

Set up in 1960, the European Banking Federation is the voice of the European banking sector (European Union & European Free Trade Association countries). The EBF represents the interests of some 5000 European banks: large and small, wholesale and retail, local and cross-border financial institutions. The EBF is committed to supporting EU policies to promote the single market in financial services in general and in banking activities in particular. It advocates free and fair competition in the EU and world markets and supports the banks' efforts to increase their efficiency and competitiveness.

Response to CESR's Consultation on the Use of a Standard Reporting Format of Issuers having Securities Admitted to Trading on a Regulated Market

Key Points

- **European banks have mixed views about the potential benefits of a standardised reporting format for the purpose of financial reporting. While there is a feeling that a common, mandatory reporting format could be beneficial for purposes such as solvency and tax reporting, many banks are sceptical about the added value and certainly, the urgency, of such a regime for financial reporting.**
- **Furthermore, although banks agree that XBRL has the potential to revolutionise reporting, many banks regard XBRL as being very much in its infancy.**
- **It must also be borne in mind that there are limitations in terms of the harmonisation and therefore, comparability that could eventually be achieved.**
- **Expected benefits should therefore be weighed against the costs that they would impose on issuers, including both implementation costs and ongoing costs.**

Contact Person: Uta Wassmuth, u.wassmuth@ebf-fb.eu
Related documents: CESR consultation document: <http://www.cesr-eu.org/popup2.php?id=6137>

General remarks

The European Banking Federation has in the past been involved in various discussions around the mandatory use of a common reporting format, among other things for the purpose of solvency reporting in the form of the “CoRep” common reporting format. The benefits of a common standard are straight-forward and many European banks would welcome its implementation. On the other hand, whilst recognising the great potential of XBRL and its increasing use by regulatory authorities, other banks feel that it is still at an early stage in its development and not fit for purpose at this time.

Going forward, there are also limitations in the degree of harmonisation and therefore, comparability that could be achieved, which would certainly warrant a thorough cost-benefit assessment.

Finally, as European banks are required to prepare their financial statements in accordance with IFRS, banks would strongly recommend that any further harmonisation of financial reporting should be made on this basis.

Responses to CESR's specific questions

Q1. Do you consider that there should be a standard reporting format for financial reporting of issuers having securities admitted to trading on a regulated market? What kind of pros and cons would a standard reporting format have?

The EBF recognises that a standard reporting format would help to provide professional market participants with more easily comparable information on listed companies. However, banks feel that any further standardisation of financial reporting requirements at EU level should be on the basis of IFRS, rather than a uniquely European framework.

It must also be borne in mind that issuers typically have to comply with both, IFRS and applicable national law, respectively often multiple sets of national law. As a result, a standard format would have to be designed for each country individually, and it is expected that cross-border comparability would be limited.

Banks therefore expect that a standard reporting format could not replace conventional financial reporting, but rather that market participants would likely continuously require additional information to facilitate their evaluation of the standardised data provided. Many banks would accordingly oppose the regulatory imposition of a specific reporting format. Furthermore, it can be questioned whether all users would have the necessary technical equipment to effectively realise the benefits of a standard reporting format.

The added value of a standard reporting format might not therefore outweigh the implementation and ongoing costs that it would impose on issuers and users.

Q2. If yes to Q1, do you consider that XBRL would be an appropriate format? Are there any other reporting formats that CESR should consider in this context?

If a standard reporting format is to be introduced, then the EBF believes that XBRL could, in time, be an appropriate format given that it serves as the basis of a taxonomy which has

already been issued by the IASB. In principle, a common standard would have to be made mandatory to be truly effective.

Comparability would also be subject to a high degree of harmonisation of XBRL across different Member States, and likely require that standard taxonomies be defined separately for each sector (e.g. banking, insurance, industry), in addition to accommodating each country's additional national requirements.

This is not currently the case, and many banks furthermore feel that neither XBRL nor the IFRS taxonomy or the banking extension would be capable of implementation at this time.

Q3. What kind of benefits would you consider a standard reporting format to bring for issuers, investors, auditors, analysts, OAMs or other users of financial information?

Cf. response to question 1.

Q4. What kind of disadvantages would you consider a standard reporting format would cause to issuers, investors, auditors, analysts, OAMs or other users of financial information? Do you see any obstacles to such reporting?

Cf. response to question 1.

Q5. What kind of costs (one-off or recurring) would you consider a standard reporting format would impose on issuers, investors, auditors, analysts, OAMs or other users of financial information? Please provide estimated costs, if possible.

The introduction of a standard reporting format would generate both considerable one-off implementation costs and significant ongoing costs, caused by changes in financial reporting as a result of regulatory changes or changes to the XBRL standard format.

Q6. Are the above benefits, disadvantages, obstacles and costs different if the standard reporting format would only cover income statement, balance sheet and cash flow statement instead of full financial report? Please explain the differences.

If the standard reporting format only covered the income statement, balance sheet, equity statement and cash flow statement, the amount of data needing to be processed would be significantly reduced. This would have a positive effect on cost-benefit calculations, but costs are nevertheless expected to remain significant.

Q7. How would you assess the benefits of the use of standard reporting formats against the costs?

The EBF does not believe that such an assessment can be made *ad hoc*, but would encourage a thorough impact assessment on this fundamental question.

Q8. Do you envisage any liability and/or audit issues arising from the use of standard reporting format?

EBF members have not raised any concerns in these respects.

Q9. Are there any other issues CESR should take into account in the analysis of the issue?

The EBF does not have any other observations to make.