EBF_019362

8 March 2016

**EBF comments on the EBA Consultation paper on Draft Implementing Technical Standards (ITS) amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions with regard to financial reporting (FINREP) following the changes in the International Accounting Standards (IFRS 9).**

## General comments

The EBF welcomes the consultation and appreciates the high level of documentation of each change. It is very helpful to understand the main objectives of each template.

However, in our opinion, there are many examples of new data within the proposed templates that are not required by or not consistent with the requirements of IFRS 9 or IFRS 7 (as amended for IFRS 9). Taken collectively they present a considerable additional burden to the already demanding data and systems requirements needed to comply with IFRS 9.

- IFRS 7 does not require quantitative disclosure where there were significant concerns about banks being able to provide gross carrying amount information in a tabular form that reconciles to the balance sheet (IFRS 9 Basis for Conclusions BCE.166). In particular, the 12.2 requiring transfer information for gross carrying amount, creates a burden for preparers that is not justified with the objective of providing better information.

- Movements in allowances table (template 12.1): The production of a loss allowance movements table places high demands on finance and risk systems and having different prescribed headings between IFRS and FINREP is operationally onerous. In addition, the guidance in Annex V 131 on 'changes due to origination and acquisition' is too restrictive and does not take account of how revolving products should be treated.

- Requirement to separately disclose partial and total write offs directly to the P&L (template 4.4.1, 12.1): There is no requirement of IFRS 9/IFRS 7 to split partial and total write-offs. In addition, the definition of a 'write-off' is not aligned between IFRS 9 and FINREP.

- Requirement to split collectively assessed and individually assessed provisions (template 12.1): We do not support the mandatory requirement to separately present the movement in provision by stage based on whether it is collectively or individually assessed. The forward looking nature of IFRS 9 impairments could result in a collective element being applied to all or many assets (i.e. a specific asset has a loss allowance that comprises both individual and collective assessments), as such, we believe the distinction between collective and individual provisions is not a useful or meaningful concept under IFRS 9. While it is true that collective/individual has little meaning in IFRS 9 context, since Basel defines something with an individual impairment to be defaulted really means that by definition a stage 1 or stage 2 ECL calculation is collective only.

- Requirement to disclose gross asset movements and transfers (templates 4.3.1, 9.1.1, 12.2): IFRS 7 requires an explanation of significant movements of in gross assets only (not a full tabular reconciliation). Also table 9 may not work because IFRS 7 (B8E) does not necessarily require that allowance with respect to drawn balances and provision with respect to undrawn commitments are separately presented.

- Requirement to disclose stages by days past due (template 7.1): The need to disclose days past due has been removed from IFRS 7 as it has been superseded by the staging of assets (underpinned by days past due) in IFRS 9. This information it is not required by IFRS.

- Requirement to separately report FVTPL changes due to credit risk (templates 4.2.1, 4.2.2): The FINREP templates require separate disclosure of FVTPL sub-categories and changes in relation to credit risk for certain sub-categories. This is beyond the reporting requirements of IFRS 9.

- Requirement to disclose debt instruments held for sale (templates 18 and 19): This is not a requirement of IFRS 9/IFRS 7.

The validation rules facilitate the understanding of the interpretation of the different reporting items by the authorities and have been an important tool in the previous processes of implementing FINREP or changes to FINREP. The availability of the validation rules to FINREP IFRS 9 only after the end of the consultation period makes the full review and assessment of the draft ITS more challenging.

In some of the new FINREP templates "opening balance" should be reported. We would welcome a clear statement that opening balance for the first reporting period after transition refers to the initial IFRS 9 figures at transition, as stated at the EBA public hearing. FINREP should not extend the requirements beyond what is being required by IFRS 9 at transition.

We would appreciate a confirmation that the FINREP reports are based on a year-to-date perspective rather than a quarter-to date view.

