EUROPEAN CENTRAL BANK

EUROSYSTEM

EBA European Banking Authority

MFI BALANCE SHEET AND INTEREST RATE STATISTICS, SECURITIES HOLDINGS STATISTICS AND IMPLEMENTING TECHNICAL STANDARDS ON SUPERVISORY REPORTING

MAY 2014

BRIDGING THE REPORTING REQUIREMENTS – METHODOLOGICAL MANUAL

THIRD EDITION

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In 2014 all ECB publications feature a motif taken from the €20 banknote.

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CONTENTS

ABBREVIATIONS

AAR	Annualised Agreed Rate
APRC	Annualised Percentage Rate of Charge
ASA	Alternative Standardised Approach
BAD	Bank Accounts Directive
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BSI	Balance Sheet Items (acronym denoting MFI balance sheet statistics)
CA	Capital Adequacy
CBCSDI	Cross-Border and Cross-Sector Consolidation Basis for All Domestically Incorporated credit institutions
CBD	Consolidated Banking Data
CDOs	Collateralised Debt Obligations
CEBS	Committee of European Banking Supervisors (succeeded by the EBA on 1 January 2011)
CIU	Collective Investment Undertaking
COREP	COmmon Solvency Ratio REPorting
CR EQU IRB	Credit Risk: Equity – Internal Rating Based Approaches to Capital Requirements
CR IRB	Credit, counterparty credit, dilution and delivery risk: Internal Rating Based Approach to Capital Requirements
CR SA	Credit, counterparty credit and delivery risk: Standardised Approach to Capital Requirements
CR SEC IRB	Credit Risk: Securitisations – Internal Ratings-Based Approach to Capital Requirements
CR SEC SA	Credit Risk: Securitisation – Standardised Approach to Capital Requirements
CR SEC	Credit Risk Details – Credit Risk: Detailed information on securitisation by originators and sponsors
CR TB SETT	Credit Risk Settlement Risk in the Trading Book
CRD	Capital Requirements Directive
CRR	Capital Requirement Regulation
DC	Domestic Consolidation
DCCB	Domestically-Controlled Cross-Border Consolidation Basis
DCCBS	Domestically-Controlled Cross-Border and Cross-Sector Consolidation Basis
DPM	Data Point Model
EBA	European Banking Authority
ECB	European Central Bank
EMU	Economic and Monetary Union
ESA	European System of Accounts
ESCB	European System of Central Banks
EU	European Union
FCCBS	Foreign-Controlled Cross-Border Cross-Sector Consolidation Basis
FINREP	FINancial REPorting
FSC	Financial Stability Committee of the ESCB
FSI	Financial Soundness Indicators
FV	Fair Value
FVC	Financial Vehicle Corporation
GAAPs	Generally Accepted Accounting Principles

HH	Household sector
HTM	Held-to-Maturity
IAS	International Accounting Standards
IBS	International Banking Statistics of the BIS
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRB	Internal Ratings Based
ITS	Implementing technical standards
JEGR	Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements
L&R	Loans and Receivables
LBG	Large Banking Group
MBS	Money and Banking Statistics
MFI	Monetary Financial Institution
MFM	Monetary, Financial Institutions and Markets
MIR	MFI interest rate statistics
MKR SA COM	Market Risk: Standardised Approaches for Commodities
MKR SA EQU	Market Risk: Standardised Approaches for Position Risk in Equities
MKR SA TDI	Market Risk: Standardised Approaches for Position Risks in Traded Debt Instruments
MKR SEC	Market Risk Relating to Securitisations
MMF	Money Market Fund
MRK SA FX	Market Risk: Standardised Approaches for Foreign Exchange Risk
NCB	National Central Bank
NDER	Narrowly Defined Effective Rate
NFC	Non-Financial Corporation
OFI	Other (non-monetary) Financial Intermediary
OPR	Operational Risk
RBG	Reporting Banking Groups
SA	Standardised Approach
SNA	System of National Accounts
STC	Statistics Committee of the ESCB
SSPE	Securitisation special purpose entity

PREFACE

The Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR) was established in June 2008. Since then, its mandate has been renewed twice, in 2010 and 2012. Its sponsors are the ESCB's Statistics Committee (STC) and Financial Stability Committee (FSC), and the European Banking Authority (EBA). Pierre Olivier Cousseran (Banque de France) chaired the JEGR until end-2011; his successor, Dusan Murn (Banka Slovenije), was to serve until end-2013. A list of JEGR participants is attached to this publication. This Manual is prepared under the third mandate and provides a methodological bridge between statistical and supervisory reporting.

The aims of the JEGR were to bridge elements of the statistical and supervisory reporting frameworks relating to monetary financial institutions (definitions, concepts, valuation rules, reporting templates, etc.) and, where possible, identify reconciliation options between them, taking into consideration the implementing technical standards (ITS) of the Capital Requirements Regulation devised by the EBA on the one hand, and, on the other hand, the European Central Bank's (ECB) statistical reporting framework for monetary financial institutions' balance sheet items (BSI), monetary financial institution interest rates (MIR) and securities holding statistics (SHS) based on the European System of Accounts (ESA).

In particular, the JEGR has developed a classification system comprising the following two elements:

1. a methodological bridging manual containing a thorough analysis of the areas of potential overlap between the ECB's statistical reporting requirements and selected supervisory requirements addressed to credit institutions;

2. a relational database which complements the bridging manual, aiming to systemically identify possible links (commonalities and differences) between these requirements using EBA's Data Point Modelling (DPM) framework.

The classification system has helped the ECB and the EBA to identify cases where differences between the two reporting frameworks are not justified by differences in the analytical use of the data. The JEGR considers that in such instances there is scope for reconciliation between the two frameworks, and hence for a reduction of the reporting burden on credit institutions. Moreover, the relational database aims to help reporting agents easily and accurately identify similarities and differences between their reporting obligations and is designed to facilitate – under certain conditions – respondents' data production processes. For these reasons, the JEGR work has also been strongly supported by the banking industry.

The ECB and the EBA published the previous version of the classification system in March 2012. This new edition is fundamentally different to the earlier version, as it is formally based on DPM modelling. By ensuring that the classification system is maintained on a regular basis, its advantages for compilers and reporting agents can thus be fully exploited. This publication covers the first element of the classification system, namely the methodological bridging manual. The relational database can be downloaded from the following web address:

https://www.ecb.europa.eu/stats/pdf/jegr/JEGR_database.zip.

1 INTRODUCTION

The Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR) was established in June 2008. Its mandate has been renewed twice, in 2010 and 2012. Its sponsors are the ESCB's Statistics Committee (STC) and Financial Stability Committee (FSC), and the European Banking Authority (EBA).[1] This publication is produced under the third mandate, which is now completed. Based on this methodological manual and the relational database, the JEGR has submitted proposals to its sponsors on how to exploit the links and promote synergies between the different reporting requirements.

The aims of the JEGR were to identify and promote common elements in the statistical and revised supervisory reporting frameworks relating to credit institutions (e.g. definitions, concepts, valuation rules, reporting templates) and, where possible, to reconcile them.

- **Statistical reporting.** Monetary financial institutions' (MFI) balance sheet, interest rate and securities holding statistics (SHS) are designed mainly to provide data for ECB monetary policy purposes. Credit institutions form the largest part of the MFI sector. So far as possible, these statistics conform to international and European statistical standards, currently the European System of Accounts (ESA 2010). The most recent MFI balance sheet and interest rate regulations were adopted in September 2013.[2] The new requirements have to be implemented in 2014. The securities holding statistics regulation dates back to 2012.[3]

- **Supervisory reporting.** The implementing technical standards (ITS) on supervisory reporting (ITS hereinafter) under Regulation (EU) No 575/2013 are the legal basis for supervisory reporting in the EU. The ITS set out reporting requirements relating to financial information compliant with international accounting standards (FINREP), own funds and own funds requirements (COREP), losses stemming from lending collateralised by immovable property, large exposures, leverage ratio, liquidity ratios and asset encumbrance. This manual is based on the version of the ITS on supervisory reporting that was adopted by the European Commission on 16 April 2014.[4] Please note that the standards relating to asset encumbrance, non-performing exposures and forborne exposure have not been adopted by 30 April 2014 and should therefore be considered as drafts. Please also note that this ITS regulation generally applies from 1 January 2014 (with exceptions for some articles) and it shall enter into force on the day following its publication in the Official Journal of the European Union (expected by mid-June 2014).

In seeking to reconcile the reporting frameworks, the JEGR must respect the different purposes they were designed to serve and the accounting principles underlying them.

To meet this goal, the JEGR has developed a classification system for the links between the ECB's statistical requirements for credit institutions' balance sheets and interest rates on the one hand, and the relevant supervisory reporting frameworks desgined by the EBA on the other. This classification system comprises two parts, the present methodological manual and a relational database.[5]

1 The European Banking Authority was established by Regulation (EC) No 1093/2010 of the European Parliament and of the Council of 24 November 2010. It officially came into being on 1 January 2011 and has taken over all the tasks and responsibilities of the Committee of European Banking Supervisors (CEBS).
2 These are Regulations ECB/2013/33 and ECB/2013/34. Please refer to Annex 7.1.
3 Regulation ECB/2012/1011 concerning statistics on holdings of securities.
4 http://ec.europa.eu/internal_market/bank/regcapital/legislation_in_force_en.htm#implementing
https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/draft-implementing-technical-standard-on-supervisory-reporting-asset-encumbrance-
5 The relational database can be downloaded from http://stats.ecb.int/stats/shared/JEGR_database.zip.

Why are statistical and supervisory data different? A further distinction can also be drawn between supervisory and financial stability data. In general, financial stability analysis relies on the aggregation of data used primarily for financial supervision purposes. The main use of the statistical balance sheet data reported by credit institutions (banks) and other monetary financial institutions is to support monetary policy analysis. Credit institutions form by far the largest part of the monetary financial institutions (MFI) sector in Europe. The MFI sector includes, in addition to credit institutions, other institutions with liabilities included in the ECB's definition of broad money (M3): these are central banks, money market funds (numerous in some EU countries), and other financial institutions with monetary liabilities, including issuers of electronic money. Only credit institutions are relevant to the links between the ECB's statistical reporting framework and the EBA's ITS framework, and so to the work of the JEGR and the scope of this manual.

In providing the statistical aggregates for the transmission of monetary policy actions to the economy ECB's Balance Sheet Items statistics, BSI) the focus is the monetary liabilities and credit extended, who holds the money, and who borrows from banks. The emphasis is on the counterparties rather than on the credit institutions because it is their spending and saving decisions which influence economic developments. The monetary and lending data have the vital counterparty information and are embedded in comprehensive and integrated economic and financial accounts compiled quarterly within a conceptual framework laid out in the world System of National Accounts (SNA) and the European System of Accounts (ESA) derived from it. These internationally-agreed methodological standards define economic sectors of the economy (households, non-financial corporations, financial corporations, government) as groups of entities displaying similar economic behaviour, and make a strict distinction between resident and non-resident entities. The sector definitions are important for monetary analysis, because, for example, an increase in the money holdings of households or non-financial corporations may have different implications than an increase in money held by (non- monetary) financial corporations. The residence distinction is important because the ECB's monetary policy responsibility is confined to the euro area, and neither non-residents' holdings of monetary instruments nor residents' holdings of monetary claims on entities abroad are considered to have the same significance for monetary analysis as residents' holdings of monetary instruments issued by resident credit institutions and other MFIs.

These concepts of sector and residence are standardised globally, to enable economic developments to be easily compared across countries. Harmonisation is particularly important in the European Union and euro area, to compile coherent area aggregates. Consistency of data is necessary, to enable economic and financial developments to be put into perspective over long periods, allowing "through-the-cycle" assessments.

The MFI interest rate data (ECB's MFI Interest Rates statistics, MIR) provide essential information on the transmission of monetary policy initiatives in the interest rates received and paid by households and non-financial corporations in the euro area. The two reporting schemes (BSI and MIR) are complementary.

For supervisory purposes, the focus is the individual bank or the individual banking group rather that the whole population of banks. Supervisors review closely the risk to which a bank is exposed and the adequacy of its capital in view of these risks. Looking at resident banking offices alone is insufficient: the position of branches and subsidiaries abroad and resident and foreign non-banking financial affiliates are also relevant. A banking group may cross national, euro area and EU boundaries, and may include institutions which are not classified as credit institutions or MFIs more broadly, in which case group consolidated data will cut across statistical datasets.

Counterparties and their residence are of interest from the perspective of credit risk concentration and diversification. Risks concern currency and maturity mismatches (with the emphasis on residual maturity, not the original maturity recorded for most statistical purposes), legal jurisdiction and operational processes. Risks may arise from contracts or operations which do not feature on the statistical balance sheet. How all the risks faced by the supervised institutions are interconnected and managed by risk departments is important.

The rules concerning the valuation of assets and liabilities, the timing of recording of transactions, and whether or not certain items are recorded on the balance sheet may differ between supervisory and statistical standards.

Finally, although the development of a bank's business and the relative profits and losses over time are relevant, the supervisory function is more concerned with a snapshot of the individual bank's or banking group's current position and in assessing its prospects at that point in time.

The main differences between these reporting frameworks are summarised in the table below.

Table 1 Main differences between reporting frameworks

	Reporting frameworks				
	Statistical			Financial and supervisory	
	BSI	MIR	SHS	FINREP	COREP
Mandatory	Yes	Yes	Yes	Yes, as of Q3 2014, as part of the ITS on supervisory reporting	Yes, as of Q1 2014, as part of the ITS on supervisory reporting
Geographical Coverage	Euro area	Euro area	Euro area	EU	EU
Reporters	All resident MFIs = credit institutions, money market funds, central banks and "other" MFIs	All resident credit institutions and "other MFIs". Collection: census or sample.	All resident MFIs, IFs, FVCs, custodians and the heads of banking groups	Institutions that either apply IAS/IFRS or are required by the competent authorities to apply IFRS for the purposes of calculating their consolidated capital requirements. An extension to institutions using local GAAP is envisaged in the CRR.	All credit institutions and investment firms (CRR definition)
Group Consolidation	No	No	Yes [1]	– Yes (national authorities may also request solo level) – CRR approach – IFRS approach for FINREP Template 17.	– Solo level (with exemptions defined by the CRR) – CRR approach
Residency	"Host" principle, foreign branches are excluded	"Host" principle, foreign branches are excluded	"Home" principle, foreign branches are included	"Home" principle, [2] foreign branches are included	"Home" principle, foreign branches are included
Valuation	Market or fair value except for loans and deposits (nominal value)	Nominal value	Nominal value or at market value subject to the reporting requirements set out by the NCBs	IAS/IFRS (mostly at market or fair value, but most loans and deposits at amortised cost)	IAS/IFRS or National GAAP

Table 1 Main differences between reporting frameworks (cont'd)

	Reporting frameworks				
	Statistical			Financial and supervisory	
	BSI	MIR	SHS	FINREP	COREP
Data Definitions	Compliant with ESA 2010 and BSI Regulation	Compliant with ESA 2010 and BSI Regulation	Compliant with ESA 2010	Compliant with IAS/IFRS and CRR. Also compliant with local GAAP if extended.	Compliant with CRR
Accrual	Yes, separate from underlying instrument	N/A	Not for nominal value, possible for market value	Yes, with the underlying instrument	Yes, with the underlying instrument
Netting	No	N/A	No	Generally no	Generally no
Loans provisioning	Gross	Gross	Recourse to CSDB information	Net, but with data on allowances and provisions	Net
Securitisation	– Traditional only – IFRS/national GAAP – With vehicles – Tranched or not	N/A	Resource to CSDB information	– Traditional – IFRS – With/without vehicle – Tranched or not	– Traditional and synthetic – CRR – With/without vehicle – Tranched only
Main breakdowns	Sector, geographical, instrument, original maturity, currency	Sector, geographical, instrument, original maturity	Sector, instrument, maturity	Sector, geographical, instrument, IAS portfolio	Asset class (sector/instrument), currency, type of risk

1) Some countries provide a flag indicating the securities issued by other entities within each Reporting Banking Group, which allows for the production of data on a consolidated basis.
2) FINREP and COREP could also be on a host country basis, but as a secondary basis of consolidation.

From the above, the statistical and supervisory data have much in common. This is particularly true for the credit institutions' statistical balance sheet and the FINREP supervisory framework. In contrast, links between the statistical balance sheet and the COREP framework, and between MFI interest rate statistics and the FINREP/COREP frameworks, are weaker. Different objectives limit their common features to the definitions and sector/instrument classifications; moreover, the data requirements differ substantially. Concerning the potential links between SHS and the supervisory framework, it cannot be concluded to what extent they can be realised. The SHS dataset is still experimental and the confidentiality regime in the use of information from the Centralised Securities Database has not been finalised.

The reconciliation work proposed by the JEGR is reflected in the FINREP and COREP frameworks as part of the ITS, the MFI regulations and the Manual on MFI balance sheet statistics. This methodological manual provides a thorough overview of the differences and commonalities between the ECB statistical framework and the EBA supervisory framework. It presents all the bridging work that has been done by the JEGR.

The structure of this document is as follows.

Chapter 2 summarises the main developments affecting the statistical and supervisory reporting that have taken place since the previous publication of this Manual in March 2012. It reviews the introduction of the implementing technical standards on supervisory reporting by institutions and the main amendments to the IFRS framework.

Chapter 3 identifies links between the statistical balance sheet and FINREP, focusing on the purposes, main features and links between the two reporting schemes and describing their organisation. It points out the common elements in the main methodological concepts underlying them. It concludes with some considerations on the collection and compilation of flow statistics (transactions).

Chapter 4 identifies and assesses the links between the statistical balance sheet and the COREP framework, comparing the instrument breakdown in the statistical balance sheet with the COREP templates covering credit risk (including securitisation), market risk, own funds and operational risk. The large exposures templates developed by the EBA are also reviewed.

Chapter 5 relates statistical requirements for interest rate data to supervisory reporting. This assessment covers similarities in the main features of the statistical requirements for interest rates, the breakdown by type of risk and the corresponding COREP templates, the structure of FINREP, and the links with statistical interest rate data. There is a specific feature on financial instruments, breakdown, size and counterparty sector.

Chapter 6 relates statistical requirements for the securities holdings statistical dataset and links with supervisory reporting.

The annexes provide further background information.

2 MAIN DEVELOPMENTS IN 2012/2013 WITH AN IMPACT ON SUPERVISORY AND STATISTICAL REPORTING

This chapter summarises the relevant changes affecting the reporting frameworks covered in this Manual since its last publication in March 2012, the introduction of implementing technical standards with regard to supervisory reporting and the main amendments to the International Financial Reporting Standards (IFRS) framework. The use of International Accounting Standards (IAS[1])/IFRS as the basis for prudential reporting provides scope for the further alignment of supervisory and financial reporting and ultimately for harmonisation of the prudential reporting frameworks within the European Union. In 2002, the European Union agreed that from 1 January 2005, IAS/IFRS would apply for the consolidated accounts of EU listed companies. The European Commission has endorsed almost all IAS/IFRSs within the so-called IAS Regulation.[2] The G20 has called for global adoption of a single set of high quality financial reporting standards.

2.1 THE INTRODUCTION OF THE IMPLEMENTING TECHNICAL STANDARDS WITH REGARD TO SUPERVISORY REPORTING

The implementing technical standards (ITS) on supervisory reporting under Regulation (EU) No 575/2013 are the legal basis for supervisory reporting in the EU. The present publication was prepared on the basis of the final ITS as endorsed by the European Commission on 16 April 2014, but before its publication in the in the Official Journal of the European Union, in order to help all interested parties to begin to prepare for the new requirements for Supervisory Reporting by institutions under the CRD IV/CRR-framework.

Since 2006, the Committee of European Banking Supervisors (CEBS) and its legal successor, the European Banking Authority (EBA), have been issuing guidelines and reporting templates for Common solvency ratio reporting (COREP), as well as for Financial reporting (FINREP), with the aim of increasing the comparability of financial information reported to different supervisors within the EU, increasing the cost-effectiveness of supervision across the EU, reducing the reporting burden on cross-border credit institutions, and removing potential obstacles to financial market integration. These guidelines have been frequently revised to increase harmonization and to reflect changes in the accounting standards and Capital Requirements Directive.

The FINancial REPorting (FINREP) framework is designed for credit institutions which use the international accounting standards (IAS/IFRS) in their published financial statements and which must submit similar information to their supervisory authorities. Supervisory reporting under these frameworks relies on consolidated data at the group level. Article 99 of the CRR envisages the possibility of extending FINREP to institutions under local-GAAP. Accordingly, a set of templates, based on BAD and not on IAS/IFRS, has been developed in the ITS as its Annex IV.

The COmmon solvency ratio REPorting (COREP) framework is used by credit institutions under the Basel framework as implemented under the EU capital adequacy regime. COREP is methodologically consistent with FINREP. COREP includes the common reporting of capital adequacy and group solvency ratio (CA, GS) templates for credit risk (CR) and securitization (CR SEC), operational risk (OPR) and market risk (MKR). Large exposures, asset encumbrance,[3]

1 For a complete overview of the EU Commission "Regulations adopting IAS", see http://ec.europa.eu/internal_market/accounting/legal_framework/regulations_adopting_ias_text_en.htm.

2 Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as amended by Regulation (EC) No 297/2008 of the European Parliament and of the Council of 11 March 2008.

3 Still in draft stage on 30 April 2014.

liquidity and leverage ratio reporting are included in the ITS, together with FINREP and COREP reporting. Although they are built according to different methodologies, they complement COREP by relying on: i) individual company data and ii) consolidated data at the group level.

In June 2013, the European Union published legislation to implement "Basel III", the international regulatory framework for banks developed by the Basel Committee on Banking Supervision, within the EU. From 1 January 2014, this has replaced the previous capital requirements directives[4] with two new legislative instruments:

– 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 (Capital Requirements Regulation or CRR), and

– Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (fourth Capital Requirements Directive or CRD IV).

The CRR is directly applicable in all Member States of the EU, so it functions as the "single rulebook" for all financial institutions. This promotes the smooth functioning of the single market within the Union and facilitates greater financial integration in Europe. A single European rulebook ensures that financial institutions providing financial services in a single market comply with one set of prudential rules that encompass the majority of the provisions relating to Basel III: quality of capital, credit risk, counterparty credit risk, market risk and operational risk.

The CRD contains, in particular, provisions concerning remuneration, enhanced governance and transparency, supervisory powers, supervisory review and evaluation processes, and the introduction of new capital buffers. Member States will have to transpose the directive into national law.

The CRR and CRD IV call for over 100 implementing, regulatory and binding technical standards to be drafted by the European Banking Authority (EBA). Under Article 15(4) of the EBA Regulation, they are to be adopted by regulations or decisions. The scope and level of application of these standards follow the scope and level of application of the CRR. Such standards will enter legal force[5] as regulations of the European Commission.

Table 2 Areas of regulation as divided between the CRD IV and CRR

Directive (CRD IV) (Strong links with national law, less prescriptive)	Regulation (CRR) (Detailed and highly prescriptive provisions establishing the "single rulebook")
Access to taking up/pursuit of business	Capital
Exercise of freedom of establishment and free movement of services	Liquidity
Prudential supervision	Leverage
Capital buffers	Counterparty credit risk
Corporate governance	Large exposures
Sanctions	Disclosure requirements

Source: Capital Requirements – CRD IV/CRR – Frequently Asked Questions. European Commission. 16 July 2013

4 Consisting of two directives: the Banking Consolidation Directive (2006/48/EC) (BCD) and the Capital Adequacy Directive (2006/49/EC) (CAD). Since its inception in 2006, the CRD has been amended, with major changes in 2010 (CRD II) and 2011 (CRD III).

5 In accordance with Article 15 of Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority).

Since the endorsement into force of the new CRD IV/CRR framework, the European Banking Authority has developed the implementing technical standards on *supervisory reporting,* which were subsequently submitted for endorsement by the European Commission as a regulation (and amendments to this regulation) and superseded both the FINREP and COREP guidelines. These ITS would soon form part of the single rulebook. Even though they would replace the guidelines, the guidelines were the basis for the ITS that have already been implemented in various Members States and have been proved in practice to improve convergence in the field of supervisory reporting.

The ITS on supervisory reporting specify the uniform definitions, classification criteria, uniform formats, frequencies and dates of reporting, and the IT solutions to be applied for such reporting. Uniform reporting requirements that are legally binding in all Member States ensure data availability and comparability and hence facilitate a proper functioning of cross-border supervision. Harmonised definitions are decisive in addressing questions regarding the correct valuation of assets on bank balance sheets, in particular the extent of forbearance and the accurate assessment of non-performing exposures.

The enhanced legal framework on reporting will lead to greater efficiency for institutions, but also to greater convergence of supervisory practices across Members States, allowing supervisors to identify and to assess risks consistently across the EU and to effectively compare EU banks. Uniform reporting requirements are crucial for the ECB in its future role of supervising institutions in the euro area, but are particularly important for the EBA and the ESRB as well, which rely on comparable data from competent authorities in performing their tasks.

The ITS on supervisory reporting package includes the following technical documents:

- main legal text, covering reporting requirements;
- several sets of templates and related instructions regarding supervisory reporting requirements;
- data point descriptions;
- validation formulae.

The ITS cover the following areas:

- own funds and own funds requirements [CRR Article 99(1)], based on COREP;
- financial information [CRR Article 99(2-4)], FINREP;
- repurchase agreements, securities lending and all forms of encumbrance of assets [CRR Article 100];
- losses stemming from lending collateralised by immovable property [CRR Article 101(4)(a)];
- large and largest exposures and connected exposures on a consolidated basis, by value, by credit risk mitigation and protection and by maturity of duration[6] [CRR Article 394];

6 EBA FINAL draft implementing technical standards on supervisory reporting under Regulation (EU) No 575/2013. Annex VIII and IX.

– leverage ratio [CRR Article 430];

– liquidity coverage requirements and net stable funding requirements [CRR Article 415 and 427];

– asset encumbrance [CRR Article 99(5)].[7]

Additionally, the CRR and CRD set out, within the scope of the legislation, the public disclosure of information in the annual reports of institutions.

The ITS will be updated regularly to correct inconsistencies and errors on the one hand, and, on the other, to introduce new reporting requirements.

Box 1 sets out the reporting templates as Annexes to the ITS.

Box 1

REPORTING TEMPLATES OF THE ITS ON SUPERVISORY REPORTING[1]

Annex I – Templates for reporting own funds and own funds requirements

Annex II – Instructions for reporting own funds and own funds requirements

Annex III – Templates for reporting financial information according to IFRS

Annex IV – Templates for reporting financial information according to national accounting frameworks

Annex V – Instructions for reporting financial information

Annex VI – Templates for reporting losses stemming from lending collateralised by immovable property

Annex VII – Instructions for reporting losses stemming from lending collateralised by immovable property

Annex VIII – Templates for reporting large exposures and concentration risk

Annex IX – Instructions for reporting large exposures and concentration risk

Annex X – Templates for reporting on leverage

Annex XI – Instructions for reporting on leverage

Annex XII – Templates for reporting on liquidity

1 http://ec.europa.eu/internal_market/bank/regcapital/legislation_in_force_en.htm#implementing

7 Still is draft stage on 30 April 2014.

Annex XIII – Instructions for reporting in liquidity

Annex XIV – Data point model

Annex XV – Validation formulae

Annex XVI – Templates for reporting on asset encumbrance

Annex XVII – Instructions for reporting on asset encumbrance

The European Banking Authority will also develop implementing technical standards [CRR, Article 143(3)] for supervisory information to be disclosed by competent authorities. These ITS elaborate on the (former) guidance in the CEBS Guidelines on Supervisory Disclosure[8] by providing a single format, structure, content list and publication date. The templates will also include aggregate statistical data on national banking sectors, credit risk, market risk, operational risk and supervisory measures. The ITS are intended to reduce asymmetries of information between supervisory authorities and financial institutions and to increase the effectiveness of monitoring and supervising financial institutions.

2.2 THE MOST IMPORTANT CHANGES TO THE STATISTICAL AND SUPERVISORY REPORTING FRAMEWORK WITH RELEVANCE FOR THE JEGR

This summary lists the most important amendments that have taken place since the last publication of this manual and that have an impact on the link between the frameworks. The main findings are as follows.

