidated financial statements of the SSM ultimate parent institution.

2.3.3 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. Credit institutions 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 a waiver 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 where appropriate, financial reporting requirements for (M)FHS on an individual basis have been removed in the amending Regulation. Ad hoc solo financial information on these (M)FHS could still be requested if it is deemed useful. Please note that, pursuant to Article 11 of Regulation (EU) No 575/2013² (CRR), the consolidated financial statements of supervised groups already reflect the consolidated situation of any related (M)FHS.

² 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).

2.3.4 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, subsidiaries which meet specific conditions (Article 9(1) of the CRR). Where institutions apply the individual consolidation method referred to in Article 9 of the CRR, those institutions should report financial information in accordance with the Regulation on the same basis, i.e. taking into account the subsidiaries that they incorporate in their calculations of the above-mentioned requirements. This issue has been clarified in the amending Regulation.

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

2.3.5 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, 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 has exceeded €3 billion on four 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 has been 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 four consecutive reporting reference dates when the total assets of the supervised group/entity exceeded the €3 billion reporting threshold. Reduced reporting obligation will be triggered if the total assets of the supervised credit institutions and less significant branches are below the threshold for three consecutive reference dates. 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 supervised entity or a supervised group to produce reports as required by the amending Regulation.

2.3.6 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 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 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 nGAAP) or of whether the financial reporting relates to the consolidated group or to an individual view of a supervised entity which is not part of a significant supervised group.

2.3.7 Other changes

Lastly, a number of technical amendments have been included in the amending 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" when the consolidation level is described. As a consequence, the definition of "sub-group" in Article 2 of the Regulation has been deleted. The 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.

3 Analysis of costs and benefits

To amend the Regulation was necessary because of the amendments introduced to Commission Implementing Regulation (EU) No 680/2014 with regard to financial reporting (FINREP) following changes to the International Financial Reporting Standards.

The scope of the Regulation remains unchanged except for the removal of reporting requirements for (mixed) financial holding companies ((M)FHs).

The ECB carried out a cost assessment with the aim of providing an estimate of the additional costs, for NCAs and reporting agents, associated with the updated reporting requirements included in the amending Regulation.

On the basis of the answers received, and as far as NCAs are concerned, the implementation of the updated reporting requirements would imply moderate setting-up costs overall, although the costs would be more significant for nGAAP reporting institutions. The increase in the regular/ongoing charge would be limited.

Similar conclusions can be reached for the reporting agents, although the costs are estimated slightly more conservatively, implying moderate to high setting-up costs.

4 Comments on specific parts of the amending Regulation

4.1 Move to enhanced or simplified reporting requirements for less significant supervised entities

4.1.1 Request for an extended transitional period when moving (i) from no reporting to reporting, or (ii) to enhanced reporting

Comment: Three respondents requested an extension of the transitional period for less significant supervised entities that exceed the €3 billion reporting threshold and must start to report or report more supervisory financial information, from two consecutive reporting periods (6 months) to four consecutive reporting periods (12 months), in line with the transitional period for less significant credit institutions that become significant (12 months).

Assessment: The transitional period for less significant credit institutions (on a consolidated and an individual basis) and less significant branches (on an individual basis) that exceed the €3 billion reporting threshold has been extended from two consecutive reporting periods (6 months) to four consecutive reporting periods (12 months) in line with the new transitional period for less significant credit institutions that become significant.

The extended transitional period will apply to the reporting of supervisory financial information in respect of subsidiaries (of significant credit institutions) established in a non-participating Member State or a third country. The information concerning these subsidiaries will be required to be reported from the next reporting reference date where the total value of the assets of the subsidiary has exceeded €3 billion on four consecutive reporting reference dates.

4.1.2 Request for a reduction of the transitional period when (i) ceasing to report or (ii) moving to simpler reporting requirements

Comment: One respondent requested that the transitional period for ceasing to report or moving to simpler reporting be shortened from three consecutive reporting periods to two consecutive reporting periods, for less significant supervised entities that go below the €3 billion reporting threshold.

Assessment: The transitional period for less significant supervised entities in the amending Regulation will not be changed as it is in line with Commission Implementing Regulation (EU) 680/2014.

4.1.3 Request for clarification on whether enhanced reporting is required when the €3 billion reporting threshold is met or only when it is exceeded

Comment: One respondent requested clarification on whether enhanced reporting is required when the €3 billion reporting threshold is met or only when it is exceeded.

Assessment: The amending Regulation has been updated to clarify that enhanced reporting is required only when the €3 billion reporting threshold is exceeded.

4.2 Transitional rules

4.2.1 Request for clarification of the applicable transitional period for less significant supervised entities that exceed the threshold or become significant before the date on which the amending Regulation becomes effective

Comment: One respondent asked for further clarification as regards the applicable transitional period for less significant supervised entities that exceed the €3 billion reporting threshold or become significant supervised entity before the date on which the amending Regulation becomes effective.

Assessment: The 18-month transitional rule will apply for less significant supervised entities that exceed the €3 billion reporting threshold or become significant supervised entity before 1 January 2018.

4.2.2 Request for an extended transitional period for members of significant supervised groups that apply IFRS on a consolidated basis and at the same time report under nGAAP on an individual basis

Comment: Two respondents asked for an extension of the transitional period for reporting information according to the amending Regulation for those members of significant groups that apply IFRS on a consolidated basis and at the same time report under nGAAP on an individual basis.

Assessment: Since the changes in the nGAAP templates are limited compared with the substantial changes to be implemented by IFRS reporters, the amending Regulation has not been amended for separate parents/subsidiaries applying nGAAP that are part of a significant group applying IFRS.