FINREP IFRS 9 will imply major changes to banks processes and IT systems in preparation of their financial reporting to the supervisory authorities. To facilitate the process of implementing FINREP IFRS 9 we suggest that a "freeze period' of at least one year is established before the expected application date of 1 January 2018, when no new changes to the ITS on supervisory reporting regarding FINREP will be introduced.

Finally, we would suggest that a Q&A tool is established by EBA on its website on the draft ITS to facilitate the implementation of the FINREP IFRS 9.

## RESPONSE TO THE QUESTIONS RAISED IN THE CONSULTATION PAPER

### Classification and Measurement

**Q1. Is there any additional change introduced by IFRS 9 Classification and measurement rules and principles that needs to be reflected in FINREP IFRS 9 templates to convey to supervisors an appropriate level of financial information on your institution?**

Template 2.1 has interest income cross referenced to 7.20(a) (i). This reference is for gains and losses not interest or dividends. Interest is 7.20 (b) and only applies to amortised cost and FVOCI assets and amortised cost liabilities not trading or otherwise FV items. Also 7.20(e)"impairment" has been deleted.

Template 4.2.1 is labelled "non-trading financial assets mandatorily at FV" but the total refers to "designated at FV" and the requirement is not in IFRS 7. 7.9, which only applies to designated at FV.

Since FINREP is part of the "Supervisory Reporting" which includes, *inter alia*, COREp reporting, if a the split of the FVTPL (Fair value through profit and loss) category is required for the tracing of figures within regulatory reporting data, this can be accepted even though IFRS does not require analysis of different categories of FVTPL.

### Impairment

**Q2. Is the FINREP representation of impairment on assets measured at fair value through other comprehensive income consistent with the way this information will be conveyed in your financial statements? In case of inconsistency, what are the improvements needed in FINREP?**

The template 4.3.1 does not align FINREP requirements with IFRS 7 disclosure requirements for financial assets measured at fair value through other comprehensive income (FVOCI).

We would appreciate confirmation that the column item 020 in the template 4.3.1 (but also in 4.4.1) "of which "instruments with low credit risk "refers to the low credit risk assumption.

The instructions provided in Annex V article 70 are not clear. They seem to describe the requirement of column 015 "Asset without significant increase in credit risk since initial recognition" and not of column 020 ("70. *The column "of which: Instruments with low credit risk" shall include instruments for which the institution assumes that the credit risk has not increased significantly since initial recognition in accordance with IFRS 9.5.5.10)* even if the reference to IFRS9 5.5.10 is pertinent.

However, if this is the case, the EBA should be aware that there is no obligation under IFRS 9 to identify financial instrument with low credit risk and some banks may not do so in practice. Also IFRS 7 does not require separate disclosure of the gross carrying amount of assets to which the low credit risk exemption is applied.

- The row 190 (150 in template 4.4.1) "Purchased credit impaired" is not aligned with the IFRS 9 which requires financial assets that are purchased or originated credit impaired to be disclosed as a separate and distinct category of credit impaired items. It would be more appropriate to add a column "purchased credit impaired" after the Credit- Impaired Assets (Stage 3 column) 040. Also the reference to IFRS 9.5.13 should read 9.5.5.13.

**Q3. Are instructions on the reporting of amounts partially and totally written-off clear enough? Which clarifications would you need to ensure good quality of reported data?**

Templates 4.3.1, 4.4.1 and 12.1 require reporting of partial and total write-off. Information on total write-offs is necessary to have comparable coverage ratios between institutions, but we question the added value of having this particular split into partial and total. Since IFRS 7 does not require this breakdown, it creates an additional reporting burden for the reporting of FINREP which we consider unreasonable. It is our opinion that amounts in Templates 4.3.1and 4.4.1 should be presented as "(accumulated) write-off" only, provided they are still subject to enforcement activity. Otherwise amounts could be reported for a long period without relevance, thus creating additional implementation cost as this approach differs from IFRS 7 requirements.