2.2.1 COMMON DEFINITIONS AND BREAKDOWNS

A substantial number of cross-references facilitate bridging across the various reporting frameworks. In particular, the ECB BSI Regulation refers to the Capital Requirements Regulation as regards the definition of:

– credit institutions;

– traditional securitisation;

– definition of default;

– collateralised real-estate loans.

The implementing technical standards on supervisory reporting explicitly refer to BSI terminology in the case of:

– debt securities;

8 The Committee of European Banking Supervisors (CEBS) published in 2005 its first Guidelines on Supervisory Disclosure. The framework for supervisory disclosure was limited to the provisions of the Capital Requirements Directive that implemented Basel II. These Guidelines were revised in January 2010 to reflect the development of the CRD and the outcome of the CEBS work on the convergence of supervisory practices.

– debt securities issued;

– loans;

– deposits;

– non-financial corporations;

– credit for consumption;

– lending for house purchase;

– subordinated debt;

– debt instruments;

– equity instruments.

The breakdown of loans has gone through a noticeable harmonisation. FINREP Template 5 (Breakdown of loans and advances by product) includes several product breakdowns that are based on BSI definitions, also introducing an entry for “Advances that are not loans”. This development is particularly important for the reconciliation of the BSI category “loans” with the FINREP category “Loans and advances”. Furthermore, some of-which positions based on common definitions are also in use now.

The presentation of accrued interest has also been improved in the BSI Regulation. This item is still reported as part of “Remaining assets/liabilities”, but a corresponding of-which position contributes to a reconciliation with FINREP, where it is reported with the underlying instruments.

2.2.2 LOAN SECURITISATION

The treatment of items subject to securitisation in the statistical and supervisory frameworks is complex. For monetary policy purposes, there is a need to ensure that loans which have been removed from credit institutions’ balance sheets under a traditional “true sale” securitisation are not lost from view, while for supervisory purposes, it is the transfer of credit risk that matters. The JEGR identified specific links at the level of reporting cells between BSI and COREP and concluded that there was a significant overlap between the BSI requirements and COREP templates for credit risk and market risk. The links refer to the original exposure pre-conversion factors. For securitisation positions, the links apply both for cases where the reporting agent is the originator of the securitised loans (provided the latter have been derecognised from the balance sheet) and for those where it holds, as an investor or as a sponsor, securities issued by Securitisation Special Purpose Entities (SSPEs) or Financial Vehicle Corporations (FVCs). As regards the securitised exposures (i.e. the exposures that have been originated), links between COREP and BSI items have been extended further, as the COREP SEC Details template also includes the securitisations which do not meet the criterion of significant credit risk transfer. Furthermore, the BSI Manual also now includes a table comparing the coverage of loan securitisation between the BSI and CRR frameworks.

2.2.3 LARGE EXPOSURES

The large exposures framework provided the possibility of using it for macro-prudential purposes. This had mainly to do with the sector classification of counterparties. The EBA has developed a more consistent solution, including a separate identification table for counterparties with the name, Legal Entity Identifier (LEI), country, sector, NACE code and type of counterparties, reinforcing the links between the LE and the BSI frameworks.

2.2.4 EQUITY INSTRUMENTS

The JEGR has explored the links between the definition of "equity" (asset side) included in the BSI Regulation and the related definitions in the IAS/IFRS, FINREP, and the CRR. The links between the CRR definition of "equity exposures", the FINREP and Large Exposures definition of "equity instruments" and the BSI definition of "equity" have been significantly enhanced:

– The BSI definition of equity is now in line with the IFRS definition of "equity instruments".

– The FINREP defines "equity instruments" by referring to the IAS 32 definition.

– The CRR definition of "equity exposures" (CRR Art. 133) covers non-debt exposures conveying a subordinated, residual claim on the assets or income of the issuer, and all debt exposures and other securities, partnerships, derivatives, or other vehicles, the economic substance of which is similar to that.

– The instructions concerning large exposures explicitly refer to the ECB BSI Regulation when defining "equity instruments".

2.3 MAIN AMENDMENTS TO THE IFRS FRAMEWORK

The IFRS provide sound and high quality accounting and disclosure standards for the banking and financial industry, as well as transparent and comparable financial statements that strengthen market discipline and contribute to financial stability. The G20 has called for global adoption of a single set of high quality financial reporting standards.

2.3.1 IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 (Financial Instruments) is the new standard designed to entirely overhaul IAS 39 (Financial Instruments: Recognition and Measurement) in three phases.

The accounting standard IFRS 9 Financial Instruments sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The objective of this IFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The new standard is designed to replace IAS 39 (Financial Instruments: Recognition and Measurement) in three phases. Phase 1 was the Classification and measurement of financial assets and financial liabilities (November 2009). IFRS 9 introduced significant changes in the classification and measurement of financial instruments, and the IASB issued the chapters of IFRS 9 *Financial Instruments* relating to the classification and measurement of financial assets.

In October 2010, the IASB added to IFRS 9 the requirements related to the classification and measurement of financial liabilities. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. This included requirements on embedded derivatives and how to account for own credit risks for financial liabilities that are measured at fair value. In the second phase, impairment methodology was changed and in June 2009 the Board published a Request for information on the feasibility of an expected loss model for the impairment of financial assets. In the third phase, the hedge accounting rules were modified and a new hedge accounting model was introduced, together with corresponding disclosures about risk management activity for those applying hedge accounting (November 2013). The current version of IFRS 9 does not include an effective date, but is available for early adoption (subject to local endorsement requirements). An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 for financial assets and liabilities (e.g. classifications for categories such as held for trade, available for sale, etc.) with a single model that has only two classification categories: amortised cost and fair value.

According to IFRS 9, *financial assets* should be divided into two categories:

– Financial assets measured at amortised cost

– Financial assets measured at fair value

    • through profit and loss

    • through other comprehensive income

The classification relies on (1) the entity's business model for managing the financial assets; and (2) the contractual characteristics of these financial assets. The assessment of the business model is carried out at the overall entity level, and not instrument by instrument. Contractual cash flow characteristics are evaluated instrument by instrument.

Two conditions must be met for an asset to be accounted for at amortised cost:

– the financial asset must be held for the purpose of collecting the contractual cash flows;

– cash flows may only consist of principal and interest payments on the principal amount outstanding.

Similarly, all *financial liabilities* should be divided into two groups:

– At fair value through profit and loss (except: own credit risk, which is presented in other comprehensive income);

– Other (subsequently measured at amortised cost).

2.3.2 IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS, IFRS 11 – JOINT ARRANGEMENTS, AND IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The consolidation principles previously included in IAS 27(2008) *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation-Special Purpose Entities* have been combined and are now represented in IFRS 10 *Consolidated Financial Statements*. The amended IAS 27(2011) *Separate Financial Statements* standard now only includes guidance for separate financial statements. Guidance for jointly controlled entities that was previously included in IAS 31 *Interests in Joint Ventures* is now provided in IFRS 11 *Joint Arrangements*. In addition, all disclosure requirements that were included in the individual standards separately under the old guidance (IAS 27(2008), IAS 28(2008) *Investments in Associates*, and IAS 31 *Interests in Joint Ventures*), are now set out in IFRS 12 *Disclosure of Interests in Other Entities*.

IFRS 10 provides a single consolidation model that applies to all types of entities. In particular, it is aimed at defining principles for the preparation and presentation of consolidated financial statements when a reporting entity controls one or more investees. To meet the objective, first of all, this IFRS requires the parent entity to present consolidated financial statements. Second, it defines the principle of control and establishes control as the basis for consolidation. The consolidation project has resulted in a single definition of control under IFRS, eliminating the voting rights model in IAS 27 and the risks and rewards approach of SIC 12. It then sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate it. Finally, it sets out the accounting requirements for the preparation of consolidated financial statements.

Unlike IAS 27 and SIC-12, IFRS 10 explains in detail the principle of control and its three elements (i.e. power, exposure to variable returns, and an investor’s ability to use power to affect its amount of variable returns). More generally, the consolidation model in IFRS 10 clarifies requirements that were either implicitly embedded or only briefly addressed in IAS 27 and SIC-12, and provides additional application guidance regarding situations in which control is difficult to assess.

IAS 31 (Interest in joint Ventures) has been superseded by IFRS 11 (Joint Arrangements). The effective date of IFRS 11 was 1 January 2013, but it has been endorsed by the EU as from 1 January 2014. Under IFRS 11 the consolidation method applied is not optional and depends on the business model (on the content of the arrangement), and therefore the application of proportional consolidation will be more narrow than under the old standard.

The accounting for joint arrangements in IFRS 11 is driven by the principle that parties to a joint arrangement must recognise their rights and obligations arising from the arrangement. This could mean either the recognition of assets, liabilities, revenues and expenses relating to their arrangements, or recognising an investment. IFRS 11 contains an application guide to help entities determine whether they have rights to assets and obligations for liabilities (joint operation) or whether they have rights to the net assets of an arrangement (joint venture). A party to a “joint operation” recognises assets, liabilities, revenues and expenses that arise, whereas a party to a “joint venture” recognises an investment using the equity method.

The proportional consolidation must be applied only for joint operations. The reasoning is mainly that the “economic substance” of the arrangement is defined by the rights and obligations assumed by the parties when carrying out their joint activities, which should be faithfully reflected in its accounting treatment. These joint activities can be operationally very similar to the parties’ own activities, but the contractual terms can result in very different rights to the assets and obligations for the liabilities as compared with own activities. By requiring entities to recognise rights and obligations arising from joint arrangements, a more faithful representation can be obtained than by proportional consolidation, which is merely based on participation rates.

IFRS 12 establishes comprehensive disclosure requirements for reporting entities that have an interest in a subsidiary, joint arrangement, associate or unconsolidated structured entity. This standard was created to respond to user requests for further information about the nature of, and risks associated with a reporting entity's interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

3 STATISTICAL BALANCE SHEET-FINREP

3.1 THE PURPOSE OF THE TWO REPORTING FRAMEWORKS

This section provides information on the background to the development of two reporting schemes, namely statistical balance sheet reporting (shortened in what follows to BSI – the ECB's acronym for balance sheet items) and IAS /IFRS-compliant financial reporting (FINREP). FINREP will be part of the implementing technical standards on supervisory reporting under Regulation (EU) No 575/2013 and is referred to as "financial information" by this regulation. The following paragraphs review their main purposes (statistical and macroeconomic versus microprudential), explaining why they differ.

3.1.1 MFI BALANCE SHEET PURPOSES

The ECB Governing Council adopted an ECB Regulation in 1998 setting out the requirements for the compilation of consolidated balance sheets in the euro area monetary financial institutions (MFI) sector. These requirements were enhanced in 2001, 2008 and again in 2013 (see Regulation (recast) ECB/2013/33).[1] Consolidation in this context means the elimination of assets and liabilities within the MFI sector, which differs from the consolidation approach at the banking group level used in the context of micro-prudential analysis, and which concerns the perimeter of financial institutions subject to the supervisory law (see Section 3.3.2.1 for more details).

The requirements for statistical purposes relate to the regular production of an aggregated balance sheet of the money-creating (issuing) sector for the participating Member States, seen as a single monetary area, in terms of stocks and flows (transactions). This dataset is the source for euro area monetary aggregates and counterparts to the monetary aggregates (see below), and provides some additional detail for further analysis of monetary developments. It also serves other statistical purposes, such as financial accounts and balance of payments. For consistent and meaningful results, balance sheets must be reported in a harmonised manner.

The statistical system in place for the compilation of BSI statistics is based on two main elements: (1) the definition of the money-issuing and money-holding sectors, and (2) the financial instruments to be covered. The first element, relating to the definition of the money-issuing sector (MFIs), determines the reporting population. The ECB definition of euro area monetary aggregates is based on harmonised definitions of the money-issuing sector and the money-holding sectors. The money-issuing sector comprises MFIs resident in the euro area; the money-holding sectors comprise all non-MFIs resident in the euro area excluding central government. The BSI data are compiled by aggregating MFIs' individual balance sheets; they are consolidated at the sector level, meaning that all inter-MFI positions are cancelled out; only the business of the resident (euro area) MFIs with the euro area money-holding sectors is needed. Individual MFI balance sheet data are relevant primarily in their contribution to the monetary aggregates.

The second element refers to the specification of the statistical information to be collected. The monetary aggregates comprise (harmonised) categories of MFI liabilities. Central banks are MFIs, and banknotes, coins and any other monetary liabilities they may have are included. The monetary aggregates also include some monetary liabilities of entities which are not MFIs. In some countries, central government agencies and post office giro institutions take deposits; in these circumstances, they are reported separately and added in. The Eurosystem has defined a

1 For a list of the most relevant legal acts, see Annex 7.1.

narrow (M1), an intermediate (M2) and a broad (M3) monetary aggregate, which differ with regard to the degree of liquidity (in terms of transferability, realisation, price certainty and marketability) of the MFI liabilities they include. Hence, BSI statistics require MFI liabilities to be broken down by instrument, original maturity and – the monetary aggregates are all-currency concepts – currency of denomination. The counterparts to M3 comprise all other items other than M3 in the consolidated MFI balance sheet (both on the assets and on the liabilities side), rearranged to explain changes in broad money in an analytically useful way.

How data behave over a long period is a core element in monetary analysis and requires a stable and robust set of statistical definitions (e.g. sector coverage needs to be stable over time – see Section 3.3.3.2). Balance sheet (stocks) information is complemented with financial transactions (flows) for the compilation of growth rates. This is because growth rates are not calculated simply as the change in the relevant outstanding amounts; they also exclude valuation effects, reclassifications and certain other influences on balance sheets which are not transactions as defined in the international statistical standards. In general, harmonisation of definitions and concepts is a very important aspect in statistics, especially in the compilation of euro area aggregates, where inconsistencies would harm the quality of euro area statistics and the resulting policy advice.

The accounting practices underlying BSI statistics refer to the relevant international statistical standards, to the national transposition of the Bank Accounts Directive (BAD),[2] and to supervisory and accounting standards (IAS/IFRS, where applied at national level to MFI balance sheets on a solo basis). There is one important exception in the valuation of deposits and loans (see Table 1. in the introduction) where accounting standards should not be strictly followed. This consistent approach minimises the reporting burden; the same set of accounting rules are used for financial reporting and, to the extent possible, statistical reporting.

3.1.2 FINREP OBJECTIVES AND PURPOSES

The use of IAS/IFRS as the basis for prudential reporting provides scope for the further alignment of supervisory and financial reporting and ultimately for harmonisation of the prudential reporting frameworks within the European Union. In 2002, the European Union agreed that from 1 January 2005, International Accounting Standards and International Financial Reporting Standards would apply for the consolidated accounts of the EU listed companies. The European Commission has endorsed almost all IAS/IFRSs within the so-called IAS Regulation[3].

Against this background and motivated by the absence of prescribed reporting formats under IAS/IFRS, the CEBS (precursor of the EBA) developed guidelines for a standardised consolidated and harmonised financial reporting framework (FINREP) for credit institutions consistent with the IAS/IFRS. It was devised for use by EU supervisory authorities when asking for consolidated financial information from credit institutions for supervisory purposes. As of the adoption of the ITS, the framework will be effectively embedded in the "single rulebook" for European banking supervision. Article 99 of the CRR states that financial information must be included if it is needed i) to obtain a comprehensive view of the risk profile of an institution, and ii) to assess systemic risks. Hence, the objective of the supervisory reporting covered in the ITS deviates from the objectives of IAS/IFRS, which place investors as their primary users. To fulfil its purposes as set out in the CRR, ITS templates for financial reporting include, in certain cases, data requirements which are not available in IAS/IFRS. Furthermore, the FINREP framework does not intend to cover

2 Council Directive 86/635/EEC of 8 December 1986, as amended.
3 Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as amended by Regulation (EC) No 297/2008 of the European Parliament and of the Council of 11 March 2008.

all disclosure requirements of IAS/IFRS or solo reporting. In some countries credit institutions are or will be required/allowed to use IAS/IFRS in solo accounting and, therefore, national supervisory authorities may adapt FINREP for solo financial reporting.

FINREP, like COREP, does not only serve the need for supervisory data on individual banks. These frameworks also provide much of the information required for macroprudential analysis of the banking sector as a whole. In particular, the uniform and mandatory application of both frameworks in the European Union will make it easier to assess profitability and capital adequacy with regard to the risks faced by the European banking system and will also benefit the Single Supervisory Mechanism, which will create a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries.[4] For instance, the more granular geographical and sectoral breakdowns of exposures presented in the FINREP templates support a more detailed and deeper analysis of potential sources of financial vulnerability and the challenges posed to financial stability by risk within the banking sector.

FINREP also aims at reducing European companies' reporting burden in presenting a harmonised financial reporting framework for prudential purposes for use across Europe by the different supervisory authorities. Harmonisation of definitions and concepts at the EU level is increasingly important for prudential supervision and financial stability purposes, especially for peer group analysis and the compilation of national, euro area or EU aggregates.

The scope and level of application of FINREP are a subset of those defined, in general terms, by the CRR. FINREP is mandatory at the consolidated level for institutions that apply IAS/IFRS. This means, at a minimum, all EU credit institutions and investment firms whose securities are admitted to trading on a regulated market (listed), as they are required to use IAS/IFRS for their consolidated financial statements according to Regulation EC 1606/2002 on the application of international accounting standards. Furthermore, competent authorities may require those credit institutions applying IAS/IFRS for the reporting of own funds on a consolidated basis (according to article 24(2) of CRR) to also report financial information. Finally, national authorities can extend FINREP to other groups of institutions, following the provisions in Article 99(6) of CRR.

Financial supervisory reporting requirements rely on two main sets of data: (1) individual company data and (2) consolidated data at the group level.

First, national supervisory authorities analyse the financial conditions of individual credit institutions. Although the financial position of the sector as a whole or that of institutions in the same peer group may have an impact on the financial conditions faced by individual institutions (contagion risk), prudential supervision is about the financial situation of the individual institution at a certain moment in time. In this context, financial supervision is more about future prospects and financial soundness; past performance is only relevant so far as it influences the present and future condition of the institution(s).

Second, financial supervision requires the availability of consolidated accounts at the reporting-group level (see Section 3.3.2.1 for a more extensive explanation). The supervisory and accounting concepts of consolidation involve the netting out of transactions and positions between all units within a reporting group. The scope of consolidation in IAS 27 requires parent entities to consolidate the financial statements of all (resident and non-resident; financial and non-financial) subsidiaries.

4 Among these EU countries are those whose currency is the euro and those whose currency is not the euro, but who have decided to enter into close cooperation with the Single Supervisory Mechanism.

Supervisory standards (the Basel framework, as transposed in the European Union via the CRD IV and CRR) require the scope of consolidation of banks' accounts to be limited to financial institutions under the scope of prudential regulation (CRD IV/CRR in the EU). Thus, subsidiaries which are non-financial corporations or insurance corporations are excluded from the consolidation.

In FINREP, the consolidation scope is the same as that required by the CRR, for all the templates: credit institutions and other financial institutions are fully consolidated. The accounts of insurance companies and non-financial corporations – if any – use the equity method, which is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee (IAS 28.2). The latest version of FINREP contains one template requiring balance sheet information under the accounting scope of consolidation.

3.2 THE STRUCTURE OF THE TWO REPORTING FRAMEWORKS

This section provides an explanation of the logic behind the organisation of the two reporting schemes.

3.2.1 MFI BALANCE SHEET: STRUCTURE

The statistical framework for compiling the euro area MFI sector consolidated balance sheet is based on a set of (five) monthly and quarterly tables that are inter-connected and complementary (see Annex I of the BSI Regulation). These double-entry tables are organised in instrument rows, with additional detail by currency and original maturity, and horizontally, by sector of counterpart, country or currency. The BSI Regulation provides detailed definitions for the variables to be reported.

Table 1 – Stocks: This monthly table requires amounts outstanding (stocks) data on the business of MFIs, with sufficient detail to provide the ECB with a comprehensive statistical picture of monetary developments in the participating Member States seen as one economic territory, and to allow flexibility in the calculation of monetary aggregates and counterparts covering the euro area. The data supplied in this table are broken down by: (1) instrument, (2) sector of counterpart, (3) residency (domestic/other euro area Member States/rest of the world/not allocated), (4) original maturity, (5) currency (euro/other), and (6) purpose for loans to households (credit for consumption/lending for house purchase/other lending). The table is reported to the ECB 15 working days after the end of the reference period to enable monthly monetary statistics to be reported within four weeks (and always in time for the first ECB Governing Council meeting of the following month).

Table 1A – Revaluation adjustments: The ESA distinguishes between a transaction ("*an economic flow that is an interaction between institutional units by mutual agreement*") and other influences on balance sheet levels, including the effect of changes in market prices on the value of securities held on the balance sheet and of write-offs/write-downs of loans, both of which are included in revaluation adjustments. Monthly data on revaluation adjustments, together with information from other sources on reclassifications and exchange rate changes affecting balance sheet items, contribute to the compilation of flow statistics (transactions) for the monetary aggregates and counterparts.[5] Although more limited, the data supplied in this table are also generally broken

5 For more details on the compilation of flow statistics, see Section 3.4.

down by: (1) instrument, (2) sector of counterpart, (3) residency (domestic/other euro area Member States/rest of the world/ not allocated), (4) original maturity, (5) currency (euro/other), and (6) purpose (credit for consumption/lending for house purchase/other lending). The table is reported to the ECB 15 working days after the end of the reference period.

Table 2 – Sector breakdown: Sector breakdowns matter for monetary analysis because, for example, an increase in the money holdings of households may have a different significance than the same increase in the hands of non-monetary financial corporations. Key sector breakdowns are reported monthly in Table 1. This quarterly table requires additional detail on the sector breakdown of certain items in Table 1. The quarterly sector detail relates mainly to a finer breakdown of the general government sector and the rest of the world, as well as the other resident sectors (for some instruments). The data supplied in this table are generally broken down by: (1) instrument, (2) sector of counterpart, (3) residency (domestic/other euro area Member States/rest of the world/ total), and (4) original maturity. For loans, there are further breakdowns by (5) remaining maturity and (6) purpose/real estate collateralisation. The table is reported to the ECB 28 working days after the end of the reference period.

Table 3 – Country breakdown: This quarterly table requires additional information on the breakdown of positions (stocks) vis-à-vis individual EU countries and the rest of the world (i.e. outside the European Union). The data supplied in this table are broken down by: (1) instrument, (2) sector of counterpart (MFIs and non-MFIs, with a further breakdown of non-MFIs), (3) residency (country by country and also covering the EIB and ESM), and (4) original maturity (only for holdings of debt securities). The table is reported to the ECB 28 working days after the end of the reference period.

Table 4 – Currency breakdown: This quarterly table requires detailed information broken down by currency (euro/remaining EU currencies – individually for “loans”, and GBP/USD/JPY/CHF/ remaining currencies together for other items).[6] The data supplied in this table are further broken down by: (1) instrument, (2) sector of counterpart (MFIs and non-MFIs), (3) residency (domestic/ other euro area Member States/rest of the world), and (4) original maturity (only for deposits and loans vis-à-vis the rest of the world). The table is reported to the ECB 28 working days after the end of the reference period.

Table 5a – Securitisations and other loan transfers: In the absence of further information, securitisations and other loan transfers which result in the removal of loans from MFI balance sheets present a problem for monetary analysis, since they make it appear that credit available to borrowers has fallen. The information is provided monthly in this table and quarterly in Table 5b (see below), which together with complementary information provided by financial vehicle corporations (FVCs), the usual counterparties of MFIs in securitisations, under a separate ECB Regulation addressed to them (ECB/2013/40), avoids this understatement. This monthly table requires the reporting of net flows of loans securitised or otherwise transferred, separately for transactions with and without the impact on reported loan stocks, as well as on the reporting of the outstanding amounts of securitised loans serviced and securitised loans not derecognised.[7] In addition, both outstanding amounts and financial transactions (excluding loan disposals and acquisitions) have to be reported for securitised loans that are derecognised, but for which the MFI acts as servicer.

6 These data are mainly used to assess the impact of exchange rate changes on balance sheet outstandings. This is important for the derivation of flows (transactions) data – see Section 3.4.
7 The latter item is requested only as a total, on a quarterly basis.

The data supplied in this table are broken down by: (1) type (FVCs, other counterparties and total) and residency of the counterparty in the transfer, (euro area and total for FVCs; o/w position for non-domestic euro area MFIs), (2) sector(s) of the borrowers whose loans are being transferred, including the MFI sector for the securitisation of intra-MFI loans, and (3) their residency (domestic/ other euro area Member State/rest of the world). The table is reported to the ECB 15 working days after the end of the reference period.

Table 5b – Securitisations and other loan transfers: This quarterly table requires additional detail on the items reported in the monthly securitisation table (Table 5a) where the counterparty in the transfer is a FVC (separately for euro area and as a total) or a non-domestic euro area MFI. The detailed data requirements relate mainly to a breakdown of the net flows of loans, which impact reported loan stocks, by: (1) purpose and (2) original maturity. There is also a requirement in respect of the outstanding amounts of loans which have been securitised, but which the credit institution continues to service, broken down by: (1) type (FVCs and total) and residency of the counterparty in the transfer, (euro area and total), (2) sector of the debtor, (3) residency of the debtor (domestic/ other euro area Member State/rest of the world), and (4) original maturity (only for loans to non-financial corporations). Supplementing the monthly reporting requirements of securitised loans that are derecognised, but for which the MFI acts as servicer, are breakdowns by (1) purpose and (2) original maturity. The table is reported to the ECB 28 working days after the end of the reference period.

3.2.2 FINREP STRUCTURE

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), unlike Directive 86/635/EEC,[8] do not impose a single standardised reporting format.[9] On the other hand, FINREP provides a harmonised reporting format and a standardised set of information items based on a common accounting framework. It was originally designed for credit institutions that use IAS/IFRS for their financial statements and must provide similar information in the periodic prudential reports they are required to submit to their supervisory authorities. Nonetheless, the latest version of the FINREP templates includes a set of templates specifically defined for financial statements under local-GAAP. FINREP includes references to the relevant IAS/IFRS (or local-GAAP based on the Banking Accounts Directive when extended to non-IFRS institutions) and provides dentitions for the variables that are not defined in IAS/IFRS.

Financial instruments may be presented in the balance sheet by type of instrument (instrument approach) or by category of financial instrument (portfolio approach). In FINREP, preference has been given to the portfolio approach (first level), but each portfolio includes a breakdown by type of instrument (second level): cash on hand, derivatives, loans and advances, debt securities and equity instruments on the assets side; derivatives, short positions, deposits, debt securities issued and other financial liabilities on the liabilities side.

FINREP templates for IFRS present financial instruments by categories of financial asset and financial liability, in accordance with IAS 39.9 and IFRS 7.8. Consequently, on the first level

8 Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.

9 IAS 1 does, however, prescribe the basis for presentation of "general purpose financial statements" i.e. those intended to serve users who do not have the authority to demand financial reports tailored for their own needs, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IAS 1 sets out the overall framework and responsibilities for the presentation of financial statements, guidelines for their structure and minimum requirements for the content of the financial statements.

of the assets side of the FINREP balance sheet, five main IAS categories of financial assets are recognised:[10]

1) **Financial assets held for trading.** This is a subcategory of financial assets at fair value through profit and loss which: (1) are acquired principally for the purpose of selling in the near term, and (2) are part of a portfolio of identical financial instruments that are managed together and for which there is evidence of a pattern of short-term profit- taking. A financial derivative not used for hedge accounting would be included here.

2) **Financial assets designated at fair value through profit and loss.** Any non-derivative financial asset within the scope of IAS 39 may be designated at fair value through profit and loss upon initial recognition, provided that some criteria are met, with the exception of equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

3) **Loans and receivables (including finance leases).** Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classified in the previous two categories or as available for sale (IAS 39.9).

4) **Held-to-maturity investments** –. Non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the intention and ability to hold until maturity, if not classified elsewhere. It should be noted that this category should be empty if, during the current financial year or in the previous two financial years, the entity sold or reclassified more than an insignificant amount of heldto-maturity investments before maturity (IAS 39.9).

5) **Available-for-sale financial assets** –. Non-derivative financial assets that are designated as available for sale or are not classified in the other categories.