4.2.3 Transition rules for less significant supervised entities applying national accounting frameworks

Comment: In order to avoid less significant supervised entities applying national accounting frameworks that are partially compatible with IFRS to misreport their financial information in the new FINREP templates (i.e. reporting in old IAS 39 cells financial information that is classified or measured according to IFRS 9), one SSM stakeholder requested – following the public consultation – that NCAs be allowed to bring forward the first application date of the amending Regulation to 1 January 2018 for less significant institutions applying nGAAP.

Assessment: In order to ensure consistent reporting, the draft amending Regulation was amended and now it requires uniform application date of 1 January 2018 also for less significant supervised entities which apply national accounting frameworks. However, the amending Regulation now also states that, at the request of an NCA, the ECB may decide to apply this Regulation to less significant supervised entities which are subject to nGAAP from 1 January 2019, if such nGAAP is not compatible with IFRS.

4.3 Other comments

4.3.1 Request for clarification as regards solo reporting requirements for FINREP templates 17 and 40

Comment: Two respondents requested clarification of the solo reporting requirements for FINREP templates 17 and 40.

Assessment: Templates 17 and 40.2 should be reported by significant credit institutions that are not part of a supervised group and do not produce consolidated financial statements for prudential purposes, but are required to produce consolidated financial statements for accounting purposes.

Significant credit institutions that are not part of a supervised group should submit template 40.1. If they do not have subsidiaries or associates, it is mandatory that they submit template 40.1 with no information (i.e. an empty template).

This aligns the solo reporting requirements for significant credit institutions with those for less significant credit institutions, as less significant credit institutions which are not part of a group are already required by the Regulation in force to submit template 40.1.

5 Amendments made to the amending Regulation

The following table lists the changes incorporated in the amending Regulation (as adopted on 25 August 2017) as a result of the comments received during the public consultation period. It also indicates the articles concerned. Changes of a purely editorial nature are not listed here.

Changes to the amending Regulation on reporting of supervisory financial information

Provision in the current Regulation unless stated otherwise	Heading	Amendment
Article 2	Definitions	Article 2(8) and 2(9) have been amended to clarify that only those branches which are not part of a supervised group and are established in a participating Member State by a credit institution established in a non-participating Member State are subject to the Regulation.
Article 9	Format and frequency of reporting by significant credit institutions in respect of subsidiaries established in a non-participating Member State or a third country	Article 9(3) has been amended in such a way that information on 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 the subsidiary has exceeded €3 billion on four consecutive reporting reference dates.
Article 11	Format and frequency of reporting on a consolidated basis for less significant credit institutions	Article 11(7) has been amended in such a way that less significant credit institutions must start reporting information from the next reporting reference date for quarterly reporting where the total value of their assets has exceeded, on a consolidated basis, €3 billion on four consecutive reporting reference dates for quarterly reporting.
Article 13	Format and frequency of reporting on an individual basis for less significant credit institutions which are not part of a group and for less significant branches	Article 13(7) has been amended to clarify that enhanced reporting is required only when the €3 billion reporting threshold is exceeded.
Article 13	Format and frequency of reporting on an individual basis for less significant credit institutions which are not part of a group and for less significant branches	Article 13(9) has been amended in such a way that less significant credit institutions and less significant branches must start reporting information from the next reporting reference date for quarterly reporting where the total value of their assets has exceeded €3 billion on four consecutive reporting reference dates for quarterly reporting.
Article 14	Format and frequency of reporting on an individual basis for credit institutions which are part of a less significant supervised group	Article 14(7) has been amended to clarify that enhanced reporting is required only when the €3 billion reporting threshold is exceeded.
Article 14	Format and frequency of reporting on an individual basis for credit institutions which are part of a less significant supervised group	Article 14(8) has been amended in such a way that less significant credit institutions must start reporting information from the next reporting reference date for quarterly reporting where the total value of their assets has exceeded €3 billion on four consecutive reporting reference dates for quarterly reporting.
Article 17	IT language for the transmission of information from national competent authorities to the ECB	Article 17 has been clarified in such a way that NCAs must transmit the information specified in the Regulation in accordance with the relevant eXtensible Business Reporting Language (XBRL) taxonomy in order to provide a uniform technical format for the exchange of data, instead of requiring the reporting format specified by Commission Implementing Regulation (EU) No 680/2014.
Article 18 and 19	"First reporting reference dates" and "Transitional provisions"	Transitional provisions have been deleted and replaced, as by the time the amending Regulation is adopted these provisions are no longer relevant. A transitional provision has been introduced to state that an 18-month transition period is applied to entities that exceed the relevant thresholds or become significant before 1 January 2018.
Final provisions	Final provisions	The transitional provision has been updated and the uniform application date of 1 January 2018 will also apply to the less significant institutions. However, at the request of a NCA, the ECB may decide to apply this Regulation to less significant supervised entities which are subject to national accounting frameworks based on Directive 86/635/EEC and established in the Member State of that NCA from 1 January 2019 if such national accounting framework is not compatible with IFRS.
Annex I and Annex II	"Simplified supervisory financial reporting" and "Over-simplified supervisory financial reporting"	Annex I and Annex II have been updated to be fully aligned with the amended Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting and also to clarify that the choice between FINREP templates 12.0 and 12.1 is made by the NCAs.
Annex IV and Annex V	'FINREP data points'	Annex IV and Annex V have been updated to be fully aligned with the amended Commission Implementing Regulation (EU) No 680/2014 on supervisory reporting.