In relation to the guidance in IFRS 9 B3.2.16 (r) which states: *"Write-off. An entity has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.",* the example on page 19 of the consultation paper "*in Q1 Stage 1 assets are totally written-off for 500"* is not entirely realistic as it is unlikely that entities have no reasonable expectations of recovering the contractual cash flows for stage 1 exposures (i.e. no significant increase in credit risk). Normally the bank has no reasonable expectations of recovering the contractual cash flows if the client is in serious financial difficulties and has no collateral to cover the liability towards the bank.

**Q4. Do you believe some of the off-balance commitments listed in Annex I of Regulation (EU) 575/2013 will keep on being measured in accordance with IAS 37 instead of IFRS 9? In case you believe that all commitments listed in the said Annex will be applied the IFRS 9 impairment rules, please provide the rationale backing your view.**

We believe all off-balance financial commitments will be measured in accordance with IFRS 9. This is based on our reading of IFRS 9 which includes loan commitments in the scope of IFRS 9 for impairment and requires financial guarantee contracts (type of financial instruments that fall under the off-balance commitments listed in Annex I of Regulation (EU) 575/2013) after their initial recognition to be subsequently measured at the higher of:

(i) the amount of loss allowance determined in accordance with the impairment model introduced by IFRS 9 itself (section IFRS 9.5.5) and
(ii) the amount initial recognized in accordance with IFRS 9.5.1.1 (i.e.: at fair value plus or minus transaction costs that are directly attributable to their acquisition or issue) less, when appropriate, the cumulative amount of income recognized in accordance with IFRS 15.

Based on the above we believe that IFRS 9 does not allow measuring any of these instruments in accordance with IAS 37 following the adoption of IFRS 9.

Clarification is requested on the relation to the exemption for retail credit cards when a revocable commitment could be included in the IFRS 9 allowance and treatment of unconfirmed credit lines in particular whether these would fall under IAS 37.

**Q5. Do you recognise loan commitments and guarantees at fair value or measure some financial guarantees in accordance with IFRS 4, as possible according to IFRS 9.2.3 (a) and IFRS 9.2.1 (e) in connection with IFRS 9.B.2.5? If yes, are the respective outstanding notional amounts significant when compared with the overall notional amounts of loan commitments and guarantees?**

We are not aware of any commitments or guarantees to be measured at fair value or in accordance with IFRS 4 (except for entities outside the scope for FINREP).

**Q6. Are instructions on the allocation of changes in loss allowance between different drivers clear enough? Which clarifications would you need to ensure good quality of reported data**?

The instructions are insufficient to get consistency of treatment. For example, if a loan moves from stage 1 to stage 2, is the amount transferred the original stage 1 allowance at the start of the reporting period, the stage 1 allowance at the end of the reporting period (even though it may not be calculated as a stage 1 asset), or the stage 2 allowance even though part of the increase may relate to the period when the loan was still in stage 1? Splitting allowance movements between the components relating to stage movement, the component relating to changes in assumptions unrelated to stage movement and any model changes will be difficult and depends on the order of the calculation and the timings.

The below EDTF text may be relevant:

"Given the nature of the process by which banks make model changes, it might not always be feasible to provide a precise split between the impact of model changes and the impact of credit or economic risk parameter changes. If a bank is able to distinguish this split at the reporting date, then changes in risk parameters and models should be separately disclosed in the allowance reconciliation. Where a bank is unable to do this, separate disclosures on the impact of material model changes should be provided based on the information available, which may not be at the reporting date. The disclosures around any material model changes should explain the nature of the change and why management chose to make the change.

The sequencing of movements is important when preparing an allowance reconciliation. Changes in the sequencing can affect the quantification of each movement. For example, if transfers between stages are considered to take place at the start of the period, the amount transferred could be based on the closing balance from the previous period, which would not include any difference in measurement as a result of the change in stage or as a result of any change in assumptions. Alternatively, if transfers between stages are considered to take place at the end of the period, the amount transferred could be based on the period end balance which may or may not include any difference in measurement as a result of the change in stage but could include the effect of changes in assumptions. Similarly, if changes in measurement due to movements in risk parameters are the first in the sequence, this will give a different amount for the transfer as a result of change in stage than if the change in stage is first in the sequence.