The following accounting portfolios based on national GAAP shall be used for financial assets:

1) trading financial assets;

2) non-trading non-derivative financial assets measured at fair value through profit or loss;

3) non-trading non-derivative financial assets measured at fair value to equity;

4) Non-trading debt instruments measured at a cost-based method;

5) other non-trading non-derivative financial assets.

Financial liabilities under FINREP for IFRS are presented in three main categories:

1) financial liabilities held for trading;

10 IAS 39 defines four categories of financial instruments. The FINREP fifth category is the breakdown of the IAS category "Financial assets designated at fair value through profit and loss" into two subcategories to distinguish those financial instruments that are covered by the so-called fair value option from the trading portfolio. Financial assets can also be included in FINREP items "Cash and cash equivalents" and "Non-current assets and disposal groups classified as held for sale"; in the latter aggregated item, they are included together with non-financial assets.

2) financial liabilities designated at fair value through profit and loss;

3) financial liabilities measured at amortised cost.[11]

The following accounting portfolios based on national GAAP shall be used for financial liabilities:

1) trading financial liabilities;

2) non-trading non-derivative financial liabilities measured at a cost-based method.

FINREP consists of two sets of templates (one based on IFRS, the other with references to national GAAPs based on the Banking Accounts Directive) which contain quantitative financial information divided into four parts according to the reporting frequency of the templates.

11 Financial liabilities can also be included in the aggregated item "Liabilities included in disposal groups classified as held for sale" together with non-financial assets.

Box 2

FINREP TEMPLATES FOR IFRS AND NATIONAL GAAPS

Template number	Template code	Name of the template or of the group of template
Part 1 [Quarterly frequency]		
		Balance Sheet Statement [Statement of Financial Position]
1.1	F 01.01	Balance Sheet Statement: assets
1.2	F 01.02	Balance Sheet Statement: liabilities
1.3	F 01.03	Balance Sheet Statement: equity
2	F 02.00	Statement of profit or loss
3	F 03.00	Statement of comprehensive income
		Breakdown of financial assets by instrument and by counterparty sector
4.1	F 04.01	Breakdown of financial assets by instrument and by counterparty sector: financial assets held for trading
4.2	F 04.02	Breakdown of financial assets by instrument and by counterparty sector: financial assets designated at fair value through profit or loss
4.3	F 04.03	Breakdown of financial assets by instrument and by counterparty sector: available-for-sale financial assets
4.4	F 04.04	Breakdown of financial assets by instrument and by counterparty sector: loans and receivables and held-to-maturity investments
4.5	F 04.05	Subordinated financial assets
4.6	*F 04.06*	Breakdown of financial assets by instrument and by counterparty sector: trading financial assets
4.7	F 04.07	Breakdown of financial assets by instrument and by counterparty sector: non-trading non-derivative financial assets measured at fair value through profit or loss
4.8	F 04.08	Breakdown of financial assets by instrument and by counterparty sector: non-trading non-derivative financial assets measured at fair value to equity
4.9	F 04.09	Breakdown of financial assets by instrument and by counterparty sector: non-trading debt instruments measured at a cost-based method
4.10	F 04.10	Breakdown of financial assets by instrument and by counterparty sector: other non-trading non-derivative financial assets
5	F 05.00	Breakdown of loans and advances by product
6	F 06.00	Breakdown of loans and advances to non-financial corporations by NACE codes
7	F 07.00	Financial assets subject to impairment that are past due or impaired
		Breakdown of financial liabilities
8.1	F 08.01	Breakdown of financial liabilities by product and by counterparty sector
8.2	F 08.02	Subordinated financial liabilities

Template number	Template code	Name of the template or of the group of template
		Loan commitments, financial guarantees and other commitments
9.1	F 09.01	Off-balance sheet exposures: loan commitments, financial guarantees and other commitments given
9.2	F 09.02	Loan commitments, financial guarantees and other commitments received
10	F 10.00	Derivatives – Trading
		Derivatives – Hedge accounting
11.1	F 11.01	Derivatives – Hedge accounting: Breakdown by type of risk and type of hedge
11.2	*F 11.02*	*Derivatives – Hedge accounting under National GAAP: Breakdown by type of risk*
12	F 12.00	Movements in allowances for credit losses and impairment of equity instruments
		Collateral and guarantees received
13.1	F 13.01	Breakdown of loans and advances by collateral and guarantees
13.2	F 13.02	Collateral obtained by taking possession during the period [held at the reporting date]
13.3	F 13.03	Collateral obtained by taking possession [tangible assets] accumulated
14	F 14.00	Fair value hierarchy: financial instruments at fair value
15	F 15.00	Derecognition and financial liabilities associated with transferred financial assets
		Breakdown of selected statement of profit or loss items
16.1	F 16.01	Interest income and expenses by instrument and counterparty sector
16.2	F 16.02	Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss by instrument
16.3	F 16.03	Gains or losses on financial assets and liabilities held for trading by instrument
16.4	F 16.04	Gains or losses on financial assets and liabilities held for trading by risk
16.5	F 16.05	Gains or losses on financial assets and liabilities designated at fair value through profit or loss by instrument
16.6	F 16.06	Gains or losses from hedge accounting
16.7	F 16.07	Impairment on financial and non-financial assets
		Reconciliation between accounting and CRR scope of consolidation: Balance Sheet
17.1	F 17.01	Reconciliation between accounting and CRR scope of consolidation: Assets
17.2	F 17.02	Reconciliation between accounting and CRR scope of consolidation: Off-balance sheet exposures - loan commitments, financial guarantees and other commitments given
17.3	F 17.03	Reconciliation between accounting and CRR scope of consolidation: Liabilities
18	F 18.00	Information on performing and non-performing exposures
19	F 19.00	Information on forborne exposures
Part 2 [Quarterly with threshold: quarterly frequency or not reporting]		
		Geographical breakdown
20.1	F 20.01	Geographical breakdown of assets by location of the activities
20.2	F 20.02	Geographical breakdown of liabilities by location of the activities
20.3	F 20.03	Geographical breakdown of main statement of profit or loss items by location of the activities
20.4	F 20.04	Geographical breakdown of assets by residence of the counterparty
20.5	F 20.05	Geographical breakdown of off-balance sheet exposures by residence of the counterparty
20.6	F 20.06	Geographical breakdown of liabilities by residence of the counterparty
20.7	F 20.07	Geographical breakdown by residence of the counterparty of loans and advances to non-financial corporations by NACE codes
21	F 21.00	Tangible and intangible assets: assets subject to operating lease
		Asset management, custody and other service functions
22.1	F 22.01	Fee and commission income and expenses by activity
22.2	F 22.02	Assets involved in the services provided
Part 3 [Semi-annual]		
		Off-balance sheet activities: interests in unconsolidated structured entities
30.1	F 30.01	Interests in unconsolidated structured entities
30.2	F 30.02	Breakdown of interests in unconsolidated structured entities by nature of the activities
		Related parties
31.1	F 31.01	Related parties: amounts payable to and amounts receivable from
31.2	F 31.02	Related parties: expenses and income generated by transactions with
Part 4 [Annual]		
		Group structure
40.1	F 40.1	Group structure: "entity-by-entity"
40.2	F 40.02	Group structure: "instrument-by-instrument"
		Fair value
41.1	F 41.01	Fair value hierarchy: financial instruments at amortised cost
41.2	F 41.02	Use of the Fair Value Option
41.3	F 41.03	Hybrid financial instruments not designated at fair value through profit or loss
42	F 42.00	Tangible and intangible assets: carrying amount by measurement method
43	F 43.00	Provisions

Template number	Template code	Name of the template or of the group of template
		Defined benefit plans and employee benefits
44.1	F 44.01	Components of net defined benefit plan assets and liabilities
44.2	F 44.02	Movements in defined benefit plan obligations
44.3	F 44.03	Memo items [related to staff expenses]
		Breakdown of selected items of statement of profit or loss
45.1	F 45.01	Gains or losses on financial assets and liabilities designated at fair value through profit or loss by accounting portfolio
45.2	F 45.02	Gains or losses on derecognition of non-financial assets other than held for sale
45.3	F 45.03	Other operating income and expenses
46	F 46.00	Statement of changes in equity

Institutions are required to comply with new CRR requirements as of 1 January 2014, but in order to provide for a sufficiently long implementation period, the ITS requirements relating to financial information will apply only as of the third quarter of 2014, with the first reference date for financial information being 30 September 2014.

3.3 THE LINKS BETWEEN THE TWO REPORTING FRAMEWORKS

This section compares various methodological aspects associated with the two reporting schemes. Four subsections describe the key similarities and differences between the two sets of requirements, concluding with a general assessment of comparability. Specifically, the subsections cover aspects regarding: 1) the reporting population; 2) accounting issues of consolidation, valuation criteria, time of recording, accrued interest, recognition and derecognition, offsetting arrangements and impairment of assets; 3) breakdowns of residency and geographical, counterpart sector, maturity, and instruments and products; and 4) the treatment of specific items, collateral and guarantees, non-current assets held for sale and discontinued operations, preference shares (liabilities side) and equity (assets side). Annex 7.3 provides the basis for developing links between the two frameworks.

3.3.1 REPORTING POPULATION

Article 3 of the BSI Regulation defines the actual reporting population for the compilation of the consolidated balance sheet of the MFI sector. The reporting population consists of MFIs resident in the territory of the euro area Member States. The definition of MFI is contained in Article 1 and means a resident undertaking that belongs to any of the following sectors.[12]

1) Central banks

2) Other MFIs
   a) Deposit-taking corporations
      i) Credit institutions as defined in Article 4(1)(1) of the CRR
      ii) Deposit-taking corporations other than credit institutions
         1. Other financial institutions principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units, not only from MFIs (the degree of substitutability between the instruments issued by other MFIs and the deposits placed with credit institutions shall determine their classification as MFIs), and to grant loans and/or make investments in securities
         2. Electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money
   b) Money market funds (MMFs) pursuant to Article 2

12 In the ESA 2010, financial institutions classified as MFIs are divided into three subsectors, namely central banks (S.121), deposit-taking corporations except the central bank (S.122) and money market funds (S.123).

Article 2 of the BSI Regulation establishes that MMFs are collective investment undertakings which comply with all of the followings.

1) Pursue the investment objective of maintaining a fund's principal and providing a return in line with the interest rates of money market instruments.

2) Invest in money market instruments which comply with the criteria for money market instruments set out in Directive 2009/65/EC (UCITS) or deposits with credit institutions or, alternatively, ensure that the liquidity and valuation of the portfolio in which they invest is assessed on an equivalent basis.

3) Ensure that the money market instruments they invest in are of high quality […].

4) Ensure that their portfolio has a weighted average maturity of no more than six months and a weighted average life of no more than 12 months […].

5) Provide daily net asset value (NAV) and a price calculation of their shares/units, and daily subscription and redemption of shares/units.

6) Limit investment in securities to those with a residual maturity until the legal redemption date of less than or equal to two years […].

7) Limit investment in other collective investment undertakings to those complying with the definition of MMFs.

8) Do not take direct or indirect exposure to equity or commodities, including via derivatives, and only use derivatives in line with the money market investment strategy of the fund. Derivatives which give exposure to foreign exchange may only be used for hedging purposes. Investment in non-base currency securities is allowed provided the currency exposure is fully hedged.

9) Have either a constant or fluctuating Net Asset Value.

One important element in defining the reporting population in BSI statistics is the concept of residency: only institutions incorporated and located in the participating Member States (in the euro area), including subsidiaries of parent companies headquartered outside the euro area and branches of institutions with head offices outside the euro area, are part of the reporting population. Subsidiaries are separately incorporated entities in which another entity has a majority or full participation; branches are unincorporated entities (without independent legal status) totally owned by the parent.

In order to provide for a consistent application of the MFI definition, the ECB, in close cooperation with the national central banks, maintains for statistical purposes a list of MFIs resident in each participating Member State (and also in other EU countries, although MFIs established there are not bound by ECB statistical legislation), in accordance with the classification principles outlined above. To keep the reporting burden within reasonable limits, national central banks may exempt small MFIs from full reporting, provided that their combined contribution to the national MFI balance sheet in terms of stocks does not exceed 5%. Central banks may also grant further predefined derogations specifically to other credit institutions provided that their combined contribution to the national MFI balance sheet in terms of stocks exceeds neither 10% of the national MFI balance sheet nor 1% of the euro area MFI balance sheet (Article 9 of the BSI Regulation). The derogations for credit institutions apply without prejudice to the requirements for the calculation of minimum reserves, as all credit institutions are subject to minimum reserve requirements regardless of size. Apart from those which benefit from these derogations, all MFIs resident in the euro area must comply with the reporting requirements set out in the ECB's BSI Regulation.

The reporting population for FINREP purposes is different. According to Article 99 of the CRR, the reporting of FINREP is mandatory if:

1) the institution (a credit institution or an investment firm) applies IAS/IFRS for its consolidated accounts either as a direct obligation of Art. 4 of the IAS regulation[13] or upon permission or request of national competent authorities, as foreseen by Art. 5 of the IAS regulation;

2) competent authorities request a credit institution applying IAS/IFRS for the purposes of reporting own funds (COREP) on a consolidated basis (according to CRR Art. 24(2)) to also report financial information;

3) competent authorities request an extension of the reporting requirements of financial information on a consolidated basis to other groups of institutions, following the provisions in CRR Article 99(6). In this case, a different set of templates, those contained in Annex IV of the ITS, is to be reported.

As regards point 1), all EU credit institutions whose securities are listed on EU markets have been required to use IAS/IFRS for their consolidated financial statements since January 2005. Concerning point 2), all EU credit institutions and other supervised financial corporations applying IAS/IFRS for the purposes of reporting own funds may be requested to report consolidated supervisory data using the FINREP framework. As for point 3), where a competent authority considers that FINREP is necessary to obtain a comprehensive view of the risk profile of their activities and a view of the systemic risks to the financial sector or the real economy posed by them, it shall consult the EBA on the extension of the FINREP on a consolidated basis to institutions applying national GAAP and otherwise not required to report FINREP. The implementation of FINREP at the solo level is a matter of:

– decision by the ECB and the national supervisory authorities in the context of the Single Supervisory Mechanism (SSM);[14]

– national discretion for countries not a part of the SSM.

This is a difference from the MFI balance sheet reporting, which is not a matter of national discretion (except in granting derogations as explained above) or an additional decision.

In conclusion, as a result of the adoption of CRD IV/CRR and its implementing technical standards on supervisory reporting, the number of credit institutions reporting consolidated FINREP information will increase in 2014. The application of FINREP templates is mandatory in all EU countries, but only on a consolidated level; SSM or national discretion applies for non-IFRS credit institutions and at the solo level.

13 Regulation (EC) No 1606/2002 as amended on the application of international accounting standards. See Annex 7.1 for the exact legal references.

14 Please refer to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions

3.3.2 ACCOUNTING ASPECTS

This subsection covers seven accounting aspects regarding: a) the consolidation scope in the different reporting frameworks, b) valuation criteria, c) time of recording, d) treatment of accrued interest, e) recognition and derecognition, f) netting (offsetting arrangements), and g) impairment of assets (basis of recording).

3.3.2.1 The scope of consolidation in the different reporting frameworks

This subsection deals with the differences in the scope of consolidation in the reporting requirements stemming from accounting, regulatory and statistical frameworks. As differences in the coverage of institutions included in group- and sector-level consolidation often have implications for the data, it is important to clarify the coverage in the different consolidation approaches, presented here in four parts. Part A recalls the consolidation approach in the ECB's monetary statistics and bank interest rates; Part B focuses on the supervisory and accounting reporting requirements; Part C presents the consolidation approaches followed in other selected datasets, such as the IMF's Financial Soundness Indicators (FSI), the ESCB's Consolidated Banking Data (CBD) and the BIS International Banking Statistics (IBS); the coverage of the consolidation perimeter of financial conglomerates is discussed in Part D.

A. Statistical consolidation

The scope of "consolidation" under the framework for monetary and interest rate statistics covered by ECB BSI/MIR Regulation refers only to solo accounts.

At the solo reporting level – or individual basis – credit institutions included in the MFI sector should report the business of all their banking offices (registered or head office, and/or branches) located in the same national territory ("host" principle of bank supervision). Parent companies classified as credit institutions may also be permitted to consolidate the business of their banking subsidiaries located in the same national territory in their statistical returns, provided – as should always be the case – that these subsidiaries are classified as MFIs.

Consolidation for statistical purposes is not permitted in respect of subsidiaries which are not MFIs, or in any circumstances across national boundaries. Thus, if an institution has branches located outside the national territory, the registered or head office must report positions with them on a gross basis as positions vis-à-vis non-residents – no consolidation is allowed. Similarly, all MFIs which are branches of a nonresident institution must report positions with the registered or head office or with other branches of the same institution located outside the country as positions vis-à-vis non-residents.[15]

B. Regulatory and accounting consolidation

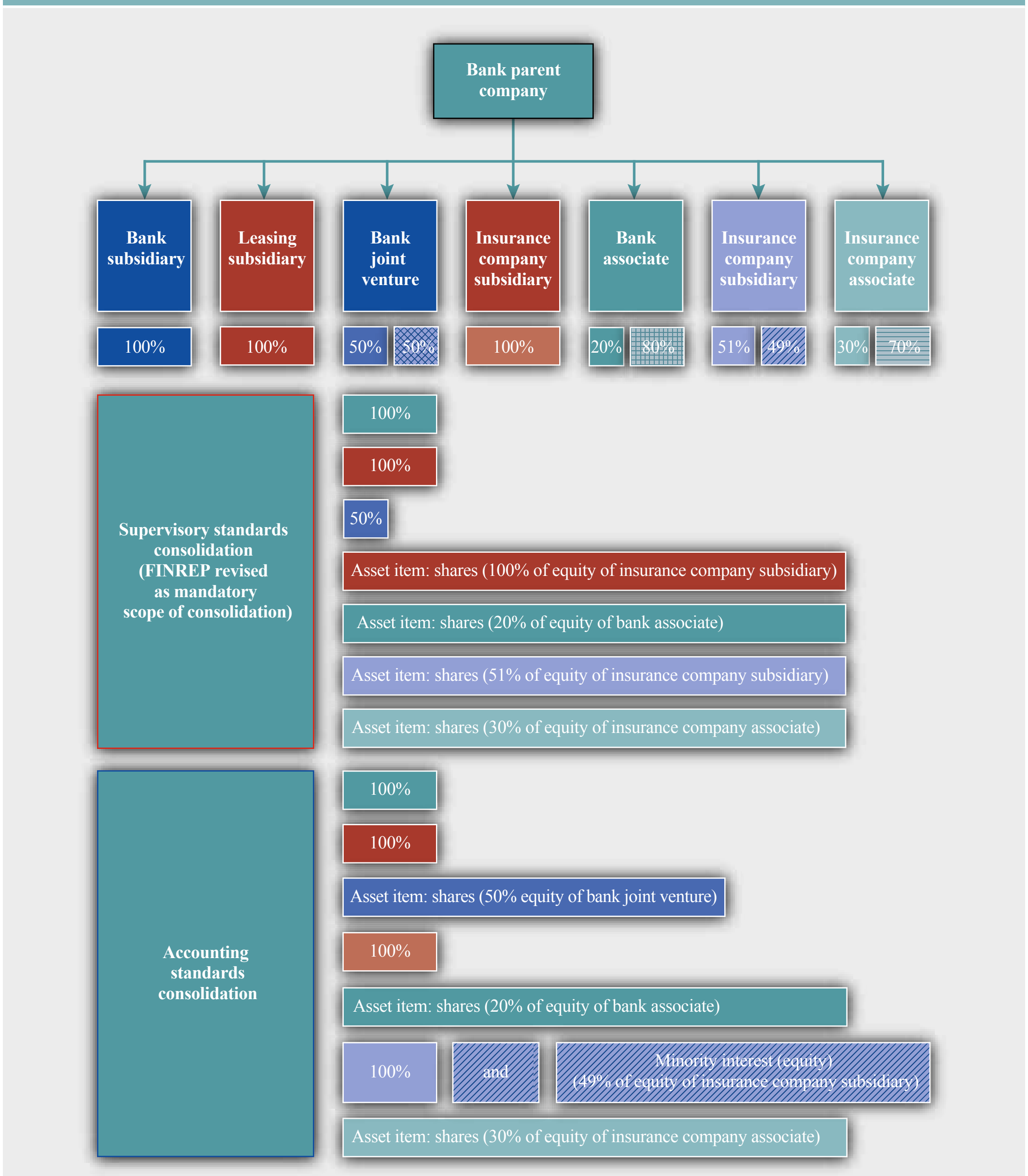
Concerning COREP (and, if applied, FINREP) at the solo level, supervisory data must be reported including the data of all banking offices (branches) without regard to the country in which they are located. This is an important difference from solo reporting under the BSI/MIR Regulation and in other macroeconomic statistics, where branches located abroad are considered to be separate institutional units in the host country.

15 Institutions located in offshore financial centres are treated statistically as residents of the territories in which the centres are located.

FINREP and COREP are also compiled at the consolidated group level. There are essentially two forms of group consolidation: 1) the scope defined by the CRR and 2) the IFRS scope. The FINREP and COREP frameworks have adopted the CRR approach to consolidation as a general rule for all the templates. Figure 1 provides a schematic representation of the CRR and IFRS scope of consolidation.

The approach to prudential consolidation foreseen in the CRR is defined in Article 18, "Methods of prudential consolidation". The institutions that have reporting requirements on a consolidated basis shall carry out a full consolidation of all institutions (credit institutions and investments firm) and

Figure 1 The scope of consolidation under the CRD IV/CRR and IFRS



financial institutions that are its subsidiaries, or subsidiaries of the same (mixed) parent financial holding company. Article 18(2) of the CRR adds that the business of undertakings providing ancillary banking services and asset management companies should also be consolidated.

In practice, for capital requirements purposes, parent credit institutions (or parent financial holding companies) consolidate financial institutions, but not insurance undertakings or non-financial subsidiaries. Consequently, holdings in these unconsolidated undertakings have to be deducted from Common Equity Tier 1 capital to ensure that the bank is not bolstering its own capital with capital that is also used to support the risks of an insurance subsidiary. Furthermore, supervisory authorities may require information about these subsidiaries when deemed relevant for the purpose of supervising subsidiaries which are credit institutions (CRD Art. 122(1)), in particular in the context of Directive 2002/87/EC[16] on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (see Part D below).

In addition, for prudential purposes and for the calculation of capital requirements, a credit institution may be required to consolidate the business of a subsidiary of an entity which is not itself included in the group consolidation – for example, an investment firm that is a subsidiary of an insurance corporation (not consolidated) within a group headed by a credit institution. In this case, the insurance corporation must be accounted for using the equity method (according to the parent credit institution's ownership share) while the investment firm must be fully consolidated.

According to Article 49 of the CRR, competent authorities may permit institutions not to deduct the holdings of own funds instruments of an insurance undertaking, but to consolidate according to one of the methods set out in Directive 2002/87/EC, provided that certain strict conditions are met.

Box 3

PRINCIPLES FOR CONSOLIDATED SUPERVISION

Article 111 of the CRR sets out the principles to be applied by the consolidating supervisor.

1) Where a parent undertaking is a parent institution in a Member State or an EU parent institution, supervision on a consolidated basis shall be exercised by the competent authorities that granted authorisation.

2) Where the parent of an institution is a parent financial holding company or parent mixed financial holding company in a Member State, or an EU parent financial holding company or EU parent mixed financial holding company, supervision on a consolidated basis shall be exercised by the competent authorities that granted authorisation.

3) Where institutions authorised in two or more Member States have as their parent the same parent financial holding company, the same parent mixed financial holding company in a Member State, the same EU parent financial holding company or the same EU parent mixed financial holding company, supervision on a consolidated basis shall be exercised

16 Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate

by the competent authorities of the institution authorised in the Member State in which the financial holding company or mixed financial holding company was set up. Where the parent undertakings of institutions authorised in two or more Member States comprise more than one financial holding company or mixed financial holding company with head offices in different Member States, and there is a credit institution in each of those States, supervision on a consolidated basis shall be exercised by the competent authority of the credit institution with the largest balance sheet total.

4) Where more than one institution authorised in the Union has as its parent the same financial holding company or mixed financial holding company, and none of those institutions has been authorised in the Member State in which the financial holding company or mixed financial holding company was set up, supervision on a consolidated basis shall be exercised by the competent authority that authorised the institution with the largest balance sheet total, which shall be considered, for the purposes of the Directive, as the institution controlled by an EU parent financial holding company or EU parent mixed financial holding company. In particular cases, the competent authorities may, by common agreement, waive the criteria referred to in paragraphs 3 and 4 if their application would be inappropriate, taking into account the institutions and the relative importance of their activities in different countries, and appoint a different competent authority to exercise supervision on a consolidated basis. In such cases, before taking their decision, the competent authorities shall give the EU parent institution, EU parent financial holding company, EU parent mixed financial holding company, or institution with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that decision."

The IFRS consolidation scope is defined in IAS 27 and IFRS 10, 11, and 12, which require parent entities to consolidate financial statements of all (resident and non-resident) subsidiaries. When a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5,[17] it must be accounted for in accordance with that standard.[18] IAS 27 elaborates further: a subsidiary should not be excluded from consolidation because its business is different from that of the parent. This means that financial corporations like insurance companies, and also non-financial corporations, must be consolidated. The same approach applies to joint ventures (irrespective of the business) that, according to IFRS 11, are consolidated on the basis of the equity method.

FINREP Template 17 provides reconciliation between the CRR and accounting scope of consolidation.

C. The scope of consolidation in other selected datasets

This part briefly reviews the consolidation approach followed in three macroprudential datasets: (i) the IMF's Financial Soundness Indicators (FSIs), (ii) the ESCB's Consolidated Banking Data (CBD), and (iii) the BIS's International Banking Statistics (IBS).

(I) THE IMF'S FINANCIAL SOUNDNESS INDICATORS

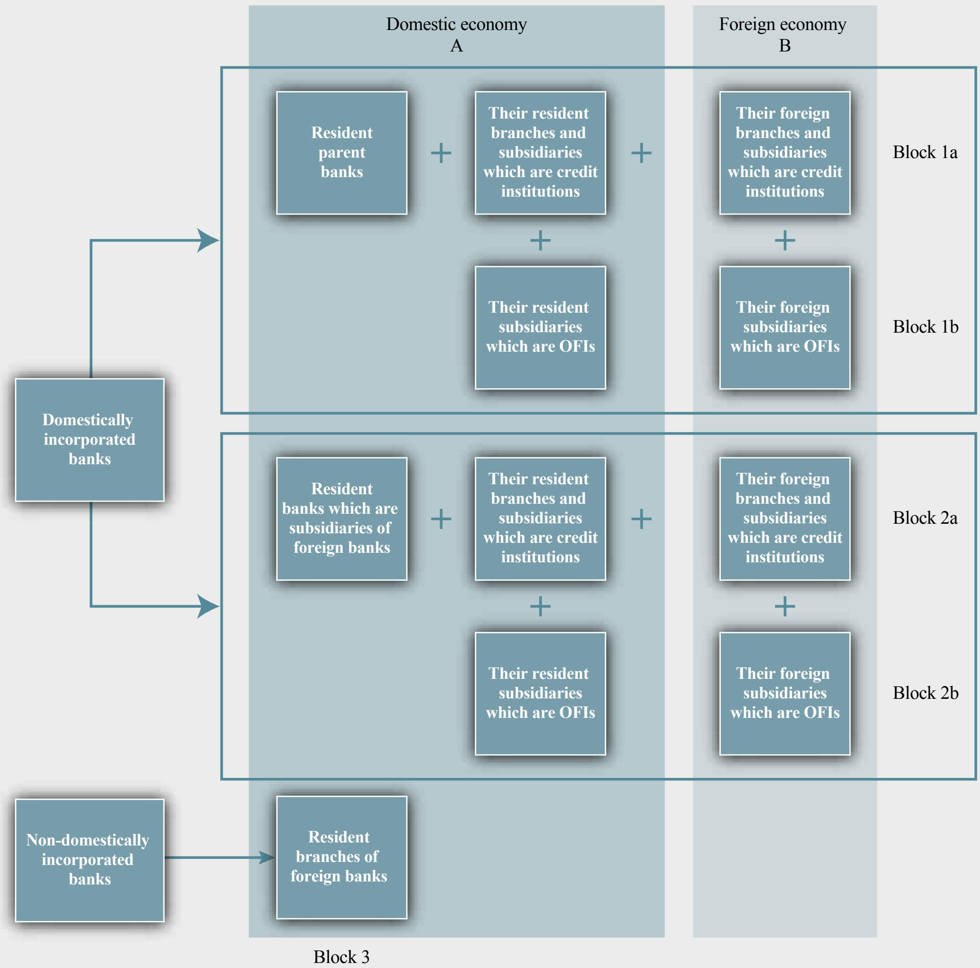
A crucial feature of the IMF's FSIs is the consolidation approach at both the group and sector levels. There are in fact different analytical approaches for different needs, which are discussed in the *FSI*

17 IFRS 5 deals with "non-current assets held for sale and discontinued operations".
18 The concept of control is crucial in the definition and is explained in detail in paragraphs 13-15 of IAS 27.

Compilation Guide.[19] The *Guide*'s two recommended consolidation bases are: the domestically-controlled cross-border and cross-sector (DCCBS) and the cross-border and cross-sector for all domestically incorporated (CBCSDI) deposit-takers. The former (DCCBS) encompasses the activity of a parent bank and all its branches and subsidiaries worldwide. This is the case with the supervisory perspective where the focus is the income and capital of the parent bank with its subsidiaries and the risks facing the global institution. The DCCBS also consolidates the business of diverse domestically-controlled financial institutions operating abroad or in different sectors, in line with the approach of the Basel Committee. The latter (CBCSDI) may also be relevant for economies hosting significant foreign-controlled deposit-takers, since their business will be consolidated with that of the foreign parent.

The IMF leaves the choice between DCCBS and CBCSDI to national discretion.

Figure 2 Schematic representation of levels of consolidation for Financial Soundness Indicator



DC = block 3 + domestic side of blocks 1 and 2 (column A)
DCCB = block 1a (domestic and foreign)
DCCBS = block 1
FCCBS = block 2
CBCSDI = blocks 1 + 2

19 http://www.imf.org/external/pubs/ft/fsi/guide/2006/index.htm

Other consolidation approaches for deposit-takers set out in the Guide are the domestic consolidation (DC) basis for countries with deposit-takers that have very few or no foreign branches or subsidiaries, which would make DC broadly equivalent to CBCSDI, the domestically-controlled cross-border consolidation basis (DCCB) and the foreign-controlled cross-border cross-sector consolidation basis (FCCBS) – see Figure 2.

(II) THE ESCB'S CONSOLIDATED BANKING DATA

The Consolidated Banking Dataset consists of aggregated prudential data on banks' profitability, balance sheets, asset quality, and solvency ratios in the 28 EU countries. The CBD have been collected annually since 2002, and more recently semi-annually, five months after the year end. Data on EU domestic banks are reported by bank size (large, medium and small). Data are also separately reported for foreign-controlled banks active in EU countries, in particular branches and subsidiaries (further broken down by control by entities in other EU countries and in non-EU countries).[20]

The CBD compiled by the ESCB follow in principle the consolidation approach of the CRR and are based on aggregated information on the banking systems of all EU Member States. In earlier issues of the ECB *Report on EU Banking Sector Stability*, data that comply with the IFRS have been treated separately from data complying with local GAAPs, since the conceptual differences between the accounting regimes were thought to be too substantial to provide meaningful aggregation of IFRS and non-IFRS data. In recent issues of the *Report,* a decision was made to display both IFRS and non-IFRS items within the same country data.

The CBD are fully consolidated on a cross-border basis (data on branches and subsidiaries located outside the domestic market are consolidated with the data reported by the parent institution) and on a cross-sector basis (branches and subsidiaries of banks that can be classified as other financial institutions are included). Insurance companies, however, are not included.[21] In addition, information is provided on foreign-controlled institutions active in EU and non-EU countries. The CBD follow the IMF's CBCSDI approach, with a split between the DCCBS and the FCCBS. National approaches may, however, differ due to the prevailing supervisory reporting frameworks.

(III) THE BIS'S INTERNATIONAL BANKING STATISTICS

There is a key distinction between the BIS locational and consolidated banking statistics. The quarterly locational statistics cover the "*aggregate international claims and liabilities of all banks resident in the 43 reporting countries broken down by instrument, currency, sector, country of residence of counterparty for all bank nationalities per reporting country (IBLR – International Banking Locational by Residence), and also by currency, residency type (residents/non-residents) and sector for individual nationality of reporting banks per reporting country (IBLN – International Banking Locational by Nationality). Both domestic and foreign-owned banking offices in the reporting countries report their positions on a gross basis (except for derivative contracts for which a master netting agreement is in place) and on an unconsolidated basis, including those vis-à-vis own affiliates, which is consistent with the principles of national accounts, money and banking, balance of payments and external debt statistics*." The locational statistics thus follow the host country approach used in the ECB's MFI balance sheet statistics.

20 See http://www.ecb.europa.eu/stats/money/consolidated/html/index.en.html.
21 Please refer to the Statistical Annex (Box 2) of the EU Banking Sector Stability report 2009 as published by the ECB at https://www.ecb.europa.eu/pub/pdf/other/eubankingsectorstability2009en.pdf

By contrast, the quarterly consolidated statistics cover the worldwide consolidated international financial claims of domestically-owned banks broken down by remaining maturity and sector of borrower. They indicate the nature and extent of consolidated foreign claims of banking groups headquartered in 30 major financial centres.[22]

The consolidation approach followed for compiling the BIS consolidated banking statistics is based on national implementation of BCBS (Basel Committee on Banking Supervision) supervisory standards, which have been transposed in the European Union via the CRD IV/CRR. A small number of national compilers follow a more comprehensive accounting approach, in that they also include non-bank subsidiaries in their consolidated contribution. In other words, EU national compilers are free to choose in their reporting to the BIS between the IFRS and the CRD consolidation approaches. The consolidated banking statistics are collected on a group worldwide-consolidated basis, excluding inter-office positions and including the exposures of foreign offices (i.e. subsidiaries and branches). The consolidated banking statistics are available on two bases, immediate borrower basis and ultimate risk basis. The positions on an ultimate risk basis (the country of ultimate risk is defined as the country in which the guarantor of a financial claim resides and/or the country in which the head office of a legally dependent branch is located) provide information regarding on-balance sheet foreign claims as well as other potential exposures (on- and off-balance sheet) such as derivatives, guarantees and credit commitments, and are currently reported by 24 countries.

D. Consolidation within financial conglomerates as defined in the EU directive

A financial conglomerate according to the EU Directive 2002/87/EC[23] (Article 2) is a group headed by a regulated entity (a credit institution, insurance undertaking or investment firm), or a group where at least one of the subsidiaries in the group is a regulated entity, and at least one of the entities in the group is within the insurance sector and at least one is within the banking or investment services sector. A financial conglomerate – to qualify as such for prudential purposes – must have significant business in both the insurance and banking areas Articles 2 and 3.

From an accounting perspective, the applicable scope of consolidation is the IFRS framework if the financial conglomerate is a group which must prepare consolidated accounts in conformity with Articles 4 or 5 of Regulation (EC) No 1606/2002 on the application of international accounting standards.[24] Otherwise, the accounting Directive 83/349/EC applies. The latter Directive provides for the consolidation of all subsidiary undertakings.[25]

From a prudential perspective, Directive 2002/87/EC Article 6, requires supplementary capital adequacy to be calculated using one of the following four methods:

1) accounting consolidation method (consistent with IFRS);

2) deduction and aggregation method;

3) book value/requirement deduction method;

22 For additional methodological information, see: http://www.bis.org/statistics/about_banking_stats.htm.
23 Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate
24 When securities issued by members of the group are admitted to trading on a regulated market of any Member State or the Member State permits or requires the group to prepare such consolidated accounting according to the IFRS framework.
25 See Article 3 of the Seventh Council Directive 83/349/EEC of 13 June 1983 based on Article 54(3) (g) of the Treaty on consolidated accounts.

4) a possible combination of the previous three methods.

The accounting consolidation method requires the supplementary capital adequacy needs of the regulated entities in a financial conglomerate to be based on the consolidated accounts.

The deduction and aggregation method requires the calculation to be based on the accounts of each of the entities in the group, with a sum of all the components and the deduction of the book value of the participations in other entities of the group (non-financial corporations).

The book value/requirement deduction method provides that the calculation must be carried out on the basis of the accounts of each of the entities in the group, starting with the parent undertaking or the entity at the head of the financial conglomerate, with the accounts of all the other entities then added.

In conclusion, different consolidation approaches are used in various datasets, depending on the risk perspective. The scope of consolidation of banks' branches and subsidiaries defined in the BSI and MIR Regulations differs from that of FINREP and COREP. The BSI reporting is defined on the basis of the "host" residency principle on an individual basis, whereas COREP and FINREP, where applicable, are on an individual basis and follow the "home" basis. In addition, the FINREP and COREP frameworks are also applied on a consolidated "group" basis using the CRR consolidation. In the case of financial conglomerates, the provisions of the related Directive are applied for regulatory purposes, while the applicable accounting standards are applied for financial reporting.

3.3.2.2 Valuation criteria

The accounting rules underlying the collection of MFI statistics for monetary policy purposes are defined in Article 8 of the BSI Regulation, which states that *"(1) Unless otherwise provided for in this Regulation, the accounting rules followed by MFIs for the purposes of reporting under this Regulation shall be those laid down in the national transposition of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, as well as in any other international standards applicable. (2) Deposit liabilities and loans shall be reported at the principal amount outstanding at the end of the month. Write-offs and write-downs as determined by the relevant accounting practices shall be excluded from this amount. Deposit liabilities and loans shall not be netted against any other assets or liabilities. (3) Without prejudice to accounting practices and netting arrangements prevailing in Member States, all* financial assets and liabilities shall be reported on a gross basis for statistical purposes. *(4) NCBs may allow the reporting of provisioned loans net of provisions and the reporting of purchased loans at the price agreed at the time of their acquisition, provided that such reporting practices are applied by all resident reporting agents."* To ensure that loans and deposits are reported monthly at nominal value, it is stated in the BSI Regulation that accrued interest on loans (deposits) should be reported under remaining assets (liabilities).

With the exception of loans and deposits, the BSI Regulation allows central banks to require credit institutions when reporting for statistical purposes to follow other international accounting standards, i.e. IAS/IFRS. In that regard, the introduction of the IAS/IFRS and its use in the European Union in place of the national GAAPs have contributed to the harmonisation of the valuation rules and to strengthening the link between the requirements for statistical and for financial supervision in terms of valuation (fair value accounting or amortised cost), except for loans and deposits whose valuation concepts may be reconciled.[26]

26 See Annex 7.2.

The BSI Manual[27] advises MFIs to present asset and liability stock positions at current market values or to use a close equivalent to market values. As an exception to this rule, balance sheet items: (a) currency in circulation, (b) deposits, (c) capital and reserves, (d) holdings of cash and (e) loans should be reported at nominal value. With the exception of loans and deposits, the ECB accepts that the data submitted by MFIs may follow national GAAPs, in particular because of the tight reporting deadlines. In practice, the reference in the BSI Regulation to the national transpositions of the Banking Accounts Directive (national GAAPs), as well as to any other international accounting standards, allows flexibility in the valuation of balance sheet items, with the exception of loans and deposits, as specified above. Generally, the valuation rules foreseen in the Banking Accounts Directive are as follows.

– Trading portfolio (assets). Member States may allow credit institutions to value this portfolio at purchase price, market price or the lower of the two ('principle of prudence'). In any case, the difference between the two methods should be disclosed by the credit institution.

– Financial fixed assets (participating interests, shares in affiliated undertakings and securities intended for use on a continuing basis in the normal course of an undertaking's activities). These should be valued at purchase price. Value adjustments may be made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. Member States may, however, require or permit debt securities (including fixed-income securities) held as financial fixed assets to be shown in the balance sheet at the amount repayable at maturity (nominal value).

– (Other) fixed assets (tangible and intangible). These should be valued at purchase price or production cost.

– Current assets (loans and advances, debt securities, shares and other variable-yield securities, which are neither held as financial fixed assets nor included in a trading portfolio). These should be valued at purchase price without prejudice to any value adjustments to cater for the "principle of prudence".

– Financial liabilities. Following Article 32 of the Fourth BAD, the items shown in the balance sheet should be valued at the price at which they were sold to the holder.[28]

The valuation rules prescribed for financial instruments by the IAS/IFRS are set out in IAS 39. This standard recognises the following rules for the five main portfolio categories.[29]

– Initial measurement (IAS 39.43).When financial assets and liabilities are initially recognised, an entity must measure them at fair value, plus, in the case of financial assets or liabilities not at fair value through profit and loss, transaction costs that are directly attributed to the acquisition or issue of the financial assets and liabilities. In most cases, fair value at initial recognition means the acquisition costs, as these assets are usually bought in markets.

27 The ECB has published a manual on MFI balance sheet statistics (BSI Manual, April 2012) with the aim of supporting the compilation of statistics in NCBs by providing a clear and consistent understanding of the statistical requirements contained in the BSI Regulation and MFS Guideline (ECB/2014/15 (recast) as amended), for the production of harmonised BSI statistics.

28 Council Directive 86/635/EEC of 8 December 1986, on the annual accounts and consolidated accounts of banks and other financial institutions is silent on the valuation of financial liabilities.

29 See Section 3.1.2 for a description of the various portfolios. Financial instruments that must be classified as "held for sale" in accordance with IFRS 5 are measured applying IAS 39 measurement criteria.

– Subsequent measurement of financial assets (IAS 39.46). All financial assets must be measured at fair value (including derivatives held for trading and used in hedge accounting), except for the categories "loans and receivables" and "held-to-maturity investments", which must be measured at amortised cost using the effective interest method.[30] Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured (and derivatives linked to these instruments) should be measured at cost. Financial assets designated as hedged items are measured according to hedge accounting requirements; as a result, in fair value hedges, the carrying amount of the hedged item must be adjusted by the amount of the gain or loss attributable to the hedge risk (IAS 39.89).

– Subsequent measurement of financial liabilities (IAS 39.47). All financial liabilities must be measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit and loss, to be measured at fair value, and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, which should be valued according to IAS 39.29-31. Financial liabilities designated as hedged items are measured according to hedge accounting requirements; as a result, in fair value hedges, the carrying amount of the hedged item must be adjusted by the amount of the gain or loss attributable to the hedge risk (IAS 39.89).

As regards the valuation of investments in associates (entities over which the investor has significant influence, e.g. 20% ownership, but which are neither subsidiaries nor joint ventures), IAS 28.13 requires the use of the so-called equity method for the consolidated statements, except when: (a) the investment meets the criteria to be classified as a non current asset held for sale, or (b) the parent is not obliged to present consolidated financial statements. IFRS 11 requires the use of the equity method when accounting for interests in jointly controlled entities in the consolidated financial statements. Finally, in the separate financial statements, investments in subsidiaries, associates and jointly controlled entities are measured either at cost or at fair value according to IAS 39.

Tangible assets are at recognition, measured at cost. Subsequently, an entity must choose either the cost model or the revaluation model as its accounting policy for property, plant and equipment. In the case of investment property, the revaluation model is set as default, with the cost model being also possible. According to the cost model, after recognition, an asset must be carried at its cost less any accumulated depreciation and any accumulated impairment losses (IAS 16.30). In the revaluation model, after recognition, an asset whose fair value can be measured reliably must be carried at a revalued amount, which is at its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses (IAS 16.31).

Intangible assets should initially be measured at cost, with the exception of intangible assets acquired in business combinations, e.g. mergers and acquisitions (at fair value) and goodwill (at cost, measured as the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, net of liabilities and contingent liabilities) (IFRS 3.51b).[31] Subsequently, entities may opt between the cost and the revaluation model.[32]

30 See IAS 39 Appendix A (AG5 – AG8).
31 IFRS 3 *Business Combinations* outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). In a revised version, the way in which goodwill is measured at the acquisition date has changed. According to IFRS 3.32 (January 2008), it must be measured as the excess of the amount paid at the time of the acquisition plus the amount of any non- controlling interest over the net fair value of the identifiable assets and liabilities.
32 After initial recognition, goodwill should always be accounted for using the cost model.

An entity should measure the IAS category of "non-current assets (or disposal groups) classified as held for sale" at the lower of its carrying amount and fair value less costs to sell. Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be mainly recovered through a sale transaction rather than through continuing use (IFRS 5). Non-current assets (or disposal groups) generally arise from reorganisations or discontinued operations (e.g. a bank decides to abandon its consumer credit business and wants to sell it to another bank). Nevertheless, financial instruments that must be classified as "held for sale" in accordance with IFRS 5 are measured in accordance with IAS 39.

When first recorded, share capital repayable on demand (e.g. cooperative shares), which due to their contractual features (namely the ability of the holder to claim redemption) are classified as financial liabilities, should be measured at fair value, which corresponds to not less than the maximum amount payable under the redemption provisions (IFRIC 2.10). The BSI Regulation requires "shares" of this kind to be treated statistically as deposits or capital and reserves, i.e. at nominal value.

Although deposits should be recorded at nominal value in BSI statistics, the treatment of hybrid deposits (deposits with an embedded derivative) has so far represented a borderline case. The BSI manual has solved the problem by recommending a statistical classification linked with the IAS 39 approach, as followed in FINREP. The link with BSI statistics has been established as follows. Hybrid deposits are economically equivalent to the combination of a derivative contract and the pledging of a deposit as collateral. If the change in the price of the derivative is unfavourable for the depositor, part of the deposit will be used for a payment to the counterparty when the derivative contract is settled. This implies that the deposit represents cash collateral deposited in the bank and is freely available for on-lending in the same way as "margin deposits". Furthermore, while margins usually cover only the current price of the derivative (wholly or partially), the principal amount of deposits in hybrid contracts is usually well above this price. As "margin deposits" are classified as deposits in MFI balance sheets (BSI Regulation, Annex II part 2.9.c), hybrid deposits should follow the same approach for the sake of consistency.

In principle, according to IAS 39.11, hybrid deposits should be separated into a host contract (the deposit or loan) and the embedded derivative. However, IAS 39.11A allows the entire hybrid deposit to be designated as a financial instrument at fair value through profit or loss (the so-called fair value option). So in FINREP, both treatments are accepted. In the first case, when the hybrid deposit is separated, the host contract is classified as a non-derivative financial instrument (deposit or loan in FINREP) and the embedded derivative is classified separately as a derivative. In the second case, the entire hybrid deposit is classified as a financial instrument (deposit or loan in FINREP). It should be noted that, according to a fact-finding exercise, the amounts involved are rather small (although they may be relevant in some categories and countries). Moreover, the implication of bringing the statistical treatment closer to the accounting/supervisory treatment is that hybrid deposits could be recorded at fair value, rather than at nominal value, as is in principle required for statistical purposes according to the BSI Regulation. If the amounts become significant, they may need to be separately identified in order to avoid any distortion to the statistical aggregates.

In conclusion, with the exception of loans and deposits, for which nominal value reporting is mandatory under the BSI Regulation (even though central banks may allow reporting net of loan provisions), the valuation rules prescribed for the remaining instruments in the BSI Regulation are flexible. In particular, for holdings and issues of securities, the nonbinding recommendation for statistical reporting is to use market/fair values, irrespective of whether the securities are held for trading or until maturity. Those held to maturity are likely to be measured at amortised cost, in accordance with IAS 39. In legal terms, institutions required or allowed to use IAS/IFRS and which report supervisory information on the basis of FINREP may use the same valuation concepts when reporting for BSI purposes, except for loans and deposits. For the latter instruments, reconciliation is possible between fair value or amortised cost and nominal value (see Annex 7.3.1).

3.3.2.3 Time of recording

This subsection explains the criteria regarding time of recording applied in both IFRS 9/IAS 39 (FINREP) and the BSI.

The time of recording in IFRS 9/IAS 39 (FINREP) allows transactions in financial assets to be recorded either on the "trade date" or on the "settlement date". "Trade date" is defined as *"the date that an entity commits itself to purchase or sell an asset"* (IFRS 9.B3.1.5) and "settlement date" as "*the date that an asset is delivered to or by an entity"* (IFRS 9.B3.1.6). IFRS 9.B3.1.3 requires the chosen method to be "*applied consistently for all purchases and sales of financial assets that are classified in accordance with this IFRS"* (i.e. so-called IFRS 9 portfolios). The criteria in IFRS 9 have been carried forward from IAS 39 (the predecessor standard on financial instruments). This option is not excluded by the ITS or the FINREP instructions.

It should be noted that, for some transactions, the delivery is made on the "trade date". This is normally the case for transactions in equity instruments on regulated stock exchanges. For other transactions, the delivery is made on the "payment date". This is normally the case for transactions with debt instruments (i.e. loans and debt securities).

The BSI Regulation does not address explicitly the time of recording of the transactions, but the BSI Manual recommends the recording on the delivery date, in line with IAS/IFRS. The Manual recognises that the trade date may be used if such a practice is followed in the accounting provisions, but if it leads to significant distortions with reference to the settlement date, the national central bank should make adjustments to remove such distortions.

The CRR does not regulate the time of recording of the transactions. It establishes capital requirements for "settlement risk" and "free deliveries" that reveal the way in which financial instruments are transacted.

On the one hand, "free deliveries" are transactions in which delivery and payment are not simultaneous; they include both transactions in which the payment has been made before the delivery of the financial asset, and transactions in which the delivery has been made before receiving the payment.[33] On the other hand, "settlement risk" capital requirements relate to transactions in which the agreed price is not paid on the delivery due date. These capital requirements illustrate the importance of distinguishing between "trade date", "delivery date" and "payment date".

The capital treatment for "free deliveries" is established in the following table.

33 Annex II, point 2 of the amended Capital Adequacy Directive (CAD), Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast). See http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02006L0049-20110104&rid=1.

Table 3 Capital treatment for "free deliveries"

Transaction Type	Up to first contractual payment or delivery leg	From first contractual payment or delivery leg up to four days after second contractual payment or delivery leg	From five business days after second contractual payment or delivery leg until extinction of the transaction
Free delivery	No capital charge	Treat as an exposure	Deduct value transferred plus current positive exposure from own funds

This means that if the time of recording is the "trade date", a financial asset that is being acquired should be recorded but excluded from the exposures subject to capital charge until the first contractual payment or delivery leg.

On the other hand, if the time of recording is the "delivery date", no exposure would be recorded until the first leg, because that is when the exposure appears.

The IFRS 9/IAS 39 (FINREP) criteria raise the following concerns:

- options introduce complexity and reduce comparability across entities;
- the choice of the "time of recording" should depend on the terms of the transaction (i.e. when the ability to exercise the rights associated with the financial assets is received/transferred) and not the measurement applied for the instrument (as currently happens);
- the approach chosen should depend on the terms of the transaction and not the measurement applied for the instrument (as currently happens).

The MFI criteria recommend only one approach. For reconciliation purposes and to increase the data quality, it would be appropriate to follow the same approach in both MFI statistics and in FINREP.

To harmonise BSI statistics with the IFRS 9/IAS 39 (FINREP) criteria, the JEGR proposed to its sponsors to record transactions at the date at which the ability to exercise the rights associated with the financial assets transacted in is received/transferred ("delivery date"). The BSI Manual reflects this proposal.

As illustrated in Table 4, the proposal is to select the most meaningful option from a financial point of view: a transaction is recorded when the reporting entity is able to exercise the associated rights. In principle, the cost of this change would be limited; many Large Banking Groups (LBGs) operate in this way.

Furthermore, for some transactions, the IFRS 9/IAS 39 "trade date" is also the "settlement date", and thus no option is available in practice. This change would also bring the accounting of "free deliveries" closer to the CRR because it would avoid the recording of "free deliveries" not subject to capital charge. This change could coincide with the implementation of IFRS 9.

In conclusion, to reconcile the BSI and FINREP criteria, it is proposed to record transactions at the date on which the ability to exercise the rights associated with the financial assets transacted in, is received/transferred ("delivery date"). This recommendation has been included in the BSI Manual.

Table 4 Type of instrument and time of recording

Type of instrument	BSI statistics	IFRS 9/IAS 39 (FINREP)	Proposal
Loans	**"Settlement date"** (settlement = payment)		"Delivery date" (normally "payment date")
Of which: deposits foreign exchange transactions	**"Settlement date"** (settlement = payment) or "trade date"	"Trade date" or **"settlement date"** (settlement = delivery)	"Delivery date" (normally "payment date")
Debt securities	**"Settlement date"** (settlement = payment) or "trade date"		"Delivery date" (normally "payment date")
Equity instruments	"Settlement date" (settlement = payment) or **"trade date"**		"Delivery date" (normally "trade date")

3.3.2.4 Treatment of accrued interest

In statistical balance sheet reporting, MFIs must follow the general principle of accruals accounting, i.e. accrued interest should be subject to on-balance sheet recording as it accrues (accrual basis) rather than when it is actually paid or received (cash basis). To ensure the valuation of loans and deposits is at nominal value, it is stated in Annex II of the BSI Regulation that accrued interest on loans (deposits) should be reported under remaining assets (liabilities). Where interest accrued on balance sheet items other than loans and deposits (i.e. debt securities held and debt securities issued) should be recorded is less clear. The MFS Guideline recommends recording accrued interest on a gross basis under "remaining assets/remaining liabilities", with the exception of accrued interest that is intrinsic to the market price, for example on deep-discounted and zero coupon bonds, which MFIs may include in the value of the securities (i.e. with the underlying instrument). The MFS Guideline[34] also requires national central banks to provide separate data on accrued interest where available. It may be worth noting that the ESA 2010[35] requires accrued interest to be recorded with the financial instrument to which it relates.

Although requesting accrual accounting, the IAS/IFRS do not give a clear-cut answer on whether unpaid accrued interest should be accounted for in a separate "caption" of the balance sheet or be included in the financial instrument to which it relates, implicitly leaving this decision to the credit institution. In the FINREP framework, unpaid accrued interest should be included in the category of financial instrument to which it relates (i.e. not in a separate "caption"). On the income statement, interest income and interest expenses relating to financial instruments held for trading and financial instruments designated at fair value through profit or loss may be reported either as part of interest income and expense ("clean pricing") or under net gains (losses) from these categories of instruments ("dirty pricing").

In conclusion, BSI and FINREP requirements are consistent in recording interest on an accruals basis, but differ in their requirement regarding the classification of accrued interest not yet paid. The BSI Regulation requires accrued interest on loans and deposits to be reported under remaining assets liabilities; in FINREP, accrued interest is recorded with the underlying instrument. The MFS Guideline requires accrued interest to be separately reported where available, and the BSI

34 Guideline ECB/2014/15.

35 Please see http://epp.eurostat.ec.europa.eu/portal/page/portal/esa_2010/introduction (paragraph 5.242).

regulation has also introduced of-which positions for this purpose. The amounts for deposits, loans and debt securities can, therefore, be reconciled with those recorded in FINREP.

3.3.2.5 Recognition and derecognition

The requirements concerning reporting of securitisations in the BSI Regulation (ECB/2013/33), and in complementary reporting by financial vehicle corporations (FVCs) under Regulation ECB/2013/33, are designed to prevent loans which are the subject of securitisations from dropping out of the recording, or from being recorded twice, and – where they are removed from the balance sheet of the originating MFI – to ensure that relevant information about them subsequently is retained as it would have been if they had remained on the balance sheet of the originator. In the absence of further information, removal of loans from the MFI balance sheet ("traditional" securitisation with derecognition) will give the impression that loans have been repaid, whereas the borrower has experienced no withdrawal of credit. In traditional securitisation without derecognition, and in synthetic securitisation, the loans remain on the balance sheet of the originating MFI. The BSI Regulation states how securitisation should be recorded rather than setting rules and specific approaches for recognition/derecognition. Concerning the data reported up to November 2009 according to Regulation ECB/2008/32, the general rules in Article 7 applied (i.e. the reference to the national transposition of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, and in any other international standards). As a consequence, depending on national practices, the derecognition of assets was linked to the transfer of ownership or to the transfer of all the risks and rewards of ownership.