Banks should consider outlining the basis of preparation of their allowance reconciliation, including the order in which movements have been calculated, as well as any other key assumptions made in preparing the disclosure."

In general, the required breakdown is very detailed and will put considerable pressure on developing models in order to fulfil the required disclosures. For some requirements it will be difficult to separate the combined changes, e.g. assets transferred into stage 2 during the period when stage 2 model changes were executed.

Unless transfers between stages are tracked on an individual basis (which may not be tenable for example for millions of small individual balances) it will not be possible to do gross movements. Movements between stages may also not be identified or tracked if collective allowances or otherwise judgmental allowances are included.

Templates 12.1 and 12.2 include allowances and gross carrying amounts relating to both amortised cost and FVOCI items. FVOCI items are at fair value on the balance sheet and do not have allowances. Therefore the total on balance sheet assets row will not agree to the balance sheet.

We suggest deleting rows 160 and 170 from the template 12.1. IFRS 9 (B5.5.1) presumes that the distinction between collective and individual assessment method applies only to meet the objective of recognizing lifetime expected credit losses for significant increases in credit risk since initial recognition. In our opinion the differentiation between collectively assessed allowances and individually assessed allowances should only be applicable to stage 2 and stage 3 exposures and not to stage 1 exposures. The rows 160 and 170 should therefore be deleted.

Column 070 in template 12.1 would be better phrased as "decrease in allowance account due to write offs" as it is the change in the allowance account that should be reported and the write off is not necessarily the same amount.

Template 12.2 is not aligned with the requirements of IFRS 7. IFRS 7.35I requires an explanation which includes qualitative and quantitative information.

Furthermore IFRS 7 requires only an explanation of the effects of significant changes in the gross carrying amount on the impairment allowance. The IFRS 7 does not require all changes in the gross carrying amount to be explained.

IFRS 7.35I only relates to on balance sheet disclosure, however FINREP requires also the off balance sheet exposures to be included at the nominal amount in this template.

Furthermore the example on template 12.1 in the consultation paper on page 19 seems to contain several errors:

- Q1 Stage 1 assets are totally written off for 500. As already indicated under question 3, it seems odd to write off stage 1 assets

- Q2 10.000 stage 1 assets are modified and consequently transferred to stage 2. The stage 2 credit loss allowance is 1.800. In the example however this amount is also deducted from the stage 1 allowance. This should not be the same amount as stage 1 contains a 12-month expected credit loss;
- 20.000 Stage 2 assets are modified. The modification gain/loss is not given. However the modification gain/loss could be partially booked against the impairment allowance (freefall).

The template 12.1 "Movements in allowances and provisions for credit losses" requires reporting, in column 040 "Changes due to update in the institution's methodology for estimation (net)" the amount of *"Changes due to updates in the institution's methodology for estimation or changes due to changes in the models or establishment of new models used to estimate impairment. This shall also cover the establishment of new models."* [Annex V part 2.130]. This request is burdensome to implement. It would require banks to manage a parallel run of the "old" and the "new" model at the same time. Also it is unclear whether this refers only to changes in estimation methodology or to changes in standards as well. Since this is a P&L template we believe that only changes in estimation methodologies have to be reported while IFRS 9 would require isolating only the effect in changes in estimation parameters.

**Q7. How will you identify the different drivers for change in loss allowance for open retail portfolios?**

Banks will establish methodologies in compliance with IFRS 9.

However for revolving facilities in particular it will be difficult to identify new lending and repayments.

**Q8. Are the instructions and template on the reporting of transfers of financial assets between stages sufficiently clear? If not, what changes could be made to the template or the instructions to ease the reporting by institutions and improve the supervisors' understanding of the application of the significant increase in credit risk threshold over time?**

Please see our response to question 6 above on template 12.2.

**Q9. Do respondents agree with the approach suggested in the example above on "the reporting of impairment on assets measured at fair value through other comprehensive income (FVOCI)" to present impairment of debt instruments measured at FVOCI on a net basis?**

No, we believe it is better if the templates reflect how the transactions are recognised in the financial statements, where the impairment is recognised in P&L and the credit entry to fair value in OCI.