The ECB/2013/33 BSI regulation allows central banks to refer to either the IAS/IFRS approach or the local GAAPs when dealing with (de)recognition of assets, while specifying some reporting requirements for loan securitisations and other loan transfers. In particular, the ECB/2013/33 Regulation states that:

- "*derecognition means the removal of a loan or part thereof from the stocks (...), including its removal due to the application of a derogation referred to in Article 9(4)*" (Annex I Part 5);

- "*derogations may be granted to MFIs in respect of the statistical reporting of loans that are disposed of by means of a securitisation. MFIs applying the IAS 39 or similar national accounting rules may be allowed by their NCB to exclude from the stocks (…) any loans disposed of by means of a securitisation in accordance with national practice, provided that this practice is applied by all resident MFIs.*" (Article 9.4);

- "*loans disposed of during a warehousing phase*[36] *in a securitisation are treated as if they were already securitised*" (Annex I Part 5).

Moreover, the BSI Regulation requires the following separate statistical data in order to make a bridge between different national accounting practices:

- *net flows of loans securitised or otherwise transferred: transactions with impact on reported loan stocks calculated as disposal minus acquisitions;*

36 When the securitisation is not yet completed because securities or similar instruments have not yet been issued to investors.

– *net flows of loans securitised or otherwise transferred: transactions without impact on reported loan stocks calculated as disposal minus acquisitions;*

– in the case of MFIs applying the IAS 39 or similar rules: *outstanding amounts of securitised loans not derecognised*.

Under IAS/IFRS, the (de)recognition rules are described in Box 4. The IAS/IFRS rules (specifically IAS 39) state that, in case of partial transfer of risks/rewards, the securitised loans should not be derecognised. If these rules were applied in the statistical framework, securitised loans would be booked both in the balance sheet of the originating MFI and in that of the purchasing FVC. To avoid double-counting, the BSI Regulation requires the separate identification of loans securitised via FVCs, but which nevertheless remain on the MFI's balance sheet, together with the counterpart liability (which reflects the payment that the originating MFI will have received for the loans, despite retaining them on its balance sheet). National central banks may ask credit institutions to follow the same IAS 39-based approach as in FINREP for their statistical reporting, in order to reduce reporting costs.

FINREP Template 15, Derecognition and financial liabilities associated with transferred financial assets, provides information on the carrying amount of financial assets entirely recognised on the balance sheet, with assets securitised (but retained on the balance sheet) as an "of-which" item. In particular, Table 15 is used to report transferred financial assets part or all of which do not qualify for derecognition (see IAS 39.15-37), and financial assets entirely derecognised for which the entity retains servicing rights. To provide a link with COREP, the table includes a column for financial assets that are derecognised for capital adequacy purposes. The associated liabilities should be reported in this template according to the portfolio in which the related transferred financial assets are included (not according to the portfolio in which they are included on the liability side).

This information is broken down by IFRS portfolio and by instrument. The data on securitised loans can therefore be linked with the BSI item "outstanding amount of securitised loans not derecognised". The only difference is the valuation, since FINREP data are reported at the carrying amount, while BSI data are reported at nominal value. The link between FINREP and BSI can be summarised as follows:

– FINREP, Template 15, rows "loans and advances" (held for trading, designated at fair value through profit and loss, available for sale, loans and receivables, held-to-maturity), column "financial assets entirely recognised – transferred assets: of which securitisation";

– BSI, Table 5a, row 5 (Outstanding amounts of securitised loans not derecognised), columns (domestic, other participating countries and rest of the world, i.e. information on the residence status of the debtors).

In conclusion, for BSI data, (de)recognition practices may now follow either the IAS/IFRS approach or local GAAP. Detailed statistical reporting requirements do, however, enable the data derived from the different accounting approaches to be bridged.

Box 4

IAS 39 RULES FOR THE (DE)RECOGNITION OF ASSETS/LIABILITIES

IAS 39 (paragraphs 14 to 42) describes in detail the conditions that should be fulfilled for recognition and derecognition of financial assets and liabilities. Due to the complexity of the conditions for derecognition of financial assets, IAS 39.AG36 provides an explanatory flow chart and the FINREP framework contains a table (Table 15) for collecting detailed information on transfers of financial assets.

In addition to the "regular way purchase or sale of a financial asset", which should be recognised and derecognised using the trading date or the settlement date (see Section 3.3.2.3), financial assets should be derecognised when the contractual rights to the cash flows from a financial asset expire or when the financial asset is deemed to be transferred, and the transfer qualifies for derecognition.

An institution is deemed to have transferred an asset if, and only if, it either: a) transfers the contractual rights to receive the cash flows arising from the financial asset, or b) retains the contractual rights to receive these cash flows, but assumes a contractual obligation to pay them to one or more recipients in an arrangement that meets certain conditions (specified in IAS 39.19).

The transfer of a financial asset qualifies for derecognition when substantially all the risks and rewards of owning it are also transferred. In this case, any financial assets or liabilities created or retained because of the transfer should be treated separately. If, however, substantially all the risks and rewards of ownership of a financial asset are retained, the entity must continue to recognise the financial asset in its balance sheet.[1] If the risks and rewards of ownership of a financial asset are neither transferred nor retained, the entity should derecognise the financial asset if it has not retained control over it and keep it in the balance sheet to the extent that it has not relinquished control (IAS 39.20.c).[2] When an entity continues to recognise a transferred financial asset, the entity also recognises an associated liability; the net carrying amount of the financial asset and the associated liability reflect the rights and obligations retained by the entity.

The rules presented in the previous paragraphs for derecognition of a financial asset under IAS may apply either to only a part of a financial asset (or group of financial assets) or to its entirety. It should apply to only a part of it if that part comprises: a) specifically identified cash flows (e.g. all interest cash flows), b) a fully proportionate (pro rata) share of the cash flows (e.g. 90% of all cash flows), or c) a fully proportionate (pro rata) share of specifically identified cash flows (e.g. 90% of all interest cash flows). In all other cases, the rules for derecognition apply to the financial asset (or group of financial assets) in its entirety.[3] Partial derecognition of financial assets under IAS 39 leads to a reduction of the outstanding nominal amount.

A financial liability (or a part of a financial liability) should be removed from the balance sheet when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled, or expires (IAS 39.39-42).

1 See IAS 39.21-22 for more details on how to evaluate the degree to which risks and rewards are transferred.
2 IAS 39.23 elaborates on the concept of control.
3 For example, when the rights to 90% of the cash flows from a group of receivables are transferred, but the entity provides a guarantee to compensate the buyer for any credit losses, the rules for derecognition should apply to the group of receivables in its entirety.

3.3.2.6 Netting (offsetting) arrangements

In terms of netting (offsetting) arrangements, Article 8 of the BSI Regulation states that without prejudice to the netting practices prevailing in the national GAAP, all financial assets and liabilities must be reported on a gross basis for monetary statistics purposes.

The BSI Manual states that the principle of gross reporting should be applied, in particular, to loans and deposits. Gross reporting means for example, that a loan extended to a customer must not be offset against a deposit held by the same customer. Previous BSI guidance[37] stated that as an exception, loans/deposits could be presented in net terms if credit and debit balances had identical features, i.e. if they were vis-à-vis the same customer (resident in the same territory of the reporting MFI), were in the same currency, and had the same original maturity, and if the right of set-off was enforceable by law.[38] This condition was very restrictive, and in practice permitted almost no netting. In the BSI Manual, this possibility of netting has been discarded; accordingly, netting of loans/deposits is not allowed. The only exception to the rule of gross recording concerns the treatment of holdings by an MFI of shares and debt securities which it has itself issued and where own holdings should be deducted from the amount outstanding.

As prescribed by IAS 32.42[39] and consequently by FINREP, a financial asset and a financial liability are to be offset and the net amount presented in the balance sheet when, and only when, an entity: currently has a legally enforceable right to set off the recognised amounts (i.e. same condition as hitherto in BSI statistics); and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity must not offset the transferred asset and the associated liability. IAS 32.43 elaborates further: the presentation of financial assets and financial liabilities must be on a net basis when net recording reflects an entity's expected future cash flows from settling two or more separate financial instruments. In other circumstances, financial assets and financial liabilities are presented separately from each other consistently with their characteristics as resources or obligations of the entity. Upon fulfilment of the two criteria defined in IAS 32.42, an entity that undertakes a number of transactions in financial instruments with a single counterparty may enter into a "master netting arrangement" with that counterparty. Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract (IAS 32.50).

IAS 32.33 states that an entity which reacquires its own equity instruments ("treasury shares") must deduct them from equity issued and separately disclose them in financial statements. Similarly, IAS 39.AG 58 states that if an issuer of a debt instrument repurchases that instrument, the debt is extinguished even if the issuer is a market maker or intends to resell the instrument in the near future. This is the same as the treatment of "own holdings" in MFI balance sheet statistics.

When a bank securitises a loan through an FVC, but does not derecognise the loan for accounting purposes, a new liability is recorded for the compensation received. If the bank buys securities issued by the FVC to finance the acquisition of the loans, under BSI rules, the bank (MFI) must recognise these securities as an asset. IAS 39, on the other hand, requires the bank to offset the

37 In "Guidance notes to the Regulation ECB/2001/13 on the MFI balance sheet statistics".

38 Enforceable by law means that the set-off arrangement would be enforceable in the relevant national jurisdiction in case of default, liquidation or bankruptcy of the customer or liquidation of the reporting institution.

39 IAS 1.32-35 establishes as a general principle, that assets and liabilities, and incomes and expenses, cannot be offset, unless allowed by another IFRS.

securities against the liability to avoid the duplication of assets. This treatment is different from the accounting treatment applied to the acquisition of own debt instruments as explained above.

In conclusion, the rules defined in the IAS/IFRS for balance sheet recognition on a gross basis are in line with the requirements for monetary statistics reporting. In very limited circumstances, i.e. the right of set-off is enforceable by law, net recording is allowed under FINREP.

3.3.2.7 Impairment of assets (basis of recording)

As mentioned in Section 3.3.2.2, the BSI Regulation requires loans to be recorded at nominal value gross of all related provisions, i.e. impairment losses or amounts recorded in allowance accounts. Thus, credit losses are generally not recorded through provisions or allowances. Central banks may, however, allow the reporting of loans net of provisions, provided that such reporting practice is applied by all resident reporters. Loans recorded gross of provisions should continue to be so recorded until the loans are written off or written down as partly or totally unrecoverable (impaired), at which point the loans are fully (written off) or partly (written down) removed from the balance sheet. As some countries may record loans net of specific provisions, while others record them at full value until written off or written down, there may be some discrepancies across countries arising from the timing of derecognition.

IAS 39.59 specifies the conditions for the identification of impaired assets and the recognition of impairment losses. In this context, impairment losses are equivalent to the amount of allowances and write downs and write offs, i.e. the amount eliminated from the balance sheet and recognised directly in profit or loss. There must be evidence of impairment as a result of one or more (loss) events that occurred after the initial recognition of the asset, and that event (or events) must have an impact that can be reliably estimated. Several examples of loss events are provided in the standard: the breach of a contract, such as a default or delinquency in interest or principal payments, is the most common and evident.

For financial assets carried at amortised cost (i.e. loans and receivables or held-to-maturity investments), if there is evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is then reduced either directly or through use of an allowance account, and the amount of the loss must be recognised in profit and loss (IAS 39.63). In other words, the balance sheet values of loans and receivables are measured net of impairment losses, providing a proxy for market value. The impairment loss is deducted from the loan directly or through the use of an allowance account.

For financial assets measured at fair value through profit or loss, impairment losses are recognised implicitly in the fair value accounting.

The accumulated credit losses implicit in changes in fair value must be disclosed in the annual accounts in the case of loans designated at fair value, and FINREP also requires that this amount be disclosed for financial assets classified in the trading category.

In conclusion, in the BSI reporting scheme, loans should be reported gross of all impairment allowances (although there are permitted exceptions); in FINREP, they are reported in the balance sheet net of the accumulated impairment losses. Hence, the two reporting frameworks may deviate as regards the recording of impaired loans, but reconciliation at the conceptual level is possible (see Section 3.3.2.2 and Annex 7.3.1).

3.3.3 BREAKDOWNS

This subsection covers the four main balance sheet breakdowns in BSI and FINREP, namely: a) residency and geographical breakdown, b) counterpart sector breakdown, c) maturity breakdown, and d) instruments and products breakdown.

3.3.3.1 Residency and geographical breakdown

The compilation of monetary aggregates for the euro area requires MFIs to identify counterparties resident in the euro area who are in the money-holding sectors (see Section 3.1.1). Thus MFIs resident in the euro area are required to report positions vis-à-vis other residents of the euro area broken down by sector.

The residency concept in the BSI Regulation follows the ESA 2010, which in turn provides the methodological basis for the compilation of macroeconomic statistical aggregates based on the residency principle. The residency principle is based on the concepts of economic territory and centre of economic interest. An institutional unit is deemed resident in an economic territory, which consists of a geographic territory administered by a government, when it engages and intends to continue engaging in economic activities and transactions on a significant scale in that territory. In essence, an institutional unit is a resident of the economy in which it is located. The SNA 2008, the ESA 2010, the 6th edition of the IMF's *Balance of Payments and International Investment Position Manual* and the BSI Regulation make clear that the residence of each institutional unit is the economic territory with which it has the strongest connection, expressed as its centre of predominant economic interest.

In BSI statistics, the breakdown by residence is: domestic, resident elsewhere in the euro area and resident in the rest of the world (i.e. outside the euro area). Additionally, the Regulation requires country-by-country information on some positions with counterparties resident in EU countries.

In FINREP, Template 20 provides a geographical breakdown for:

– assets, liabilities and statement of profit or loss items by location of the activities: domestic and non-domestic;

– assets, off-balance sheet exposures, liabilities, loans and advances to non-financial corporations (by NACE codes) by residence of the counterparty: country of residence (as z-axis).

In conclusion, the residency concepts in the BSI Regulation and the FINREP Instructions on geographical breakdown are consistent.

3.3.3.2 Counterpart sector breakdown

ESA 2010 groups institutional units resident in an economy (usually a country or a group of countries, e.g. the euro area) into five mutually exclusive institutional sectors (nonfinancial corporations, financial corporations, general government, households and non-profit institutions serving households) based on their principal functions, behaviour and objectives. Financial corporations and general government are divided into sub-sectors. Non-residents of the economy comprise the rest of the world and transactions and positions of residents with them are recorded in the rest of the world column. The BSI Regulation follows this sectorisation, except that households and non-profit institutions serving households are merged. For purposes of monetary statistics, the distinction between money-issuing and money-holding sectors is critical.

The FINREP framework also provides a harmonised counterparty breakdown for the information, reported in various tables as follows:[40]

– Central banks.

– General governments: central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity (which shall be reported under "non-financial corporations"); social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements.

– Credit institutions: banks and multilateral banks.

– Other financial corporations: all financial corporations and quasi-corporations other than credit institutions such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses, as well as remaining financial intermediaries and financial auxiliaries.

– Non-financial corporations: corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB BSI Regulation.

– Households: individuals or groups of individuals as consumers, and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households and which are principally engaged in the production of non-market goods and services intended for particular groups of households are included.

The revised FINREP counterparty breakdown is also based on the nature of the direct counterparty. The FINREP Instructions define the harmonised counterparty breakdown with two correspondence tables[41] in order to map economic sector allocations in FINREP to exposures classes in the COREP framework. While some methodological differences exist between the counterpart sector breakdowns in the BSI and FINREP reporting schemes, Table 5 below reconciles them. This bridging has become easier under the revised FINREP and past JEGR recommendations related to counterpart breakdown have allowed almost full reconciliation. The exception is the FINREP sector "Other financial corporations", which may include some MFIs along with entities that meet the BSI definition of OFIs and multilateral banks, which are classified as credit institutions in FINREP but which may be classified as MFI or OFI depending on the nature of their activities.

40 See Annex V of the ITS, Reporting on Financial Information, Part 1, Chapter 6.
41 See Annex V of the ITS, Reporting on Financial Information, Part 3.

Table 5 ESA 2010, BSI and FINREP sector breakdowns

<table>
<tr><td rowspan="3">ESA2010</td><td colspan="8">S.12 Financial corporations</td></tr>
<tr><td colspan="4">Monetary Financial Institutions (MFIs)
(ECB definition)</td><td colspan="4">Financial corporations except MFIs and Insurance corporations and pension funds</td></tr>
<tr><td>S.121
Central banks</td><td colspan="2">S.122
Deposit-taking corporatios except the central bank</td><td>S.123
Money market funds (MMFs)</td><td>S.124
Non-MMF investment funds</td><td>S.125
Other financial intermediaries, except insurance corporations and pension funds</td><td>S.126
Financial auxiliaries</td><td>S.127
Captive financial institutions and money lenders</td></tr>
<tr><td rowspan="3">BSI</td><td colspan="4">MFIs</td><td colspan="4">Non-MFIs</td></tr>
<tr><td rowspan="2">S.121
Central banks</td><td colspan="2">S.122
Deposit-taking corporatios except the central bank</td><td rowspan="2">S.123
Money market funds (MMFs)</td><td rowspan="2">S.124
Non-MMF investment funds</td><td colspan="3">Other financial intermediaries + financial auxiliaries + captive financial institutions and money lenders (S.125+S.126+S.127)</td></tr>
<tr><td>Credit institutions (CRR definition)</td><td>Deposit-taking corporations other than credit institutions</td><td>of which: Financial Vehicle Corporations (FVCs)</td><td>of which: Central Counter Parties (CCPs)</td><td></td></tr>
<tr><td>FINREP final ITS</td><td>Central banks</td><td colspan="2">Credit institutions (CRR definition)</td><td colspan="5">Other financial corporations</td></tr>
</table>

Legend:

Money-issuing sector in BSI (bold bordering line)

Money-holding sector in BSI (double bordering line)

Notes: The distinction between money-issuing and money-holding sectors is not exact. In some countries, post office giro institutions (classified as non-financial corporations (S.11)) and central government (S.1311) have monetary liabilities, which are reported separately and added into the monetary aggregates. This point apart, central government is "money-neutral" – neither money-issuing nor money-holding – in a similar way to the rest of the world.
Multilateral banks can be classified as MFI or as other financial intermediaries in BSI.

Table 6 provides reconciliation with the CRR exposure classes. The CRR has two approaches to classifying exposure classes. In the Internal Ratings Based (IRB) approach, the banking exposures are classified in one of the "exposures classes" included in the first column of Table 6. In the standardised approach, in addition to these classes, the exposures can also be assigned to the additional items listed in Table 6, depending on the circumstances of the book entries.

Each exposure (or part of them, where appropriate) must be assigned to only one of the exposure classes. This poses a difficulty for aggregations at the sector level, e.g. for macroprudential analysis purposes, because if, for instance, there is a need to assess the total amount of banks' exposures to the retail sector, COREP data would exclude exposures to retail, which are nonetheless recorded as "Secured by mortgages on immovable property", "in default", "securitisation positions", etc. Reconciliation is therefore necessary.

As noted earlier, whereas the BSI sector breakdown applies to the classification of units resident in the euro area (with a separate, less detailed, classification for non-euro area residents), the FINREP counterpart breakdown is used in the classification of all institutions with which the credit institution

Table 5 ESA 2010, BSI and FINREP sector breakdowns

Insurance corporations and pension funds (ICPFs)		S.11 Non-financial corporations	S.13 General government				S.14 Households	S.15 Non-profit institutions serving households
S.128 Insurance corporations	S.129 Pension funds		S.1311 Central government (excluding social security funds)	S.1312 State government (excluding social security funds)	S.1313 Local government (excluding social security funds)	S.1314 Social security funds		
S.128 Insurance corporations	S.129 Pension funds	S.11 Non-financial corporations	S.13 General government				Households + non-profit institutions serving households (S.14+S.15)	
			S.1311 Central government (excluding social security funds)	Other General Government (S.1312+S.1313+S.1314)				
		Non-financial corporations (ECB BSI definition)	General governments				Households	

has positions (that is to say, a non-resident counterpart would be classified indistinguishably from a similar resident counterpart).

In some countries, bridging the different counterpart sector breakdowns is important for the banking industry, since the management of these different datasets is considered costly for banks. In such countries, reconciling these different datasets is a significant element in reducing credit institutions' reporting burden; in other countries, national authorities have developed different tools to overcome these difficulties.

The counterpart sector breakdowns of ESA 2010, BSI and FINREP are reconciled in Table 5; Table 6 illustrates the relationship between FINREP and the CRR exposure classes.

In conclusion, the revised FINREP has removed most differences from the BSI in the definition of counterpart sectors. In particular, a bridging template for counterparty breakdowns allows reconciliation between the two reporting schemes for loans and for advances and deposits, in selected templates. The CRR exposure classes have also been linked, but in practice a numerical reconciliation may be difficult to achieve, except for IRB banks. Reconciliation is, therefore, necessary, not least for the purpose of a consistent analysis

3.3.3.3 Maturity breakdown

The BSI Regulation requires a breakdown of positions mainly according to original maturity, i.e. the maturity at inception or at issue, with the exception of deposits redeemable at notice, where period of notice is the relevant maturity concept.[42] The original maturity cut-offs are considered to provide a good indication of the nature of the financial instrument and the intentions of the holder;

Table 6 CRR exposure classes versus FINREP counterpart sectors

FINREP		Central banks	Credit institutions (CRR definition)	Other financial corporations	Non-financial corporations (ECB BSI definition)	General governments	Households
CRR SA exposure classes vs FINREP counter party sectors	Central governments or central banks						
	Regional governments or local authorities						
	Public sector entities						
	Multilateral development banks						
	International organisations						
	Institutions (i.e. credit institutions and investment firms)						
	Corporates						
	Retail						
	Secured by mortgages on immovable property						
	In default and Items associated with particularly high risk						
	Covered bonds						
	Securitisation positions						
	Institutions and corporates with a short-term credit assessment						
	Collective investment undertakings	Equity instruments					
	Equity	Equity instruments					
	Other items	Various items of the balance sheet					
CRR IRBA exposure classes vs FINREP counter party sectors	Central governments and central banks						
	Institutions (i.e. credit institution and investment firms as well as some general governments and multilateral banks)						
	Corporates						
	Retail						
	Securitisation positions						
	Equity	Equity instruments					
	Other non-credit obligations	Various items of the balance sheet					

42 Part 2 of Annex II of the BSI Regulation provides a definition of the maturity concepts used in the Regulation.

the definitions of the various monetary aggregates are based partly on original maturity. The focus in the ESA 2010 is on the original (rather than residual) maturity. On the liability side, the cut-offs for relevant deposits and debt securities issued are 1 and 2 years' maturity at issue or 3 months' notice (some deposits only). On the asset side, the cut-offs are 1 and 2 years' maturity at issue for holdings of debt securities and 1 and 5 years' original maturity for loans. The BSI Regulation also requires breakdowns by remaining maturity (1, 2 years) and rate reset interval (12, 24 months) for euro-denominated loans to non-financial corporations and households.

For the purpose of liquidity risk analysis, IFRS 7.39 requires credit institutions to disclose the remaining contractual maturities of liabilities. Credit institutions are free to decide on the time bands, but IFRS 7 (Appendix B) provides an example (up to 1 month, between 1 and 3 months, between 3 months and 1 year, between 1 and 5 years, over 5 years). This breakdown in appendix B of IFRS 7 is for guidance purposes only and is not part of FINREP. Furthermore, the liquidity templates in the ITS on supervisory reporting, which translate the reporting requirements in Article 415 of the CRR, have detailed breakdowns by residual maturity. It is widely recognised that for financial supervision and financial stability analysis, residual maturity (i.e. remaining maturity at balance sheet date) is the relevant concept, as it provides a better framework for risk assessment. This is also the maturity concept used throughout the CRR for credit risk weighting.

In conclusion, the BSI requirements specify the classification of financial assets and liabilities, mainly according to their original maturity, but for some breakdowns, according to residual maturity. FINREP has no requirements in terms of original or residual maturity breakdowns, although IFRS 7 requires institutions to disclose remaining (residual) contractual maturities of liabilities, but time bands are not standardised. Moreover, it is worth noting that liquidity reporting under the ITS on supervisory reporting is organised around residual maturities.

3.3.3.4 Instruments and products

One of the main elements in the definition of the euro area monetary aggregates and their counterparts is the selection of the MFI liabilities and assets (financial instruments). The euro area monetary aggregates differ with regard to the degree of liquidity (assessed on the basis of the criteria of transferability, convertibility, price certainty and marketability) of the MFI liabilities they include. Thus, one of the main BSI requirements is the breakdown of MFI liabilities by instrument. The counterparts to broad money (M3) comprise the non-monetary liabilities of MFIs and their assets (also broken down by instrument), arranged in an analytically useful way.

IAS 39 requires financial assets and liabilities to be grouped in "portfolios", but without prescribing a rigid format for the disclosure. In particular, IFRS 7.8 allows credit institutions to report financial instruments by IAS 39 portfolios either in the balance sheet (as in FINREP) or in the notes. When IAS 39 portfolios are disclosed in the notes, IFRS 7.6 requires an analysis by class of financial instrument with sufficient information to permit reconciliation with the line items in the balance sheet. Thus, IFRS 7 allows a classification by class of financial instruments and the requirements applicable to determine these classes (IFRS 7.B1-B2) constrain the way in which financial instruments are presented in the balance sheet. Under FINREP, this constraint has been solved: at the first level of the FINREP balance sheet, the information is organised by portfolio, and only at a second level are data broken down by financial instrument. Annex 7.3.2 provides in a tabular format the equivalence between the MFIs' main balance sheet items, as defined in the BSI Regulation and the FINREP requirements.

FINREP Template 5 introduces a "breakdown of loans and advances by product" with direct references to the definitions of the ECB BSI regulation in Annex V of the ITS on supervisory reporting, as IAS/IFRS do not include definitions for all the items used. IAS/IFRS provides definitions only for two items, finance leases and reverse repurchase loans. The link between the revised FINREP framework and the BSI Regulation is, however, explicit. Further links regarding the instrument "equity" are described in sub-section 3.3.4.4.

In conclusion, it is possible to set up a bridge between the instruments requested in the two reporting schemes, despite some differences in their balance sheet structure. This bridging may be facilitated if the IAS/IFRS accounting flexibility is used to bring FINREP closer to the BSI requirements when appropriate, with the main exception of IFRS categories "Noncurrent assets held for sale" and "Discontinued operations" (see sub-section 3.3.4.2 below). Moreover, the FINREP Instructions on breakdown by type of loan cross-refer to the statistical definitions.

3.3.4 TREATMENT OF SPECIFIC ITEMS

This sub-section covers the treatment of four specific items in BSI and FINREP, namely: a) collateral and guarantees, b) non-current assets held for sale and discontinued operations, c) preference shares (liabilities side) and d) equity (assets side).

3.3.4.1 Collateral and guarantees

For each type of loan to non-financial corporations (NFCs) and for loans to households (HHs) broken down by purpose (consumer credit, house purchase, and other lending), the BSI Regulation requires the amount secured by immovable property collateral with an outstanding loan/collateral ratio of 1 or below 1 to be reported. The treatment in the CRR refers to residential and commercial real estate properties, but is not applicable to other types of real estate collateral (for example, the acquisition of a second residence). Under FINREP, Template 5 has a breakdown of loans and advances by product, and the item "mortgage loans (loans collateralised by immovable property)" includes any loan formally backed by real estate (residential and commercial immovable property) collateral, independently of its loan-to-value ratio.

In addition, Table 13.1 provides information on the carrying amount of loans and advances backed by pledges of collateral (real estate and/or other assets) or by financial guarantees. The maximum collateral/guarantee that can be considered cannot exceed the amount of the related loan.[43] Collateralised "loans and advances" are broken down into mortgage loans (loans collateralised by immovable property: residential/commercial), other collateralised loans (cash/rest) and financial guarantees received.

In conclusion, the BSI framework uses the CRR definition of real estate collateral with a loan-to-value ratio of 1 or below. In FINREP, mortgage loans include loans collateralised with commercial and residential immovable property, regardless of the loan-to-value ratio. BSI real estate collateralised loans are, therefore, a subset of FINREP mortgage loans.

43 For example, if a loan of €1 million is covered by a pledge of securities with a fair value of €1.5 million, the maximum collateral that can be considered is €1 million.