The example given is not entirely realistic as it is unlikely that the change in fair value due to credit risk equals the calculated 12 month EL. A more realistic example should include a loss in the P&L and a corresponding gain in OCI, similar to the example in IFRS 9 IE88.

**Q10. What further improvements are needed in FINREP IFRS 9 templates in order them to convey supervisors with appropriate and comprehensive information regarding the level of impairment and its developments in your institution?**

Template 7 of the current FINREP (IAS 39 – FINREP) discloses past due but not impaired financial information as required by the IFRS 7.37. This paragraph has been deleted from IFRS 7 due to the introduction of IFRS 9. The template7.1 therefore could only contain information on the rebuttable presumption of 30 DPD and 90 DPD.

Also, we believe the columns 010-090 in template 7.1 need to be aligned with IFRS 9 buckets and changed to <= 30 days / > 30 days < 90 days / >= 90 days. The same should apply to template 18.

Please refer also to question 19.

## Hedge accounting

**Q11. What further improvements are needed in FINREP IFRS 9 templates in order them to convey supervisors with appropriate and comprehensive information regarding the level of hedging activities and its impact on the financial position and profit or loss of your institution?**

There are situations where one hedging instrument is used to hedge two separate risks, e.g. a dual currency interest rate swap hedging both the currency risk and the interest rate risk in hedged items. Such transactions cannot be correctly reported in the current template. With the change to be introduced by IFRS 9 allowing to separate the foreign currency basis spread from a financial instrument and exclude it from the designation of that financial instrument as the hedging instrument, further development of the F11.1 is needed to more clearly report the Carrying Value of the hedging derivative (under FVH, CFH, and separated foreign currency basis spread). Clarification is requested as to whether the basis spread should be reported under the carrying amount of a hedge.

Clarification is also requested to understand where (F11.4?) should the items hedged as a nil net position (the hedge items among themselves fully offset the risk that is managed on a group basis) be reported (if these are required to be reported at all).

Further clarification is needed on reporting of financial institutions that will use the option to continue following IAS 39 rules for accounting of general hedge accounting and macro-hedge accounting carve-out of IAS 39 (instead of moving to IFRS 9). Banks expect to be in the position to continue using the current reporting templates.

**Q12. Do you agree with the allocation of hedged items and hedging adjustments by derivative risk categories in templates F11.4 and F11.5 or could a more relevant split be implemented?**

We agree with the suggested split, although there are problems with those instruments hedging two different risks as described in Q11 above.

Further clarification is needed on reporting from financial institutions that will use the option to continue following IAS 39 as mentioned in previous question.

**Q13. Is the maturity schedule provided in template F11.5 adequate to allow the proper identification of structural hedging transactions?**

Yes. However, the clarity of the reporting template F11.5 would improve if the reporting requirement "disposal of foreign subsidiaries for hedges of a net investment in a foreign operation" is abolished.

It is also unclear how to predict expected cash flows on disposal foreign subsidiaries for hedges of a net investment in a foreign operation.

**Q14. Would a reporting of the expected reclassification timing of the cash flow hedge and hedge of a net foreign investment reserves by types of risk, or a reporting of the timing of the nominal amount of the hedging instrument be preferable to a maturity breakdown of the hedged cash flows as currently proposed in template F11.5 in order to show the possible impact of the cash flow hedge on the future performance of your institution?**

The reporting requirements should follow the IFRS 9 as regards the hedging items. The template should not expand beyond that.

It is unclear what would be reported as hedged cash flows in a net investment hedge. Besides the cash flows on the disposal of the foreign operation, a net investment hedge does not require a specific reclassification to P&L date (excluding the monthly revaluation of the foreign operation).