3.3.4.2 Non-current assets held for sale, discontinued operations and liabilities included in disposal groups classified as held for sale

In the BSI framework, loans and holdings of debt securities and equity instruments (or any other asset) must be classified in the relevant instrument category whether or not they meet the criteria in IFRS 5 to be classified as "held for sale".

IFRS 5.38 requires an entity to present a non-current asset held for sale and the assets of a disposal group[44] (possibly with some associated liabilities, which an entity intends to dispose of in a single transaction) separately from other assets in the balance sheet. The liabilities of a disposal group must also be presented separately from other liabilities in the balance sheet. In FINREP, non-current assets held for sale and the assets of a disposal group are presented together in a single line item; the liabilities of a disposal group are also presented together in another line item. FINREP does not envisage any further template disclosing the components of the assets and liabilities included in the categories "held for sale" and "discontinued operations".

In conclusion, bridging financial instruments in BSI and FINREP remains difficult owing to the IFRS presentation of non-current assets held for sale and assets of a disposal group in a single line item ("including financial assets"), together with the presentation of liabilities of a disposal group in another line item ("including financial liabilities"): in fact, FINREP does not require further breakdown by type of instrument of these assets and liabilities.

3.3.4.3 Preference shares (liabilities side)

The FINREP Instructions and the BSI Regulation do not provide many details on the treatment of preference shares on the liabilities side of the balance sheet.

According to IAS 32, these instruments should be treated as debt or equity depending on certain criteria. In the BSI reporting, however, these instruments may be recorded as "capital and reserves". It is, therefore, useful to ensure a correct classification of these instruments in both reporting frameworks. If a different treatment is not justified, reconciliation may be possible. A preference share is a special type of share that may have any combination of features not possessed by common stocks. The following features are usually associated with preference shares:

– preference in dividends;

– preference in assets in the event of liquidation;

– convertible into common stock;

– callable at the option of the issuer;

– non-voting.

A preference share can either be cumulative or non-cumulative: a cumulative preferred share requires that if a company fails to pay any dividend, or pays an amount below the stated rate, it must make up for it at a later stage.

44 The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting impairment loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

The BSI Regulation defines capital and reserves as, "the amounts arising from the issue of equity capital… representing for the holder property rights in the MFI and generally an entitlement to a share in its profits and to a share in its own funds in the event of liquidation". No specific guidance on the treatment of preference shares is given. However, the term "equity capital" points towards Article 22 of the Banking Accounts Directive, which makes no distinction between common shares and preference shares. This means that preference shares, irrespective of their different rights, may be regarded as part of the item "capital and reserves".

According to Article 22 of the Banking Accounts Directive, "subscribed capital" comprises "all amounts, regardless of their actual designations, which, in accordance with the legal structure of the institution concerned, are regarded under national law as equity capital". Thus, in the Banking Accounts Directive, the definition of subscribed capital adopted for BSI purposes, "capital and reserves" follows a legal approach and is focused on whether the instruments issued are regarded as capital under national law (without regarding the economic rights associated to then). This means that preference shares with economic rights that are different from those of the ordinary shares (i.e. non-discretionary remuneration, mandatory redemption, or both) would be regarded as part of the item "capital and reserves", if so allowed or requested by national legislation.

In contrast to this legal approach, the second part of the BSI definition (represents property rights on corporations or quasi-corporations; a claim on residual value after the claims of all creditors have been met) indicates a need to perform an analysis of the economic right associated with these instruments. This approach is also hinted at in Annex II, Part 2.9.e of the BSI Regulation, where it is established that shares issued are classified as "Deposits" instead of as "Capital and reserves" if "*there is a debtor-creditor economic relationship between the issuing MFI and the holder (regardless of any property rights in these shares)*". Thus, all instruments that have an entitlement to a share in profits (i.e. with discretionary remuneration) and to a share in its own funds in the event of liquidation (i.e. non-mandatorily redeemable) would be BSI "capital and reserves". In this case, capital and reserves would follow an economic approach focused on the economic rights associated with the instruments (without regard for whether they are "capital" under national law). This means that only preference shares with rights that are similar to those of ordinary shares (i.e. discretionary remuneration and non-mandatory redemption) would be regarded as part of capital and reserves.

The FINREP instructions do not explicitly treat the classification of *"preference shares"*: this implicitly implies that the general regime in IAS/IFRS is followed. IAS 32 does, in order to differentiate debt from equities, the IAS framework asserts (paragraph 16(a)): *"a critical feature in differentiating a financial liability from an equity instrument is the existence of a contractual obligation of one party to the financial instrument (the issuer) either to deliver cash or another financial asset to the other party (the holder) or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the issuer."*[45]

Referring to preference shares, AG 25 of this standard states: *"In determining whether a preference share is a financial liability or an equity instrument, an issuer assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability."*

The key distinction is between mandatorily redeemable and non-redeemable preference shares. The former are classified as a financial liability (paragraph 16A):

45 There are specific cases in the classification as liability or equity when the mandatory redeemable preference shares can be converted into common shares with a convertibility feature attached to them. In such cases, some concerns can be raised about the classification of the redeemable preference shares as liability (non-equity) as long as the issuer of the preference shares may never redeem them and there is some kind of issuer's discretion. In such a case, the proposed classification is as "equity".

"a preference share that provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability."[46]

Depending on their other features, preference shares that are non-redeemable may be classified either as a financial liability or as equity (AG 26): *"When preference shares are non-redeemable, the appropriate classification is determined by the other rights that attach to them. Classification is based on an assessment of the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. When distributions to holders of the preference shares, whether cumulative or non-cumulative, are at the discretion of the issuer, the shares are equity instruments."*

It is unclear, however, whether "*distributions to holders*" refers only to dividends or also to other benefits, and it is not clear how non-redeemable preference shares should be classified when dividend distribution is not discretionary. Also, the JEGR should clarify cases in which there is an option for the issuer to redeem the shares for cash and it is highly likely that the option will be exercised, and so preference shares are classified as liabilities when the obligation arises, i.e. the holder has an option to redeem the preference shares independent of the uncertainty as to whether it will be redeemed for cash or a financial asset.

The IAS 32 guidance regarding the classification of preferred shares, as applied in FINREP, may be summarised as follows:

1) Preference shares which are mandatorily redeemable: → financial liability (debt)

2) Non-redeemable preference shares

   – distribution of dividends is discretionary → equity

   – distribution of dividends is not discretionary → no clear-cut classification

When the IFRS refers to "distribution", this includes not only the distribution of dividends, but also cases when the entity is being wound up and any assets remaining after the satisfaction of liabilities become distributable to shareholders.

In conclusion, in order to reconcile the definitions and treatment of preferred shares (issued), the BSI Manual should provide an explanation of the classification of these instruments. A possible reconciliation could be to amend the BSI Regulation or the BSI Manual to refer explicitly to the IAS 32 approach summarised in the table above, as this is the solution adopted in FINREP.

46 According to AG25, a preferred share can be issued with various rights which an issuer should asses so as to classify the preferred share as financial liability or equity. Under such a reference system, "non-redeemable preferred shares" are not classified as a liability due to the fact that the future obligation to pay dividends is not certain (although it can be highly probable).

3.3.4.4 Equity (assets side)

The purpose of this sub-section is to explore the links between the definition of "Equity" included in the BSI Regulation and the related definitions in the IAS/IFRS, FINREP and the CRD IV/CRR.

In the BSI Regulation, "equity" instruments represent property rights, which are rights to a share in the profits of the issuer and in its own funds in the event of liquidation. The BSI Regulation distinguishes between "equity" and "investment fund shares/units" on the basis of the issuer of the instruments and their nature. Holdings of instruments that do not represent property rights and are not investment fund shares/units should be classified either as BSI "Debt securities" or as BSI "Loans" (as "holdings of nonnegotiable securities"), depending on whether or not they are negotiable. It should also be kept in mind that, according to the BSI Regulation, short positions in "equity" (and in debt securities) should be subtracted from the total amount in this instrument category to avoid double counting.

In the CRR (Article 147), the following definition of "equity exposures" applies: *"(a) non-debt exposure conveying a subordinated, residual claim on the asset or income of the issuer; and (b) debt exposures and other securities, partnerships, derivatives or other vehicles, the economic substance of which is similar to the exposures specified in point (a)"*. This definition applies to banks using the IRB approach. For the standard approach, the term "Equity exposures" is used, but not defined.

In IAS/IFRS, an "equity instrument" is defined as "*any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities*" (IAS 32.11). IFRS 9 Appendix A says that the definition of "equity instruments" is the one included in IAS 32.11. In IFRS 3, the distinction is introduced between "equity instruments" that are present "ownership" instruments and equity instruments that are not.

– Present "ownership" instruments "*entitle their holders to a proportionate share of the entity's net assets in the event of liquidation*" (IFRS 3.19). This item includes instruments such as ordinary shares, cooperative shares and undated non-cumulative preferred shares.

– The equity instruments that are not present "ownership" instruments include instruments such as preferred shares that guarantee the redemption of the nominal amount in the event of liquidation (see IFRS 3.IE44A-IE44E).

In IAS/IFRS, there are holdings of "property rights" that represent liabilities (as opposed to equity) for the issuer. For example, certain cooperative shares (included in the FINREP item "Share capital repayable on demand") are financial liabilities for the issuer but represent property rights for the holder. IFRIC 2.9 provides that, when a cooperative has the right to refuse redemption of its shares to prevent its capital falling below a certain level, the amount of shares in excess this predefined level must be classified as liabilities, while its minimum amount of shares is classified as equity.

In FINREP, holdings of "equity instruments" are: i) separately presented as a breakdown item of each IAS 39 portfolio, ii) presented in "Investments in subsidiaries, joint ventures and associates" and iii) included, with other assets, in "Non-current assets and disposal groups classified as held for sale".

Following the IAS 32 definition, the FINREP category "Equity instruments" held: i) includes instruments that are not "ownership" instruments but are equity for the issuer, and ii) excludes those "property right" instruments that are liabilities for the issuer.

When reconciling FINREP and BSI data, it should be borne in mind that in FINREP, as the focus is on individual banking groups rather than on contributions to meaningful aggregates, short positions in equity instruments are presented, following IAS/IFRS, on the liability side (i.e. they are not subtracted from the total amount of equity instruments as in BSI "Equity").

In conclusion, the IFRS definition of "equity instruments" excludes those "property right" instruments that are liabilities for the issuer (e.g. certain cooperative shares). The CRR definition of "equity exposures" includes debt exposures which are similar to that of residual claims on the assets or income of the issuer. The BSI definition of "equity" comprises only instruments that are classified as equity for the issuer. In particular, the CRR definition of "equity exposures" and the BSI definition of "equity" may be equivalent. If "equity instruments" that are "ownership" instruments are significant, the FINREP definition of "Equity instruments" may be equivalent to BSI "Equity".

3.4 FLOWS (TRANSACTIONS) DATA

The ECB requirements for MFI balance sheet statistics refer to a balance sheet in terms of stocks, and require certain additional information to enable flows (transactions) to be calculated and used for computing growth rates. In the case of BSI statistics, financial transactions (flows) are currently compiled as differences of stocks corrected for revaluations and other volume changes in financial assets and liabilities. The ECB calculates transactions, by taking the difference between end-period stocks and then identifying and removing those effects that do not arise from transactions, the "other changes" or "adjustments". Transactions are defined as the net acquisition of financial assets or the net incurrence of liabilities. To compile transactions in accordance with this approach, the ECB requires additional "adjustment" information.

"Other changes" are grouped into three main categories: "reclassifications and other adjustments", "revaluation adjustments" and "exchange rate changes". The first category comprises all changes in the balance sheet (stocks) which result from statistical reclassifications: 1) inclusion or exclusion of MFIs if the business was transferred into/out of the MFI sector; 2) reclassification of assets or liabilities (by maturity, sector, residence of the counterparty or instrument), some of which may be necessitated by reporting errors that have been corrected only over a limited time range; and 3) effects of changes in structure (mergers, acquisitions). The "revaluation adjustments" category is made up of two parts: 1) the impact of write-offs or write-downs of loans, and 2) the impact of fluctuations in the market price of the outstanding stock of marketable securities held or issued. The "exchange rate changes" category comprises any change in the stock position due to the impact of exchange rate movements on assets and liabilities denominated in foreign currency.

National central banks compile and send to the ECB data on "reclassifications and other adjustments" on the basis of Guideline ECB/2014/15 using various (non-harmonised) data sources, such as supervisory information, ad hoc enquiries and information on joiners and leavers of the MFI reporting population. The ECB calculates a standard "exchange rate adjustment" using currency proportions derived from a quarterly breakdown of assets and liabilities into major currencies (Table 4 in the BSI reporting scheme). "Revaluation adjustments" are compiled by national central banks from data reported by MFIs in Table 1A of the BSI Regulation. This table covers (as a minimum) both the write-offs/writedowns of loans and "price revaluations" in respect of holdings of securities. Central banks may, however, collect data in addition to the minimum requirement.

The compilation of transactions data following this approach (adjusted differences of stocks) is influenced by some of the methodological aspects discussed under Section 3.3. In terms of reporting population, mergers, acquisitions and divisions of two or more MFIs, and mergers, acquisitions and divisions when one of the institutions is not an MFI usually give rise to "reclassifications" and "revaluations", which should be properly accounted for and reported.

Transactions should be measured at the value at which assets are acquired or disposed of and liabilities are created, liquidated or exchanged. While providing a good approximation, in practice BSI statistics do not fully conform to the notion of transactions in the ESA 2010. Accrued interest is another concept influencing the compilation of transactions. According to international statistical standards, accrued interest over the period should be treated as a transaction in the underlying instrument, as if the interest had been paid out and promptly reinvested in the instrument. As explained above, in BSI statistics, transactions in loans and deposits exclude interest that is receivable (on loans) or payable (on deposits) but has not yet been received or paid, since accrued interest on loans/deposits is to be recorded under "remaining assets" or "remaining liabilities" as appropriate. This consideration also applies to debt securities for which accrued interest is not intrinsic to the market price (see also Section 3.3.2.4).

The BSI Regulation also requires loans to be recorded gross of all related provisions (impairment losses or amounts recorded in allowance accounts), with the exception of countries where loans net of provisions are reported by all resident reporting. The adjustment in respect of "write-offs/write-downs" is reported, in order to remove from the flows statistics the impact of changes in the value of loans recorded on the balance sheet that are caused by the application of write-offs/writedowns of loans, as this would otherwise make it appear that credit had been withdrawn. This adjustment should also reflect the changes in the level of loan-loss provisions, if a national central bank decides that the outstanding stocks should be recorded net of provisions. If the loans are written off as a result of the option to record loans net of specific provisions, some discrepancies in terms of timing of derecognition may exist.

Transactions data, as defined in the international statistical standards and in BSI statistics, are not collected in FINREP. FINREP does include flows data in the context of the consolidated income statement (Table 2) and in some of the tables detailing the balance sheet information or the income statement.

In the case of the income statement, these data relate to income and expense flows generated on financial and non-financial assets and liabilities during the accounting year. Depending on the accounting entry, these data are presented on a gross basis (e.g. interest income and expenses) or on a net basis (e.g. net gains on financial assets and liabilities held for trading). Some of the flows collected in the income statement have a direct link to selected "adjustment" items requested for BSI statistics.

Generally, the BSI concept of "price revaluations", which are collected in Table 1A, is recorded in the following FINREP income statement items and related breakdowns in Template 16:

– interest income and expenses by instrument and counterparty sector;

- gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss by instrument;

- gains or losses on financial assets and liabilities held for trading by instrument;

- gains or losses on financial assets and liabilities held for trading by risk;

- gains or losses on financial assets and liabilities designated at fair value through profit or loss by instrument;

- gains or losses from hedge accounting;

- impairment on financial and non-financial assets.

These income statement items may, however, also incorporate interest and dividend income, depending on the country and reporting institution

The FINREP item "Exchange differences, net" (Table 2, line 310) should correspond to the "exchange rate adjustment" as calculated by the ECB using BSI stock data. Impairment losses on loans and advances, which correspond to the sum of the impairment losses on "Available-for-sale financial assets – loans and advances", "Loans and receivables" (excluding debt securities which can be traded in secondary markets – even only sporadically) and "Held-to-maturity investments – loans and advances" should in the long run be consistent with the amount of "write-offs/write-downs" reported in Table 1A of the BSI reporting framework.

The FINREP framework also foresees the transmission of flows data in some of the tables detailing the balance sheet information. This applies to Table 12 on movements in allowances for credit losses and impairment of equity instruments. The table requests information on:

- opening balance;

- increases/decreases due to amounts set aside for estimated loan losses during the period;

- decreases due to amounts taken against allowances;

- transfers between allowances;

- other adjustments;

- closing balance;

- recoveries recorded directly to the statement of profit or loss;

- value adjustments recorded directly to the statement of profit or loss.

In conclusion, although FINREP does not require explicit revaluation adjustments, there are substantial similarities between the two reporting schemes with regard to requirements for flows (transactions).

4 STATISTICAL BALANCE SHEET-COREP AND LARGE EXPOSURES

This chapter identifies links between the BSI and COREP/Large Exposures (LE) reporting requirements for credit risk (including securitisation), market risk, own funds, operational risk and large exposures and provides an assessment. Since most methodological aspects (e.g. reporting population, accounting rules, counterpart sector breakdown, etc.) are the same, and as FINREP, COREP and LE are part of the CRR's implementing technical standards, these aspects are not repeated in this chapter (see Annex 7.2 for an overview). It should be noted that some of these methodological aspects are less stringent, for instance the consolidation approach, as COREP is requested not only at the consolidated level (like FINREP) but also at the solo level (like BSI, although with the inclusion of foreign branches). Moreover, following the recent adoption of the CRD IV/CRR and the foreseen adoption of the ITS on supervisory reporting, the implementation of FINREP, COREP and LE will be mandatory in all EU countries.

This bridging exercise has focused on current COREP and LE templates as set out in the ITS. These templates provide a reporting format for the Basel III requirements, based on the CRR.

In order to improve the convergence of the supervisory reporting frameworks in the financial sector and to promote harmonisation of supervisory reporting and convergence in supervisory practices, COREP covers consolidated, sub-consolidated and solo reporting of the capital requirements and own funds based on the CRR.

The following COREP sub-templates can be bridged with the BSI requirements:

– Own funds requirements (see details in Annex 7.4);

– Credit risk including securitisation (7 sub-templates);[1]

– Market risk (8 sub-templates);[2]

– Own funds (1 template).

The operational risk (OPR) template could not be bridged; nevertheless, a separate analysis has been undertaken (see Annex 7.5).

The potential bridge between BSI requirements and the templates on large exposures is also considered in this section.

Concerning other reporting frameworks defined in the ITS (namely, the leverage ratios, liquidity ratio and stable funding), potential links to the BSI reporting are rather limited and mainly concern high-level aggregates. These relationships are not investigated in further detail.

4.1 CREDIT RISK (INCLUDING SECURITISATION)

The BSI items on the assets side find an equivalent in the COREP template on credit risk if the assets belong to the "banking book", and to the COREP template on market risk if the assets

1 The sub-template CR TB SETT has no links with the BSI.
2 The sub-templates MKR IM and MKR IM Details have no links with the BSI.

(securities) belong to the "trading book" (see section 4.2). Assets that are deducted from own funds (see section 4.3) are not subject to additional capital requirements.

In the COREP tables, the reporting items are classified in different "exposure classes", which have some links to the BSI counterpart sector breakdowns (see Table 5 and Table 6). COREP items are recorded under several valuation metrics; any link with the BSI metrics can only refer to the original exposure pre conversion factors (i.e. pre risk mitigations), as part of one or more exposure classes. The latter vary depending on whether the bank follows the "standardised approach" or an "Internal Ratings Based approach". For the classification of exposures into the different exposure classes, COREP has adopted a sequential approach fully consistent with the CRR. The original exposure, pre conversion factors, is first, allocated to the corresponding exposure class. In a second phase, the exposures can be redistributed due to the application of credit risk mitigation (CRM) techniques with substitution effects on the exposure (e.g. guarantees, credit derivatives, financial collateral simple method) via inflows and outflows.

The detailed bridging, mainly made at an analytical level, can be found in Annex 7.4. For instance, the BSI item "loans" is split in accordance with statistical definitions into sub-components (loans to households, convenience and extended credit card credit, revolving loans and overdrafts, syndicated loans, etc.), which are then bridged with the COREP equivalent.

The BSI Manual explains the relationship between the concepts of loan securitisation in the statistical and supervisory frameworks with the expectation that they will be applied by reporting agents in a consistent manner. In defining securitisation transactions, the BSI Regulation refers to Article 4 of the CRR (the basis for COREP) as well as to the FVC Regulation (for the exact definition, please see the Glossary). FVCs are not the same as securitisation special purpose entities (SSPEs). SSPE is the term used in the context of the CRD /CRR, which is the EU transposition of the Basel III Accord, while FVCs are defined in the ECB BSI Regulation addressed to them. The aim is to reconcile the concepts of securitisation, not the amounts reported under the two frameworks. The amounts may also differ due to the scope of consolidation and valuation rules. The MFI statistical data requirements seek to identify securitisation transactions undertaken by credit institutions involving the sale of loans to financial vehicle corporations (FVCs).[3] In summary, for statistical purposes, credit institutions are only required to report the amounts relating to traditional securitisations. This is because the main interest for monetary analysis is to correct for loans removed from MFIs' balance sheets. Under the Regulation on MFI balance sheet statistics, MFIs also report deposit liabilities to FVCs and holdings of securities issued by FVCs, so that all aspects of securitisation operations are covered.

In the supervisory framework and according to the CRR, credit institutions are required to disclose both traditional and synthetic securitisations involving loans originated by them, but the focus is on the credit risk transfer. They must disclose synthetic securitisations even if undertaken without a securitisation vehicle. Although supervisory requirements cover all securitisation transactions and the MFI data only covers those with SSPEs or FVCs, the difference between the two may be captured under the "other loan transfers", which are also reported under the MFI data. If this is the case, the coverage would be comparable.

3 EU credit institutions will apply the FVC definition only for entities resident in the European Union/euro area, while they apply the SSPE definition to any securitisation entities, regardless of their residence. Moreover, while FVCs may perform securitisation as a secondary activity (e.g. as in Portugal), SSPEs are required to limit their activity to securitisation. Some entities in Portugal may meet the FVC definition, but not the SSPE definition.

A further difference between the two approaches is that, under the supervisory securitisation approach, certain conditions should be met in order for securitisation exposures to be eligible for exemption from capital requirements. In particular, a "significant" transfer of risk must take place. Moreover, in the CRR, the tranching of the exposures is an essential eligibility criterion. Such conditions are not considered in the statistical reporting. Table 7 summarises the links between the concepts of loan securitisation applied in the MFI statistical framework and in the CRR.

Table 7 Coverage of loan securitisation in Regulation ECB/2013/33 and Regulation (EU) 575/2013

Requirements	Coverage	Use of SSPE/FVC	Tranching	Credit risktransfer
Regulation ECB/2013/33 – insofar as it affects credit institutions	Traditional securitisations	Securitisations undertaken with an SSPE/FVC	Tranched **and non-tranched** securitisations	Not a criterion
ITS on supervisory reporting (COREP)	Traditional **and synthetic** securitisations	Securitisations undertaken with **or without** an SSPE	Tranched securitisations	Securitisation exposures with significant credit risk transfer and other securitisations
Relative scope (greater than or equal to)	BSI < COREP	BSI < COREP	BSI > COREP	BSI > COREP

COREP requires a distinction between three different types of bank involvement in securitisations: as investor, originator (of the securitised loans), or sponsor (arranging the deal, finding investors, and if necessary supporting the securitisation in case of difficulties). A relationship with BSI statistics is generally possible only for the first two types (investor and originator). In fact, securitisations in which banks act purely as sponsors, i.e. they do not subscribe to any security issued by the FVC, have in most cases no reflection in BSI statistics; however, when the sponsor subscribes to securities issued by the FVC, the relationship with BSI holds. BSI statistics provide information on securitisation where the bank acts as a servicer, so that the subsequent history of the securitised loans can be traced, but this may not coincide with the role of sponsor. COREP includes information on securitisations arranged by a credit institution as sponsor, because a capital charge is applied to cover the reputational risk of a sponsor called upon to intervene in case of difficulties. Moreover, the COREP SEC details template now also includes securitisations which do not meet the criterion of significant credit risk transfer, i.e. the so-called self-securitisations, in order to create asset-backed securities to be used as eligible assets for collateralising liquidity provided by central banks.

The SEC details template provides a list of individual securitisation transactions (ISIN by ISIN) in which the bank is involved as either originator or sponsor. For these data, the potential links between the securitised exposures (i.e. the exposures that have been originated) and the BSI items arise because the template also includes securitisations that do not meet the significant credit risk transfer criterion.

COREP information includes securitisations of loans and other instruments; BSI includes only loans. Specifically, the link between BSI and COREP can be identified for the following reporting cells:

1) From the investor and sponsor side:

   a. BSI Table 1, row 3 (debt securities held), column FVCs (domestic and other euro area Member States), i.e. the credit institution's holdings of securities issued by euro area resident FVCs;

b. COREP Templates, SEC (SA+IRB) + MKR (SEC): securitisation type: traditional, rows investor and sponsor: on-balance sheet items, columns securitisations positions – original exposure pre conversion factors, i.e. the credit institution's holdings of securities issued by securitisation vehicles for which the credit institution acts as a sponsor or investor only (i.e. not as an originator).

2) From the loan originator side:

a. in the case of derecognition of the securitised assets: same link as for point 1, row originator for the COREP templates, i.e. it includes the credit institution's holdings of securities issued by a securitisation vehicle for which the credit institution acts as an originator;

b. in the case of non-derecognition of the securitised assets:

i. BSI Table 5a, row 5 (outstanding amounts of securitised loans not derecognised; other euro area Member States and rest of the world), i.e. the credit institution's holdings of loans which continue to be recorded on the balance sheet but have been securitised;

ii. COREP Template SEC Details, column 4, Securitisation Type (traditional), column 11 Role of the institution (originator) and column 14 Securitised exposure (total amount), i.e. the credit institution's holdings of loans which continue to be recorded on the balance sheet but have been securitised.

Under case 1 and 2 a, another link can be considered:

i. BSI Table 1, row 3 (debt securities held), column FVCs (domestic and other euro area Member States), i.e. the credit institution's holdings of securities issued by euro area resident FVCs;

ii. COREP Template SEC Details, columns 4 Securitisation type (traditional), 11 Role of the institution (originator) and columns from 31 to 36 (securitisation positions: original exposure pre conversion factors – on-balance sheet items), i.e. the credit institution's holdings of securities issued by a securitisation vehicle for which the credit institution acts as an originator, broken down by seniority of the securities.

A further link may be possible with FVC statistics regarding synthetic securitisation. It should also be noted that COREP information includes securitisations of loans and other instruments; BSI includes only loans.

In conclusion, there is significant overlap between the BSI requirements and COREP templates for credit risk and market risk. The link comes through the original exposure pre conversion factors. For securitised assets, the link applies both for cases where the reporting agent is the originator of the securitised loans and for those where it holds securities issued by the SSPE/FVC.

4.2 MARKET RISK

With respect to market risk, the bridging between the BSI instruments and the COREP items is only possible for the standardised approach. A similar bridging for the advanced approaches (internal models) is not possible, because each bank chooses different parameters. Market risk is calculated on the trading book of credit institutions. The trading book of an institution consists of all positions in financial instruments (and commodities) held either with the intention of trading them or in order to hedge other elements of the trading book, and which are either free of any restrictive covenants on their tradability or are able to be hedged. Capital requirements are calculated as a percentage of the net position in a set of instruments. In calculating the net position, positions in derivative instruments may be treated as positions in the underlying securities.

The BSI items which find an equivalent in the COREP market risk tables other than foreign exchange risk are "debt securities", "money market fund shares/units" and "equity". With regard to financial derivatives, they are treated in the COREP template on credit risk in the context of the counterpart risk. The link with the BSI items refers to long positions (column 1) associated with the specific risk component (the risk attached to the issuer of the security). The detailed bridging can be found in Annex 7.4.