**i)** <u>The expected reclassification timing of the cash flow hedge and hedge of a net foreign investment reserves by types of risk</u>

It appears the most relevant and useful information on the cash flows under the investment hedge can be provided via the expected reclassification timing of the net investment reserves (on disposal), as these hedges are usually maintained until the disposal of the hedged foreign investment. However, if the investment under the net investment hedge is not planned to be disposed of – should the cash flows under such investment be not reported at all or be reported in the latest bucket (>5 years)?

If the reclassification to P&L under a Cash Flow hedge can be interpreted as maturity breakdown (for all items which are not expected to be redeemed before maturity), this category appears to be suitable for cash flow hedges as well.

**ii)** <u>Reporting of the timing of the nominal amount of the hedging instrument</u>

If the hedge of net investment is planned to be held indefinitely, the timing (understand maturity) of the notional amount of the hedging instrument will likely not reflect the nature of the hedge transaction. This scenario, however, will be more appropriate for cash flow hedges.

**iii)** Maturity breakdown of the hedged cash flows.
Under this option it is not clear how should the cash flows on the net investment hedged be allocated? If the holding entity does not plan to dispose of the investment in the nearest future – should the hedged cash flows be not reported at all or be reported in the latest bucket (>5 years)?

This category is appropriate for reporting of the cash flows under a cash flow hedge, and will provide more information (as will include the interest cash flows) than ii).

Based on the above, it appears that the requirements for the cash flows hedge under a net investment hedge and a cash flow hedge can differ.

Some believe that none of the suggested alternatives provide a view on the future performance of institutions as (cash flow) hedge accounting has as goal to eliminate P&L-volatility. The only thing which affects performance is hedge ineffectiveness.

Further clarification is needed on reporting from financial institutions that will use the option to continue following IAS 39, in particular on the possibility for these reporting groups to maintain the actual reporting in terms of table on hedge accounting derivatives.

**Fair value changes due to credit risk**

**Q15. How do the requirement to report changes of fair value due to credit risk match with your approaches for valuation in the financial statements, disclosures in the notes to the financial statements and risk management practices?**

We welcome the proposal to remove the disclosure of changes in fair value due to changes in credit risk for held for trading exposures, but we believe this should also be applied for the other FVTPL categories, i.e. to remove the disclosure requirement also for assets designated at fair value and other assets mandatory at fair value. For assets managed on a fair value basis there is little interest in splitting the reasons for changes in the fair value; the focus is on the correct exit price. As EBA also acknowledges in the consultation, there are considerable difficulties to estimate this split, also for the other FVTPL categories.

Some banks indicated that they do not have any method to measure changes in fair value to credit risk for assets not held for trading in FVTPL category.

If it is decided to require information on changes in fair value due to changes in credit risk for assets designated at fair value and other assets mandatory at fair value, we agree with the following conclusion on page 26 in the consultation *"In that perspective, it has been decided to require the reporting of changes in fair value due to credit risk for non-performing exposures only".*

As held for trading exposures are excluded from the definition of non-performing exposures, we understand this sentence to apply only to assets designated at fair value and other assets mandatory at fair value. This is however not how the tables 4.2.1 and 4.2.2 are constructed. The columns 020 and 021 indicate that changes in fair value due to changes in credit risk should be disclosed to all exposures, not only non-performing exposures. We would appreciate clarification whether this is intentional, despite the text in the consultation. The same applies to Tables 6 and 20.7.1.

There is a similar issue with template 20.4, which includes a column for changes in credit risk for both loans and debt securities. The template includes all FVTPL assets, including those classified as held for trading. This is not consistent with the conclusion in the consultation that "*exposures held for trading gross carrying amount equals fair value and separate reporting requirement for fair value changes due to credit risk has been deleted from FINREP"* on page 26. The template also includes the other FVTPL categories assets designated at fair value and other assets mandatory at fair value. As discussed above, only the non-performing exposures in these categories should be part of the disclosures of changes in fair value due to changes in credit risk according to the consultation.

Concerning templates 20.4 and 20.6, clarification would be appreciated as to whether only trading derivatives, or both trading and hedging derivatives, are to be reported.