In addition to the capital requirements regarding the position risk, the positions in debt securities and in money market fund shares/units – together with the positions in loans – are subject to capital requirements for foreign exchange risk. In this case, the link with the BSI item refers to positions in foreign currencies.

In conclusion, three BSI items ("debt securities", "money market fund shares/units" and "shares and other equity") can be linked to their COREP equivalents in the market risk template (standard approach only), in particular for the assets belonging to the trading book. The link refers to the long positions associated with the specific risk component. Another link with BSI items concerns capital requirements for the position risk.

4.3 OWN FUNDS

COREP templates for own funds have significant links with BSI requirements. The BSI items which find an equivalent in the own funds template are the following: "capital and reserves", "deposits", "debt securities issued", "loans" and "debt securities". In order to compute the relevant supervisory capital aggregates (Common Equity Tier 1, Additional Tier 1, Tier 2) and own funds deductions, some of the COREP items should be added, and others should be subtracted. Because the COREP template on own funds is bridged to a certain extent with the FINREP Template 1.3, this COREP template is also indirectly linked to BSI via FINREP. The detailed results of this bridging exercise can be found in Annex 7.4.

In conclusion, there is a significant degree of overlap between the BSI requirements and COREP templates for own funds. The link refers to several items which need to be added or subtracted in order to derive the relevant supervisory capital aggregates and own funds deductions. A further indirect link is also available via FINREP.

4.4 OPERATIONAL RISK

There are no links between the BSI and the COREP template on operational risk. Under one of the three approaches to calculating operational risk requirements (the standardised approach), the items included in the COREP template (breakdown by business line) refer to items in the income statement: there is a link between items in the income statement reported under FINREP/COREP and the MFI statistical requirements, but it is weak and applies only for MFI interest rates – see Chapter 5. Annex 7.5 presents the approaches to operational risk and explains the results of this part of the bridging exercise.

In conclusion, while there are no links between the COREP template on operational risk and the BSI requirements, there are some weak links with MFI interest rate requirements.

4.5 LARGE EXPOSURES

This section focuses on the potential bridging in respect of those features which relate specifically to the large exposures (LE) templates, focusing on their coverage and instrument categories.

The LE templates and related guidelines have been developed by the EBA to satisfy the LE regime required by the CRR. The LE templates/guidelines are included in the ITS on supervisory reporting to ensure a unified European reporting system; LE reporting would be based on a harmonised methodology throughout the EU (i.e. frequency, remittance dates, formats and platform).

Information on LE must be reported quarterly. The scope of reporting is broad. Indeed, information about all large exposures, i.e. exposures that equal or exceed 10% of its eligible capital (CRR Article 392), must be reported to the competent authorities, "including large exposures exempted from the application of Article 395(1)" (e.g. intra-group exposures, holdings of sovereign debt etc.). In addition, according to the ITS, LE templates have to be reported for exposures with an exposure value larger than or equal to €300 million, even if these exposures are not considered large exposures in relation to the institution's eligible capital. In this case though, for legal reasons, the reporting is embedded in the FINREP framework. A maturity breakdown shall also be provided for the 10 largest exposures to institutions and unregulated financial institutions.

In order to bridge the LE reporting requirements with other reporting requirements, a first consideration is that MFI balance sheet statistics include all on-balance sheet exposures but no off-balance sheet exposures. The LE templates cover both.

The LE templates can be partially linked to the credit risk (CR) templates used for reporting on own funds and own funds requirements, as LE covers both "banking book" and "trading book" exposures, while the CR covers only the "banking book". Moreover, not all exposures are reported in the LE but only those that are "large" in accordance with the limits set out in the CRR. These differences (and similarities) in coverage are summarised in Table 8 and Table 9.

Table 8 Differences in coverage between LE, BSI and COREP CR

Differences	Relations
BSI does not cover off-balance sheet items	LE = CR > BSI
CR does not cover the trading book	LE = BSI > CR
LE covers only large exposures	BSI = CR > LE

Table 9 Equivalence between instrument categories in the LE and COREP CR templates

LE template		COREP CR template
Debt instruments Equity instruments	=	On-balance sheet items
Off-balance sheet item	=	Off-balance sheet items Securities financing transactions & long settlement transactions
Derivatives	=	Derivatives and long settlement transactions From contractual cross product netting

The LE template provides an instrument breakdown, distinguishing between direct and indirect exposures, with the total exposure before risk provisioning broken down into four main categories:

– debt instruments;

– equity instruments;

– derivatives;

– off-balance sheet items (loan commitment/financial guarantees/other commitments).

Additional breakdowns are not split between direct and indirect exposures:

– of which: defaulted;

– additional exposures arising from transactions where there is an exposure to underlying assets.

This breakdown is similar to that of the own funds CR templates. In addition, as the LE data are used for the purposes of calculating the capital ratios in the CR template, the link between LE and own funds CR works, as it refers to the same capital requirements.

Table 9 summarises the relationship between the two templates. The definitions of items "assets", "off-balance sheet items" and "derivatives" are equivalent.

As stated above, the MFI balance sheet includes only on-balance sheet exposures. Regarding the three categories other than "off-balance sheet", the links with BSI can be described as follows:

"Debt instruments" – The instruments included in this column are those qualified as "Loans of up to and including one year/over one year and up to and including five years/of over five years' original maturity" or as "Debt securities", according to the ECB BSI Regulation.

"Equity instruments" – The instruments included in this column are those qualified as "Equity" or as "Investment fund shares/units", according to ECB BSI Regulation.

"Derivatives" – This variable comprises derivative instruments subject to Annex II of the CRR. The exposure corresponds to the counterparty credit risk calculated according to the methods laid down in the CRR (Article 274-298) before value adjustments and provisions. This manual describes the items to be included in the assets side.

"Indirect exposures" – According to Article 403 of the CRR, a credit institution may use the substitution approach to identify the ultimate risk of large exposures where an exposure to a client is guaranteed by a third party, or secured by collateral issued by a third party. Such indirect exposures are included in the framework of regular reporting, as the overall exposure with regard to a client (or group of connected clients) has to be counted towards the large exposures limit. This approach is consistent with the approach taken in the BIS's International Banking Statistics for the determination of ultimate risks on a consolidated basis. There is no equivalent concept in BSI statistics.

In conclusion, the link between BSI and LE at the instrument level applies only to "debt instrument", "equity instruments" and "derivatives". A further indirect link with BSI statistics applies, since large exposures are calculated as a percentage of own funds, and the latter is linked to several BSI items ("capital and reserves", "deposits", "debt securities issued", "loans" and "debt securities"). One of the reasons the LE templates can only partially be linked to the CR templates in COREP is that the latter cover only the banking book. This also weakens the link with BSI statistics. This link could be reinforced if the COREP MKR templates covering the trading book were to include an instrument breakdown similar to that in the CR templates, thus ensuring that all exposures are covered.

4.6 OVERALL ASSESSMENT

The links between the BSI reporting requirements and the COREP/LE templates, although partial, are important. This is because COREP/LE are requested not only at the consolidated level (like FINREP), but also at the solo level (like BSI, although with the inclusion of foreign branches). Moreover, following the adoption of the CRR, the implementation of FINREP, COREP and LE is mandatory in all EU countries, as is BSI in the euro area.

The links between the COREP reporting templates and the BSI requirements are important with respect to credit risk (banking book), market risk (trading book, but only for the standardised approach) and own funds. No link could be found for the COREP template on operational risk. These links have been implemented to a large extent in the relational database, on the basis of the detailed guidance described in Annex 7.4.

5 MFI INTEREST RATES-COREP/FINREP

This chapter covers the relationship between COREP/FINREP and MFI interest rate statistics (MIR). MIR covers information about interest rates paid and charged by MFIs on deposits and loans denominated in euro in their business with households and non-financial corporations in the euro area. The legal requirements for MFI interest rate statistics are laid down in Regulation ECB/2013/34, which defines the statistical standards according to which monetary financial institutions must report their interest rate statistics. This regulation is complemented by the Guideline ECB/2014/15 and Manual on MFI interest rate statistics (April 2012 edition), which further clarifies and illustrates the statistical requirements. The concepts, definitions and valuation rules used for MIR are identical to those in the BSI Regulation.

While the bridging between FINREP and the BSI statistics is straightforward, since both schemes collect balance sheet information based to a large extent on the IAS/IFRS (see Chapter 3), that between the MIR scheme and COREP/FINREP is largely restricted to identifying the common features in definitions and sector/instrument classifications, already done in the BSI-FINREP bridging. Nevertheless, 7.2. provides a summary of key differences between COREP/FINREP and MIR.

The following sections describe the MIR framework and the features it shares with COREP/FINREP.

5.1 THE MAIN FEATURES AND STRUCTURE OF MFI INTEREST RATES

The MIR reporting population is a sub-set of the BSI population since it comprises (within the MFI sector) only resident credit institutions and a few other institutions which take deposits from and/or grant loans to households and/or non-financial corporations resident in the same area. It excludes central banks and money market funds (MMFs). This means the MIR reporting population substantially coincides with that of FINREP and COREP, but is smaller than that for BSI statistics. Central banks may require all institutions within the population to report, or select a sample.

MIR statistics are needed to analyse the transmission of the Eurosystem's monetary policy initiatives to the euro area economy. Since MFIs are by far the largest group of financial intermediaries in the euro area, the rates which they pay and charge respond to changes in the terms of the Eurosystem's refinancing operations is of the greatest importance. MIR statistics also contribute to the analysis of structural developments in the banking and financial system and to financial stability issues.

The MIR business coverage includes both outstanding amounts and new business, but excludes bad loans and loans for debt restructuring at rates below market conditions. "New business" means any new agreement between the household or non-financial corporation and the reporting agent: new agreements are all financial contracts specifying, for the first time, the interest rate on a deposit or loan, and all new negotiations of existing deposits and loans.

MIR interest rates are the weighted averages of annualised agreed rates (AAR), which exclude charges. For housing loans and consumer loans, the annualised percentage rate of charge (APRC), including fees, commissions, etc., is also collected. In the case of rates on outstanding amounts, the MIR Regulation (ECB/2013/34) allows two different calculation methods: a) an end-period snapshot, or b) implicit rates (interest paid or charged in the period divided by the relevant average amount deposited or lent out).

The MIR regulation requires the reporting of annualised agreed rates for all loan and deposit categories, which may be calculated according to two different methods.

1) If interest payments agreed between the reporting agent and the household or non-financial corporation are capitalised at regular intervals within a year, for example per month or quarter rather than per annum, the agreed rate is annualised by means of the following formula to derive the annualised agreed rate:

$$x = \left(1 + \frac{r_{ag}}{n}\right)^{n} - 1$$

with:

– x as the AAR,

– r_{ag} as the interest rate per annum that is agreed between the reporting agents and the household or non-financial corporation for a deposit or loan, where the dates of the interest capitalisation of the deposit and all the payments and repayments of the loan are at regular intervals within the year, and

– n as the number of interest capitalisation periods for the deposit and (re)payment periods for the loan per year, i.e. 1 for yearly payments, 2 for semi-annual payments, 4 for quarterly payments and 12 for monthly payments.

2) National central banks (NCBs) may require their reporting agents to provide the narrowly defined effective rate (NDER) for all or some deposit and loan instruments referring to new business and outstanding amounts, instead of the AAR. The NDER is defined as the interest rate, on an annual basis, that equalises the present value of all commitments other than charges (deposits or loans, payments or repayments, interest payments), future or existing, agreed by the reporting agents and the household or non-financial corporation. The NDER is equivalent to the interest rate component of the annual percentage rate of charge (APRC) as defined in Article 3(i) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC. The NDER uses successive approximation and can, therefore, be applied to any type of deposit or loan; the AAR uses the algebraic formula defined in paragraph 2 and is, therefore, only applicable to deposits and loans with regular capitalisation of interest payments. All other requirements are identical, which means that references in the remainder of this section to the AAR also apply to the NDER.

In addition to annualised agreed rates, the reporting agents shall provide for new business in respect of consumer credit and loans to households for house purchases the annual percentage rate of charge (APRC) as defined in Article 1(2)(e) of Directive 87/102/EEC,:

– one APRC for new consumer credit (see indicator 30 in Appendix 2);

– one APRC for new loans to households for house purchases (see indicator 31 in Appendix 2).

The APRC covers the “total costs of the credit to the consumer”, as defined in Article 1(2)(d) of Directive 87/102/EEC. These total costs comprise an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of the documents, guarantees, credit insurance, etc., but excluding the following:

– charges payable by the borrower for non-compliance with any of his commitments laid down in the credit agreement;

– charges other than the purchase price which, in purchases of goods or services, the consumer is obliged to pay whether the transaction is paid in cash or by credit;

– charges for the transfer of funds and charges for keeping an account intended to receive payments towards the reimbursement of the credit, the payment of interest and other charges, except where the consumer does not have reasonable freedom of choice in the matter and where such charges are abnormally high; this provision shall not, however, apply to charges for the collection of such reimbursements or payments, whether made in cash or otherwise;

– membership subscriptions to associations or groups and arising from agreements separate from the credit agreement, even though such subscriptions have an effect on the credit terms;

– charges for insurance or guarantees; included are, however, those designed to ensure payment to the creditor, in the event of the death, invalidity, illness or unemployment of the consumer, of a sum equal to or less than the total amount of the credit together with relevant interest and other charges which have to be imposed by the creditor as a condition for credit being granted.

The composition of the component of other charges may vary across countries, because the definitions in Directive 87/102/EEC are applied differently, and because national financial systems and the procedure for securing credits differ.

According to IFRS, the effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, an entity shall estimate cash flows, considering all contractual terms of the financial instruments (including transaction costs, discounts, and premiums). Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or a financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

The NDER and the effective interest rate are equivalent if no other costs occur, but the effective rate may differ if the annual interest rate is annualised with the simplified AAR formula. Regarding APRC, the effective rate and APRC are equivalent when costs are identical in the two calculations. MIR requires the use of APRC for new business consisting of consumer and housing loans to households; the effective rate is required for all loans in the IFRS.

The MIR regulation does not cover the treatment of discounts and premiums applicable to loans, whereas these premiums or discounts could be included in the effective interest rate calculation.

In the balance sheet statistics, the interest accruals are part of the other assets and are not treated together with the host instruments (e.g. loans, deposits). The method for calculating interest accruals in the balance sheet is linear and does not follow the effective interest method.

MFI interest rate statistics provide detailed monthly information on the categories of new deposit and loan business and outstanding amounts.[1]

1) Outstanding amounts

    a. Deposits from households with agreed maturity up to 2 years and over 2 years

    b. Deposits from non-financial corporations with agreed maturity up to 2 years and over 2 years

    c. Repos;

    d. Loans to households for house purchase and for consumer credit and other loans (original maturity/residual maturity/interest reset period up to 1 year, 1-5 years, over 5 years)

    e. Loans to non-financial corporations (original maturity/residual maturity/interest reset period up to 1 year, 1-5 years and over 5 years)

2) New business – deposits

    a. Separate category for repos

    b. Households: overnight, with agreed maturity, redeemable at notice

    c. Non-financial corporations: overnight, with agreed maturity

    d. Different (more detailed) maturity breakdowns from outstanding amounts;

3) New business – loans

    a. Households: overdrafts, for consumption, for house purchase, for other purposes

    b. Non-financial corporations: overdrafts, other loans up to €0.25 million, other loans over €0.25 million and up to €1 million, other loans over €1 million

    c. Concept of "initial period of initial interest rate fixation", with three to four categories for households and six categories for non-financial corporations

    d. Loans renegotiated.

4) Additionally, the Regulation requires interest rate data on convenience and extended credit card credit, loans to sole proprietors, and collateralised loans (real estate collateral).

1 Details can be found at: http://www.ecb.europa.eu/stats/money/interest/interest/html/index.en.html.

5.2 THE LINKS BETWEEN COREP AND MFI INTEREST RATES

As mentioned in Chapter 4, COREP comprises the reporting requirements related to own funds requirements. Templates on own funds requirements consist of five blocks of templates: capital adequacy or own funds, group solvency, credit risk, market risk and operational risk. The subsections below consider only the templates that can be related to MIR.

5.2.1 CREDIT RISK TEMPLATES

There are two versions of credit risk templates: one for exposures subject to the standardised approach (SA) and one for exposures under the internal rating-based approach (IRB). In general, small and medium-sized institutions use the SA approach; bigger institutions may have the resources to develop their own models and gain approval as IRB institutions. Furthermore, separate templates for the geographical breakdown of positions subject to credit risk shall be reported if the relevant threshold as set out in Article 5(a) (4) of the ITS on supervisory reporting is exceeded.

SA institutions have to fill in at most, templates (7) CR SA, (9) CR GB 1, (12) CR SEC SA, (14) SEC Details and (11) CR SETT; IRB institutions are asked to fill in templates (8) CR IRB (9) CR GB 2, (10) CR EQU IRB, (13) CR SEC IRB, (14) SEC Details and (11) CR SETT.

1) *CR SA template*: this template is to be filled in for each exposure class according to CRR Article 112 (SA), or alternatively, CRR Article 147 (IRB) for institutions applying the SA only to part of their exposures. A direct link in this COREP template concerns real estate exposures to the retail sector. MIR and COREP have definitions of real estate collateral in common; the proposal to bridge those definitions has already been mentioned.

2) *CR IRB.* This template, applicable to IRB institutions, requests aggregated information on the input parameters that are used for calculating risk-weighted exposures (exposure values, LGD (loss given default), etc.) and on the amount and type of credit risk mitigation techniques used. As for the CR SA template, a direct link in this template (in terms of a link with MIR) concerns collateral in the form of real estate.

3) *CR EQU IRB.* The template concerning exposure relating to equity assets has no links with the MIR requirements.

4) *CR SEC SA.* This template covers aggregated information on all current exposures arising from securitisations, irrespective of who holds the positions. National supervisors can decide to request the template filled in for all securitisation types as a total, or separately for traditional and synthetic securitisation. Beyond the considerations made in Chapter 3. regarding the statistical and supervisory concepts of securitisation, there is no link between this template and the MIR Regulation, which does not cover securitised loans unless they have not been derecognised, and so remain on the balance sheet.

5) *CR SEC IRB.* This template follows the same structure as the previous template but applies the IRB methodology to securitisation positions. There is no link with the MIR Regulation.

6) *SEC Details*. This template covers the same securitisation items as reported under either CR SEC SA or CR SEC IRB, but on a deal-by-deal basis. Securitisations of assets originated by the

reporting institution and operations sponsored by it are covered. There is no direct link with the MIR Regulation.

7) *CR SETT*. This template requests information on unsettled transactions in the trading book and banking book (part of the information requested in COREP) and related capital requirements for settlement risk. There is no link with the MIR Regulation.

5.2.2 OPERATIONAL RISK TEMPLATES

The COREP operational risk (OPR) templates are based on the information required by the CRR. The information is collected through two sub-templates.

There is no link between the capital requirements related to operational risk and MIR requirements, although for some business credits under one of the templates (that concerning the Alternative Standardised Approach (ASA)), the total nominal amount of loans and advances is needed. For the other templates, there are no links with the MIR requirements.

5.3 THE LINKS BETWEEN FINREP AND MFI INTEREST RATES

The structure of FINREP is described in Chapter 3. The focus here is on the links with MIR.

5.3.1 REPORTING POPULATION

The MIR reporting population substantially overlaps with that of FINREP and COREP; it is, however, narrower than that for BSI statistics.

5.3.2 COLLECTED DATA TYPES

The types of data collected within the MIR framework cover both interest rates and outstanding amounts, and further disclosures for new business. It is important to recall that an annualised agreed rate (AAR) or a narrowly-defined effective rate (NDER) is collected for all loans, and in addition, an annualised percentage rate of charge (APRC) is collected for housing loans and consumer loans. In the case of rates on outstanding amounts, the Regulation allows two calculation methods:

1) A snapshot of end-period observations.

2) Implicit rates is calculated as the flow of interest during the reference month divided by the average stock of related deposits or loans in the month, based preferably on daily, and at least weekly, amounts. In contrast to end-month observations, the MFI interest rates on outstanding amounts compiled as monthly averages include contracts that were outstanding at some time during the month, but are no longer outstanding at the end of the month. The second calculation method implies the possible use of profit and loss data if at least weekly balance sheets are available.

In FINREP, no interest rate information is collected. Implicit rates could, however, be calculated using profit and loss information if the second calculation method, as above, is used. Using profit and loss data for the calculation of implicit interest requires the MIR classifications to be available also for profit and loss data. More specifically, flows of interest payable from deposits and interest receivable from loans would have to have been classified by MIR sector, instrument, period of notice and original maturity.

Moreover, the instruments might not match with the MIR instruments. For example, the calculation of implicit interest rates would require classifications for profit and loss items in FINREP similar to those in MIR. FINREP contains no information on new business in the sense used in MIR. Other cost elements included in the APRC cannot be identified in FINREP.

5.4 INSTRUMENTS

The instruments in MIR statistics are the same as in BSI statistics.

The exception concerns bad loans and loans for debt restructuring at rates below market conditions, which are excluded in the calculation of MIR interest rates. Nevertheless, the weights applied in MIR statistics do not exclude bad loans, since they are included indistinguishably in the BSI statistics (unless they have been written off, or the national central bank allows loans to be reported net of provisions). The MIR Regulation refers to the BSI Regulation definition of bad loans, namely "*loans in respect of which repayment is overdue or otherwise identified as being impaired, partially or totally, in accordance with the definition of default in the CRR (Art. 178)".* FINREP provides data on past due and impaired loans that are not measured at fair value through profit and loss, as well as on non-performing and forborne exposures in the banking book.[2] The definition of "non-performing" is included in the FINREP instructions (Annex V of the ITS). The CRR definition of "default" is different from the accounting definition of "impaired assets" because a financial asset must be qualified as in "default" when it is considered that the debtor is unlikely to pay it in full "*without recourse by the credit institution to actions such as realising security*".

The classification of an impaired loan in accordance with IAS 39 is necessary to record an impairment loss. FINREP instrument categories partly overlap with those in MIR (see Chapter 3), the main instruments of deposits and loans and advances can be found. For deposits, FINREP offers a direct reference to the definition in the BSI Regulation. A more detailed breakdown by product can be found in Template 8.1, for current accounts/overnight deposits, deposits with agreed maturity, deposits redeemable at notice and repurchase agreements. The BSI instrument category "loans" has a link with the corresponding FINREP instrument "loans and advances". FINREP Template 5a matches with the BSI definition of loans, except those included in the category "advances that are not loans", i.e. advances that cannot be classified as "loans" according to the ECB Regulation. FINREP does not provide the detailed classification of those loans and deposits classified as "held for sale".

For the differences in valuation method and the treatment of accrued interest, please refer to Chapter 3.3.

As regards the instrument breakdown for MFI interest rates and the definitions of the types of instruments, the MIR regulation follows the asset and liabilities categories set out in the BSI regulation. In FINREP, following IAS/IFRS provisions on the issue, the derivative embedded to a hybrid contract shall be accounted for separately, if possible. When this is not possible for hybrid deposits, they are classified according to the nature of the host contract. Thus, only when the host contract is classified as "debt securities issued" is a link between FINREP and BSI/MIR possible. There is also a link between BSI/MIR and the IAS 39 approach as followed in FINREP. In IAS/IFRS to separate the hybrid contract, the entity estimates the fair value of the embedded derivative; the initial carrying amount of the host contract is the residual amount after subtracting the fair value of the derivative from the amount received or paid (see IAS 39.AG28). The derivative does not generate interest; changes in its value are recorded as gains or losses. To accrue interest in

2 "Please note that FINREP templates concerning non-performing and forborne exposures were still in draft stage on 30 April 2014."

the financial instrument, IAS 39 allows the credit institution to calculate an implicit rate for the host contract (the discount rate that equates the amount to be received or paid at maturity with the initial carrying amount of the host contract). This rate (if equal to or higher than 0%) could be used in MIR for new business and outstanding amounts when end-period observations are used. When outstanding amounts refer to period averages, this rate has already been used for the accrual of interest payable/receivable and the host contract is included in the stock of deposits or loans. If the hybrid deposit is not segregated and the entity does not calculate an implicit rate for the host contract, there is no separate accrual of interest for the host contract (interest is reported together with other gains or losses). In this case, the rate used in MIR new business could be 0%. This convention seems appropriate, as the segregation of the hybrid instrument would have drawbacks (e.g. it could be a complex contract and the separation would not result in reliable information).

The information on the interest rate for each hybrid contract is not separately reported in FINREP, but it should be available because it is necessary for both IAS/IFRS financial statements and FINREP templates.

5.4.1 SECTOR AND RESIDENCY OF COUNTERPARTIES

As discussed in Chapter 3.3.3, a reconciliation of counterparty sectors is possible. The FINREP counterparty breakdown applies to domestic and foreign residents; the MIR is confined to domestic and other euro area residents. In particular, FINREP provides in Table 20, a geographical breakdown of assets and liabilities by residence of the counterparty, with a z-axis labelled “country of residence of the counterparty”. Furthermore, FINREP provides data on domestic and non-domestic amounts as in MIR statistics.

5.4.2 BREAKDOWN BY INTEREST RATE FIXATION, PERIOD OF NOTICE, ORIGINAL MATURITY

MIR requires a breakdown by original maturity, period of notice, or initial period of fixation, according to the type of instrument and whether the MFI interest rate refers to outstanding amounts or to new business.

In particular, new business in loans should be reported by period of interest rate fixation instead of original maturity. The period of interest rate fixation is the period determined at the start of a contract during which the interest rate cannot change. The initial period of fixation may be shorter than or equal to the original maturity of the loan. The new BSI Regulation uses the concept of interest rate reset, similar to interest rate fixation but applied to outstanding amounts, not new business (which is not reported in BSI statistics). No similar concept can be found in FINREP. The same applies to the breakdown by period of notice.

Finally, the MIR breakdown by original maturity corresponds to the one defined in BSI statistics. As stated in Chapter 3, FINREP does not require data on original or residual maturity.

5.4.3 SIZE OF INDIVIDUAL LOANS

For new business in the category “other loans to non-financial corporations”, the MIR framework introduces a further breakdown by size of loan as a proxy for the size of the borrowing company, i.e. larger companies are in a stronger negotiating position and can achieve better conditions than smaller firms. FINREP requires no information on individual loan size, apart from the requirement to report exposures which are larger than €300 million.

5.5 CONCLUSIONS

The links between the MIR reporting requirements and the FINREP/COREP templates are weak. Although the reporting population is broadly the same, the different objectives of the two frameworks limit their common features to definitions and sector/instrument classifications. The data requirements differ. Nevertheless, some links between COREP/FINREP and MIR are also recorded in the JEGR relational database.

The links between COREP and MIR are limited and are found in collateral in the credit risk templates. The links between FINREP and MIR for two areas with potential synergy concern the treatment of hybrid deposits and the link between profit and loss account data and MIR. Regarding hybrid deposits, the implicit interest rate calculated for the deposit under IAS 39 could be reused for MIR statistics.

Regarding the link between profit and loss account data and MIR, most national central banks calculate interest rates on outstanding amounts as end-period snapshots; the MIR Regulation allows interest rates to be calculated implicitly, in which case the numerator could be extracted from profit and loss accounts, and hence from FINREP data. Using profit and loss data for the calculation of implicit interest requires that the MIR classifications are also available in the FINREP template on the income statement, i.e. interest payable from deposits and interest receivable from loans should be classified by MIR sector, instrument, period of notice and original maturity.

6 SECURITIES HOLDINGS STATISTICS (SHS) – COREP/FINREP

6.1 THE PURPOSE OF THE SHS REPORTING FRAMEWORK

The global financial crisis has highlighted a lack of transparency in a number of financial markets, as well as difficulties in assessing financial exposures and linkages between economic agents. Securities holdings have led to concentrated exposures and a lack of sufficiently comprehensive and granular information. In 2009, as a response to this data gap, the ESCB began to develop a new statistical dataset on securities holdings, to be collected on a security-by-security basis. The combination of these micro data with information on the individual issuers and on the instruments being issued will provide a powerful tool for policy-makers.

Most market participants in securities markets do not generally know who holds the securities issued by a certain entity. Policy-makers have requested information on the links between holders and issuers of securities for analysis of monetary policy and financial stability, and supervisors require this information for the supervision of individual MFIs.