**Q16. If you disagree that reporting accumulated negative changes in fair value due to credit risk on non-performing exposures achieves a credit risk metric approximating impairment for exposures measured at fair value, which other metric would you propose to be used?**

As stated in Q15 above, we do not see the need for splitting the changes in fair value on those relating to credit risk from other changes. If however this is considered necessary, we agree it is most appropriate to limit the disclosures to the non-performing exposures.

**Q17. Compared to the current reporting requirement of the fair value changes due to credit risk on all exposures at fair value through profit and loss except held for trading, would monitoring accumulated negative changes on non-performing exposures only entail significant increase or decrease in the cost of monitoring and reporting those fair value changes due to credit risk?**

It is expected that this would reduce the cost and increase the quality of the reporting.

**Q18. At which level (portfolio, instrument by instrument) do you compute and track fair value changes due to credit risk? Do you implement any aggregation/offsetting between gains and losses in fair value due to credit risk when estimating them?**

Banks measure and track fair value changes due to credit risk on an individual basis or on a product portfolio basis. The answer depends on the type of financial instruments as well as on the significance of the exposure.

Further guidance on how to fix the methodology to determine changes in fair value due to credit risk (EBA Single Rulebook Q&A – Supervisory Reporting - # 2013_321) would be appreciated.

## General questions

**Q19. Do respondents have any comments on the structure and content of the proposed templates and in particular the amendments proposed to Annex III of Regulation (EU) No 680/2014? Where there are disagreements to not amending or further amending a particular cell or template, please provide substantiated reasons.**

We would like to suggest that the EBA restricts the reporting to what is required by the introduction of IFRS 9 and corresponding disclosure requirements in IFRS 7. Our main concerns and disagreement relate to templates 4, 7 and 12 as well as the template 16.1 where line 280 still requires a separate disclosure of the unwinding effect for credit impaired asset, despite the fact that IASB has deleted the respective requirement from IFRS 7.20(e) with the introduction of IFRS 9.

As far as EBA does not restrict itself to the information required by IFRS 9/7 this should be indicated in the respective templates as such.

There is a substantial increase in disclosures for hedge accounting, where we fail to see the benefits outweighing the costs for producing these disclosures.

Apart from the clarification requested in response to specific questions above and in the general comments of the EBF response, we would like to further mention few examples where we would appreciate clarification.

Template 1.1, Template 17.1 and Template 20.1: row 110 (FVO for equity) has to be red coloured (delete), and a coherent application in other templates

Template 1.2: what is the difference in the current definition compared to former definition for 'other provisions' (row 230)?

Template 1.2, row 220 versus template 43, column 050: we understand that the content of row 220 in template 1.2 is larger than that of column 050 in template 43, because template 43 is excluding IFRS 9 provisions. What about row 230 and column 060 in both templates?

Template 1.2 compared to templates 9.1.1 and 12: row 220 (template 1.2) does concur with the total amount of provisions reported in template 9.1.1? In other words, the movements of columns 040 to 060 in template 9.1.1 are reported in template 12, those of column 110 are in template 43. Correct? We would therefore suggest to adjust the reference made in template 1.2, row 220, from '9' and '43' into '9' or into '12' and '43'. Mixing template 9 and 43 is only confusing things.

Template 1.3 row 126.1. and 126.2: it is not clear if it is the Full Fair Value of the instrument or The Fair Value of the hedged risk that has to be reported.

Template 1.3.: it is not clear where we have to report realised capital gains or losses on equity instruments measured at FVTOCI in the equity statement.

Template 2: why reference to IAS 37 is only made for rows 430 to 450? Besides, same consideration as for template 1.2: We would suggest to adjust the reference made in template 2, row 430, from '9' and '43' into '9' or into '12' and '43'. Mixing template 9 and 43 is confusing.

Template 7.1: in ITS, the following is mentioned: 'the carrying amount of debt instruments that are included in the accounting portfolios subject to impairment shall be reported in template 7.1 only if they are past due…. The carrying amounts of such assets shall be reported by impairment stages and broken down according to the number of days of the oldest past due'. Does that mean oldest past due by client or by product or …?

ITS part II, 21 (and 86): do we understand correctly that accumulated changes in fair value of a financial liability at FVPL that is attributable to changes in the credit risk of that liability should contain both accumulated gains and loss related to own credit risk in P&L and OCI (and not only the part in OCI)?

There seems to be a typo in some numbering e.g. 20.7 becomes 20.7.1.

Finally, we suggest some further changes related to both (i) templates (Annex III of Regulation (EU) No 680/2014) and (ii) instructions (Annex V) that, even if non-IFRS9 driven, based on experience gained in previous reporting using the "*as-is*" IFRS templates:

- Template F2. Row 85 and 145, interest income and expense on financial assets, are new rows but they have not been colour marked.

- Template F 11.1 – further guidance on definition of organized market would be appreciated

- Template F16.1. The template has not been changed, but comments to the template diverge from the answers on negative interest rates in EBA Q&A 2015_1940.

- In line with what is indicated by the EBA 2015_1940 Q & A, "the template F 16.1 states that "income" should include the representation of the negative interest on liabilities, while among the "expenses" negative interest on activities, In this regard, the instructions in 'Annex V, Part 2.154 are not clear regarding what template's lines should be filled for the recognition of negative interests. Therefore we ask to confirm if negative interest should be represented in the specific type of instrument that has contributed to generate interest expense (on the contrary to what is stated in the aforementioned Q & A by which the negative interest on liabilities should find representation as "other assets" and negative interest on assets as "other liabilities").

- Templates F20.4 and F20.6 – derivatives items: in our opinion specific requirement on derivatives in templates 20.4 and 20.6 (if both trading and hedging derivatives are expected or not) are needed;

- Templates F5/F7/F13.1 and F18/F20.4 - information on Mortgages/loans collateralized by immovable property: the label in different group of templates are slightly different, in our opinion definition/requirement should be aligned;

- Templates F5 and F7 – project finance loans: further guidance is needed on definition of Project Finance Loans to be reported whether the technical form drives or the counterparty drives (i.e. loans to SPE exclusively or loans recovered solely from income of the projects financed by them but granted to counterparties other than vehicles);

- Template F14 – Accumulated Change in fair value for the period: further guidance is needed on treatment of up front and options premiums (if are included or excluded);

- Template F19 – Collateral received and financial guarantees received: further guidance is needed about the scope of the columns and in particular if it is related only to the non-performing exposures as in template 18 or the whole forborne exposures – independently if performing or non-performing, as indicated in Validation Rules.

- Paragraph 185: Exposures considered good / non-defaulted on the grounds of materiality should be reported as 'performing not past due or past due <= 30 days' (template 18) and where such exposures receive forbearance, they should be included in template 19 as 'performing exposures with forbearance'. We would also suggest adding a column for performing exposures >90 days <= 180 days to the template 18 as article 178.1.b specifically allows retail exposures secured by real estate to reach 180 DPD before default in some territories.

**Q20. Do respondents find the proposed instructions clear? Are there specific parts where definitions or instructions should be clarified?**

Part from the clarification requested in response to the above questions, the proposed instructions are rather clear.

**Q21. What are the aspects, if any, of the revised FINREP proposal that trigger additional costs beyond the costs incurred to implement IFRS 9 and the revised IFRS 7, and the unavoidable costs from the difference in scope between FINREP and the financial statements?**

The disclosures stemming from IFRS 9 and IFRS 7 for the annual reports are not as granular as the FINREP requirements. To split all disclosures on counterparty sector and geographical location adds to the cost of implementing the new standards.

Also, new rows and columns that have no connection to the change in IFRS9 such as several templates concerning "hedge accounting" increase the costs while in our view these changes seem not necessary due to IFRS 9.

It is complicated to build supporting IT-systems to collect figures to multidimensional tables like e.g. template 18. Simpler templates with explaining notes would be less complicated and less expensive.

Other costs will be related to system adjustments and additional reconciliations.