The SHS initiative represents a key statistical dataset which is able to combine both the micro and the system-wide perspectives highlighted in current data gaps. Moreover, the granularity of the collected information (i.e. on a security-by-security basis) has substantial flexibility, permitting to derive statistics that can be quickly adjusted in response to financial developments and innovations. Information on holdings is linked to the characteristics of individual securities and their issuers. This allows for a much more detailed risk assessment.

The ESCB had already taken steps to collect data on holding of securities on an instrument-by-instrument basis. A database called the Centralised Securities Database (CSDB)[1] was set up to store complete, accurate, consistent and up-to-date information on all individual securities relevant for the statistical purposes of the ESCB. This covers: securities issued by EU residents, securities likely to be held and traded by EU residents, and securities denominated in euro regardless of who the issuer is or where they are held. The CSDB contains information on over five million debt securities, equities and mutual fund shares/units issued by residents of EU Member States or by others.

Several ECB legal acts[2] require or permit the collection and use of security-by-security (s-b-s) data: the euro area balance of payments and international investment position guideline (ECB/2004/15, as amended by ECB/2007/3), investment fund regulation (ECB/2007/8), BSI Regulation (ECB/2013/33), and FVC regulation (ECB/2013/40). The availability of s-b-s data was, therefore, significant in the euro area and in several other EU countries. The SHS Regulation and Guideline concerning statistics on holdings of securities (ECB/2012/24) has added two main features:

- extension of the instruments covered to all holdings by euro area (and possibly all EU) residents of the main categories of securities (long-term and short-term debt securities, quoted shares and investment funds shares);

- the creation of a common data repository at euro area (and possibly EU) level for information on holdings of securities, the so-called Securities Holdings Statistics Database (SHSDB).

1 The "Centralised Securities DataBase" in brief, 2 February 2010. http://www.ecb.europa.eu/pub/pdf/other/centralisedsecuritiesdatabase201002en.pdf

2 See Annex 7.1 for the exact legal references.

6.2 THE STRUCTURE OF THE SHS REPORTING FRAMEWORK

From an output or dissemination point of view, the SHS reporting framework consists of two main components.

– *Sectoral data*

  • Holdings of euro area residents broken down by the country and sector of the holder;

  • Securities issued by euro area residents held by non-euro area residents

– *Reporting Banking Groups (RBGs)* data

A potential third component, *Eurosystem holdings*, relates to a single holder in each Member State and the ECB, i.e. the central bank. This data is by definition confidential. Conceptually, this component is part of the sectoral data.

These components have an impact on the data collection framework and the reporting burden that is faced by economic entities.

6.2.1 DATA SOURCES

Member States can impose mandatory reporting requirements on resident entities. In this context, two types of agents with information on securities holdings are relevant:

1) resident investors (so-called direct reporters);

2) custodians (including centralised securities depositories).

As legally binding data requirements can address directly resident reporting entities, most data collections tend to focus on holdings by residents. In this case, the scope of data collection extends to resident custodians for the collection of holdings attributed to non-resident customers. Such data will identify the holders of securities issued by residents of one economy.

Resident custodians may cover only a limited part of resident investors' holdings, given that residents are allowed to place their securities in custody abroad. In addition, custodians are only able to identify account holders, and these may be other custodians. If the account holders are non-resident custodians, the final holders of the corresponding securities cannot be identified. The limitation in coverage applies in a specific way at the euro area level: securities may be in custody in the euro area, but in a country different from that of the issuer and the holder. For instance, a security issued by a German issuer may be held by an Italian investor in custody in Belgium. From the point of view of the country of the custodian, these data are "third party holdings", but they are not relevant for the compilation of national statistics and in most cases are not collected. As a result, the coverage of custodian data obtained by summing up currently available national data for all euro area countries is lower than the securities held in custody in the euro area and either issued or held by euro area investors.

In addition, there are some limitations on the quality of the data reported by most custodians:

- the sector classification reported by custodians is deemed by several national compilers to be of much lower quality than sectorisation performed by statistics compilers themselves;

- with respect to the sectorisation of euro area residents not residing in the same country as the custodian: the ability of custodians to provide an accurate sector split is limited;

- repos and short selling can often not be identified by custodians.

These limitations generally do not affect non-financial investors as much as financial investors, since: (i) non-financial holders are usually not custodians themselves, and (ii) their activities in the repo markets may be limited. For these reasons, and given the constraints related to a direct reporting by a large number of institutions, many ESCB compilers consider that custodian reporting is an acceptable approach to collecting holdings data, not only regarding households but also for non-financial corporations and non-profit institutions. Custodian reporting is also deemed appropriate for general government, as this allows NCBs to control the sector allocation by informing custodians of the institutions to be classified in this sector. The additional reporting of resident holdings in custody outside the euro area is, in principle, advisable, although remains difficult to implement and does not form part of the current SHS reporting framework.

As regards the financial sector, direct reporting by banks, which often act as custodians as well, is applied in most countries and is appropriate, also in relation to repos.

The SHS framework applies the following reporting configuration:

– direct reporting by MFIs, IFs, FVCs, RBGs and Eurosystem central banks, plus the ECB;

– custodian reporting of other sectors and holdings by rest–of-the-world residents (the final solution is with national discretion).

The first reporting of the SHS Regulation will start with data relating to the reference date December 2013. The transmission of this first quarterly data collection will be carried out in March 2014.

6.2.2 LEVEL OF DETAIL: INVESTOR-BY-INVESTOR DATA OR DATA BY SECTOR OF INVESTOR

The collection of s-b-s holdings data aims at reducing the burden for reporting agents. They have to provide only limited information (essentially the identification number and the quantities held) and do not need to produce aggregations of their raw data for their statistical reporting.

When dealing with custodian reporting, compilers must also decide whether to collect investor-by-investor data or data by groups of investors. Investor-by-investor data have the advantage of ensuring substantial flexibility and a more detailed risk analysis (e.g. interconnectedness), in line with the data needs explained in Section 6.1.

There is a trade-off to be considered: investor-by-investor data collection further increases the volume of data to be reported and processed, and implies that confidentiality measures have to be made much more stringent. Reporting of *own holdings* of MFIs, IFs, FVCs and custodians are by definition investor-by-investor reports. In addition, the ECB SHS Regulation requires investor-by-investor reporting in the case of Reporting Banking Groups, with the level of detail being contingent on the decision of the respective NCB. As regards custodian reporting of client holdings, such requirements are limited to the sector and country of the holder.

6.2.3 SECTORAL DATA

Article 3 of the SHS regulation states that MFIs, IFs, FVCs and custodians shall provide their relevant NCB with *security-by-security* data on end-of-quarter or end-of-month *positions* and financial *transactions* over the reference month or quarter, or the statistical information needed to derive them. This concerns direct reporting using an ISIN code of *own holdings* of securities.

Custodians' *indirect reporting* obligations refer to *security-by-security* data on end-of-quarter or end-of-month *positions* and financial *transactions* over the reference month or quarter, or the statistical information needed to derive them for the following securities with an ISIN code:

– securities they hold in custody on behalf of resident investors that do not report their own holdings;

– securities they hold in custody on behalf of non-financial investors resident in other euro area Member States;

– securities issued by euro area entities they hold in custody on behalf of investors resident in non-euro area Member States and of investors resident outside the Union.

The reporting is quarterly or monthly, in accordance with the instructions of the relevant NCBs.

The reporting of data on the securities without an ISIN code is voluntary, subject to the discretion of the relevant NCB.

6.2.4 REPORTING BANKING GROUPS (RBG)

Exposures should, to the extent possible, be measured not only for resident entities, but also taking into account holdings by affiliates resident in other territories. This is why the collection of data on holdings by institutional sectors is supplemented by data on the holdings of the largest banking and insurance groups (LBIGs), group-by-group.

This "group-by-group" approach as a proxy for systemic risk-relevance also allows for a more precise assessment of interconnectedness across RBGs, in checking their common exposures as well as the bilateral exposures between them.

On a quarterly basis, the head offices of the reporting groups shall provide the relevant NCB with security-by-security data on end-of-quarter positions of securities with an ISIN code which are held by their group, including non-resident entities. Such data shall be reported on the basis of the group's gross portfolio, without netting out the securities issued by entities of the same group from the group holdings.

6.3 THE LINKS BETWEEN SHS AND THE SUPERVISORY REPORTING FRAMEWORKS

The development work on the legal framework governing access to CSDB information and the current availability of SHS data as an experimental dataset have meant a detailed bridging with the ITS is not yet feasible. Some general remarks on the nature of the bridging can, however, be made.

The collection of securities holdings allows for a potentially wide range of outputs, with a high level of flexibility in fulfilling user needs, covering monetary policy analysis as well as macro-prudential and micro-prudential analysis. This flexibility results from the granularity of the data collection, combined with detailed information on the micro-data (data on individual securities and issuers as stored in the CSDB), which makes it possible to generate a wide range of aggregates on the characteristics of the reported holdings. This framework allows standard outputs, e.g. the detailed breakdowns which would otherwise not be possible to generate due to the prohibitive costs of such detailed data collections. In particular, "from-whom-to-whom" tables of financial accounts statistics can be derived from this approach. Such tables may be used in the context of monetary analysis, but they are also useful for the purpose of macro-prudential analysis, as they provide information on systemic linkages across sectors of an economy.

The link between investors and the financial risks of investing via connected structures (e.g. securitisation vehicles or investment funds) can also be better identified. Using a more detailed categorisation, for instance, one can show holdings of Collateralised Debt Obligations issued by residents of a particular country by linking the ISIN code to information on securitised products.

In the case of equity instruments, there is a potential bridge with template 40 in FINREP. That template requires detailed information, on a security-by-security basis, of the equity instruments of subsidiaries, associates and joint ventures owned by the reporting institution. Each security is identified in FINREP by the ISIN code and reported at the carrying amount in the balance sheet. The latter marks a first difference with the SHS, since nominal amounts and/or market values are to be reported in SHS. Nonetheless, this difference is bridgeable, as the carrying amount may be understood to be compatible with the amounts reported in SHS.

Finally, it must be noted that the scope of the reporting in template 40 of FINREP is limited to equity instruments; debt securities are reported in SHS. The scope of template 40 is, therefore, more restricted than that of SHS.

6.4 CONCLUSION

The SHS outputs are in an experimental stage. A detailed bridging with the supervisory framework is not yet possible. A first area of potential commonalities has been identified with template 40 of FINREP, which requires information on equity instruments of subsidiaries, associates and joint ventures to be reported on a security-by-security basis.

GLOSSARY

Alternative Standardised Approach (ASA): The Alternative Standardised Approach (ASA) is a special variant of the Standardised Approach in which an alternative indicator is used to calculate the capital requirement for the retail and commercial banking business lines.

Annualised Agreed Rate (AAR): The annualised agreed rate (AAR) is an interest rate for a deposit or loan calculated on an annual basis and quoted as an annual percentage.

Annualised Percentage Rate of Charge (APRC): The annual percentage rate of charge (APRC) consists of the total costs of the loan for the consumer. The total costs comprise an interest rate component (which is identical to the narrowly defined effective rate) and a component for all other costs related to the loan. This includes, for instance, the costs for enquiries, administration, preparation of the documents, guarantees and credit insurance.

Banking Accounts Directive (BAD): Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC). It applies to most credit institutions (e.g. banks) and other financial institutions with a few national exceptions. BAD describes a standard balance sheet layout where assets and liabilities are presented in decreasing order of liquidity, and two standard profit-and-loss account layouts (vertical and horizontal). Also it sets out valuation rules for certain financial assets.

Basel III (International regulatory framework for banks): Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, to improve risk management and governance and to strengthen banks' transparency and disclosures. The reforms concern bank-level, or microprudential, regulations, which will help raise the resilience of individual banking institutions to periods of stress, and macroprudential, system-wide risks that can build up across the banking sector as well as the procyclical amplification of these risks over time. These two approaches to supervision are complementary, as greater resilience at the individual bank level reduces the risk of system-wide shocks.

Capital Requirements Directive (CRD IV): This refers to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Capital Requirements Regulation (CRR): 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. It is the main legislative act to implement Basel III in Europe and sets out prudential requirements for institutions which are directly applicable as of 1 January 2014. The CRR includes a number of articles with specific mandates for the EBA to develop ITS relating to supervisory reporting requirements with the aim of specifying: uniform formats, frequencies, dates of reporting, definitions and IT solutions to be applied by credit institutions and investment firms in Europe, on both an individual and consolidated level, with the exception of financial information.

Collective Investment Undertakings (CIUs): See Undertakings for Collective Investment in Transferable Securities.

Common Solvency Ratio Reporting (COREP): To achieve a high level of harmonisation and strong convergence in regular supervisory reporting requirements, the EBA issued guidelines on prudential reporting with the aim of developing a supervisory reporting framework based on common formats. The Guidelines on Common Reporting cover consolidated, sub-consolidated and solo reporting.

Consolidated Banking Data (CBD): These data contain information on the profitability, balance sheets and solvency of EU banks, and refer to all EU Member States. The banks are divided into three size groups: small, medium and large. In addition, the data provide information on foreign-controlled institutions active in EU countries. The statistics are based on annual and semi-annual data. The Consolidated Banking Data are based on the relevant aggregated information provided by the member organisations of the ESCB's Financial Stability Committee (FSC).

Counterparty credit risk: The counterparty credit risk is defined as the risk that the counterparty to a transaction could default before the transaction is finally settled. An economic loss occurs if the transactions or portfolio of transactions with the counterparty have a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, the counterparty credit risk creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction.

Credit institution: Any institution covered by the definition contained in Article 4(1) of Regulation (EU) No 575/2013. Accordingly, a credit institution is *"an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account"*.

Credit Risk (CR): This acronym is used for a number of COREP templates on credit risk, which provide detailed information on the distribution of the exposure values according to the different risk weights or by exposure types.

Cross-Border and Cross-Sector Consolidation Basis for All Domestically Incorporated (CBCSDI): This includes the data of domestically incorporated, domestically controlled entities in the sector, and of domestically incorporated subsidiaries of foreign entities classified in the same sector, along with the data of these domestically incorporated entities' branches and subsidiaries, which can be either domestic or foreign residents, and include such subsidiaries in other sectors.

Default (CRR definition for loans subject to credit risk under the IRB approach): According to CRR Article 178, a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: (a) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; and (b) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

Derecognition: Derecognition means the removal of a loan, or part thereof, from the balance sheet. IAS 39 (paragraphs 14 to 42) describes the conditions that should be fulfilled for recognition and derecognition of financial assets and liabilities. Due to the complexity of the conditions for derecognition of financial assets, FINREP template AG36 provides an explanatory flow chart and the FINREP framework contains a table (12) for collecting detailed information on transfers of financial assets.

Domestic Consolidation (DC) basis: This includes the data of resident entities along with those of their branches and subsidiaries in the same sector that are resident in the domestic economy.

Domestically-Controlled Cross-Border and Cross-Sector Consolidation Basis (DCCBS): This includes the data of domestically incorporated, domestically controlled entities in the sector, their branches (domestic and foreign), and all their subsidiaries (domestic and foreign) that are classified in the same sector, as well as in other sectors.

Domestically-Controlled Cross-Border Consolidation Basis (DCCB): This includes the data of domestically incorporated, domestically controlled entities in the sector, along with the data of their branches (domestic and foreign) and of all their subsidiaries (domestic and foreign) that are classified in the same sector.

European Banking Authority (EBA): The EBA was established on 1 January 2011 and has taken over all existing and continuing tasks and responsibilities of the Committee of European Banking Supervisors (CEBS).

European System of Accounts 2010 (ESA 2010): A system of uniform statistical definitions and classifications aimed at achieving a harmonised quantitative description of the economies of the EU Member States. The ESA 2010, implementation of which began in accordance with Regulation (EU) No 549/2013 in the course of 2014, is the European Union's current version of the internationally used System of National Accounts (SNA 2008).

European System of Central Banks (ESCB): The ESCB is the central banking system of the European Union. It comprises the ECB and the national central banks of all EU Member States.

European Systemic Risk Board (ESRB): The European Systemic Risk Board (ESRB) is an independent EU body responsible for the macro-prudential oversight of the financial system within the European Union. The ESRB, which is part of the European System of Financial Supervisors, contributes to the prevention or mitigation of systemic risks to financial stability in the Union that arise from developments within the financial system and to the avoidance of periods of widespread financial distress. The ESRB also contributes to the smooth functioning of the internal market and thereby ensures a sustainable contribution of the financial sector to economic growth.

Fair value accounting (FVA): A valuation principle that stipulates the use of a market price, where it exists, or an estimation of a market price as the present value of expected cash flows to establish the balance sheet value of financial instruments.

Financial Reporting (FINREP): To achieve a high level of harmonisation and strong convergence in regular supervisory reporting requirements, guidelines on supervisory reporting have been developed with the aim of setting up a supervisory reporting model with common data definitions. FINREP covers consolidated and sub-consolidated financial reporting for supervisory purposes based on IAS/IFRS, as endorsed by the European Union.

Financial Soundness Indicators (FSI): The Financial Soundness Indicators (FSIs) have been developed by the IMF, together with the international community, with the aim of supporting macroprudential analysis and assessing strengths and vulnerabilities of financial systems.

Financial Stability Committee (FSC): The FSC assists the decision-making bodies of the ECB in the fulfilment of its tasks in the field of prudential supervision of credit institutions and the stability of the financial system, as laid down in article 127.5 of the Treaty on the Functioning of the European Union and the ESCB Statute.

Financial Vehicle Corporation (FVC): An undertaking constituted under national or Community law and whose principal activity is to carry out securitisation transactions. FVCs are insulated from the risk of bankruptcy or any other default of the originator. FVCs may issue securities, securitisation fund units, other debt instruments and/or financial derivatives. They may legally or economically own assets underlying the issue of securities, securitisation fund units, other debt instruments and/ or financial derivatives that are offered for sale to the public or sold on the basis of private placements.

Forborne exposures: For the purposes of ITS on supervisory reporting (FINREP, template 19), forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). A concession refers to either of the following actions:

a) a modification of the previous terms and conditions of a contract with which the debtor is considered unable to comply due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, and which would not have been granted had the debtor not been in financial difficulties;

b) a total or partial refinancing of a troubled debt contract that would not have been granted had the debtor not been in financial difficulties.

A concession may entail a loss for the lender.

Generally Accepted Accounting Principles (GAAP): Standard framework of guidelines for financial accounting used in any given jurisdiction.

Held-to-Maturity (HTM) instruments: HTM is a category of financial assets as defined by Paragraph 9 of IAS 39. This standard identifies and defines four categories of financial assets: (i) those held at fair value through profit or loss; (ii) held-to-maturity investments; (iii) loans and receivables; and (iv) available-for-sale financial assets. Held-to-maturity must be measured at amortised cost using the effective interest method.

IAS consolidation scope (IAS 27): This Standard must be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent. It must also be applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate financial statements.

Implementing technical standards (ITS) on supervisory reporting: The CRR includes a number of articles with specific mandates for the EBA to draft implementing technical standards relating to supervisory reporting requirements. Following their adoption by the European Commissions, these ITS will be part of the single rulebook enhancing regulatory harmonisation in Europe, with the particular aim of specifying uniform formats, frequencies, dates of reporting, definitions and the IT solutions to be applied by credit institutions and investment firms in Europe. The ITS on supervisory reporting set out reporting requirements relating to own funds and own funds requirements, financial information, losses stemming from lending collateralised by immovable property, large exposures, leverage, liquidity and asset encumbrance. As the ITS follow the scope and level of application set out in the CRR, they apply to credit institutions and investment firms on both: (i) an individual and (ii) a consolidated level, with the exception of financial information. Financial information is to be included to the extent that it is necessary: i) to obtain a comprehensive view of the risk profile of an institution, and ii) to assess systemic risks. Hence, the objective of the supervisory reporting covered in the ITS deviates from the objectives of IAS/IFRS. To fulfil their purposes as set out in the CRR, ITS templates for financial reporting include, in certain cases, disclosure requirements which are not available in IAS/IFRS.

Internal Ratings Based (IRB) approach: The IRB approach of the Basel Capital Accord provides a single framework by which a given set of risk components or "inputs" are translated into minimum capital requirements. The framework allows for both a foundation method and for a more advanced methodology. In the foundation method, banks estimate the probability of default associated with each borrower, and the bank supervisors supply the other inputs. In the advanced methodology, a bank with a sufficiently developed internal capital allocation process is permitted to supply other necessary inputs as well.

International Accounting Standards (IAS): International Accounting Standards (IASs) are developed by the International Accounting Standards Committee (IASC), whose purpose is to develop a single set of global accounting standards. Future international accounting standards are renamed International Financial Reporting Standards (IFRS).

International Banking Statistics (IBS): The BIS compiles both locational banking statistics and consolidated banking statistics. The locational banking statistics are quarterly data on international financial claims and liabilities of bank offices resident in the reporting countries. In this system, positions are recorded on a gross (unconsolidated) basis, which is consistent with the principles of national accounts, balance of payments and external debt statistics. The consolidated banking statistics collect quarterly data on banks' international financial claims. The data are collected on a worldwide consolidated basis with inter-office positions netted out.

International Financial Reporting Standards (IFRS): The IFRS is the new title for the International Accounts Standards (IAS), the body of standards in effect since end-March 2004 and applicable from the beginning of 2005.

Large and complex banking group (LCBG): A banking group whose size and nature of business is such that its failure or inability to operate would most likely have adverse implications for financial intermediation, the smooth functioning of financial markets or other financial institutions operating within the financial system.

Large Exposures (LE): EBA has developed common reporting templates and guidelines in relation to large exposures reporting, which will be included in the ITS on supervisory reporting so as to ensure a unified European reporting system. Large exposures reporting will be based on the same standards (i.e. frequency, remittance dates, formats and platform) as the other COREP data.

Market Risk (MR): Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. The risks subject to this requirement are those concerning interest rate-related instruments and equities in the trading book and the foreign exchange risk and commodities risk throughout the bank.

MFI interest rates statistics (MIR): MIR cover those interest rates that credit institutions and a few other institutions apply to euro-denominated deposits from, and loans to, households and non-financial corporations resident in the euro area. These harmonised statistics are used for the analysis of monetary developments and the monetary transmission mechanism as well as for the monitoring of financial stability.

Monetary financial institution (MFI): Financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, credit institutions (as defined in Community law) resident in the euro area and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Money Market Fund (MMF): Collective investment undertakings (CIUs) that fulfil the MFI definition, namely CIUs whose shares/units are "*in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments*".

Narrowly Defined Effective Rate (NDER): The narrowly defined effective rate (NDER) reflects the annual costs of a loan in terms of the size of the loan, possible discount, maturity and interest settlements. This makes it possible to compare the costs of loans with identical periods of interest rate fixation. Unlike the annual percentage rate of charge (see above), no other costs related to the loan are taken into account. The NDER is the interest rate which, on an annual basis, equalises the present value of all commitments (deposits or loans, payments or repayments, interest payments), future or existing, agreed between the bank and the household or non-financial corporation.

Non-performing exposures: For the purposes of the ITS on supervisory reporting FINREP (template 18), non-performing exposures are those that satisfy either or both of the following criteria:

i) material exposures which are more than 90 days past-due;

ii) exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

This categorisation shall apply independently from the classification of an exposure as defaulted for regulatory purposes in accordance with Article 178 of Regulation (EU) No 575/2013, or as impaired for accounting purposes.

Operational risk (OR): Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Other financial intermediary (OFI): A financial corporation or quasi-corporation engaged mainly in financial intermediation but which is not an MFI, insurance corporation or pension fund. The category includes investment funds other than MMFs; entities engaged primarily in long-term financing, such as corporations engaged in financial leasing; financial vehicle corporations created to be holders of securitised assets; financial holding corporations; dealers in securities and derivatives (when dealing for their own account); venture capital corporations and development capital companies.

Preference shares: Preference shares are securities that pay a fixed rate of dividend and have a mandatory redemption feature at a future date. Alternatively, they may not have a fixed maturity, and the issuer does not have a contractual obligation to make any payment.

Securitisation (ECB BSI definition): A transaction that is either: (a) a traditional securitisation as defined in Article 4 of Regulation (EU) No 575/2013; and/or (b) a securitisation as defined in Article 1 of Regulation (EC) No ECB/2013/40, which involves the disposal of the loans being securitised to an FVC.

Securitisation (CRR definition): According to Article 4(61) of the CRR, securitisation means a transaction or scheme whereby the credit risk associated with an exposure or pool of exposures is tranched, and that has both of the following characteristics: (a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and (b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Securitisation special purpose entity (SSPE): According to Article 4(66) of the CRR, an SSPE is a corporation trust or other entity other than a credit institution that is organised for carrying on a securitisation or securitisations, the activities of which are limited to those appropriate to accomplishing that objective, and the structure of which is intended to isolate the obligations of the SSPE from those of the originator credit institution and from the holders of the beneficial interests which have the right to pledge or exchange those interests without restriction.

Settlement date: The date on which a transaction is settled. The settlement might take place on the same day as the trade (same-day settlement) or one or several days after the trade (the settlement date is specified as the trade date (T) + the settlement lag).

Standardised Approach (SA): The standardised approach is the simplest of the three broad approaches to measuring credit risk. The other two approaches are based on banks' internal rating systems. The standardised approach aligns regulatory capital requirements with the key elements of banking risk by introducing a wide differentiation of risk weights and a wide recognition of credit risk mitigation techniques, while avoiding excessive complexity.

Statistics Committee (STC): The STC assists in collecting and managing the statistical information necessary for the performance of the ESCB's tasks.

Synthetic securitisation: According to Article 242(11) of the CRR, synthetic securitisation means a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the pool of exposures remains the exposure of the originator credit institution.

System of National Accounts (SNA): The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity, broken down by economic sector of the entities undertaking the activity. The SNA comprises a coherent, consistent and integrated set of economic and financial accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules. The SNA provides an overview of economic processes, recording how production is distributed among resident consumers, businesses, government and entities abroad. It shows how income originating in production, modified by taxes and transfers, flows to these groups; how they allocate these flows to consumption, saving and investment; and their borrowing and lending transactions. The SNA also provides for balance sheets and accounts reconciling changes in balance sheets with transactions in the intervening period. The ESA is an adaptation of the SNA, which is mandatory in the European Union.

Traditional securitisation: According to Article 242(10) of the CRR, traditional securitisation means a securitisation involving the economic transfer of the exposures being securitised by the transfer of ownership of the securitised exposures from the originator credit institution to an SSPE or through sub-participation by an SSPE.

Trading book: The trading book refers to all positions in financial instruments and commodities held by an institution either with trading intent or in order to hedge positions held with trading intent.

Undertakings for Collective Investment in Transferable Securities (UCITS): The UCITS Directive creates a harmonised framework for investment funds. It specifies the core features of their operations and the financial products which they offer, such as risk diversification, redemption of units on the request of unit-holders, regular valuation, and oversight by a depositary. It further clarifies the application of the definition of transferable securities to closed-end funds and certain structured financial instruments.

7 ANNEXES

7.1 MOST RELEVANT LEGAL ACTS

I ACCOUNTING (CONSOLIDATED APPLICABLE TEXT FOR EU DIRECTIVES)

- 78/660/EEC – Fourth Council Directive of 25 July 1978 based on Article 54(3) (g) of the Treaty on the annual accounts of certain types of companies – link

- 86/635/EEC – Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions – link

- Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as amended by Regulation (EC) No 297/2008 of the European Parliament and of the Council of 11 March 2008 **(IAS Regulation)** – link

- Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council – link

AMENDMENTS (STARTING WITH THE MOST RECENT):

- Commission Regulation (EU) No 1375/2013 of 19 December 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 – link

- Commission Regulation (EU) No 1374/2013 of 19 December 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 36 – link

- Commission Regulation (EU) No 1174/2013 of 20 November 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 10 and 12 and International Accounting Standard 27 – link

- Commission Regulation (EU) No 313/2013 of 4 April 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendments to International Financial Reporting Standards 10, 11, and 12) – link

- Commission Regulation (EU) No 301/2013 of 27 March 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Annual Improvements to International Financial Reporting Standards – link

- Commission Regulation (EU) No 183/2013 of 4 March 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 1 – link

- Commission Regulation (EU) No 1256/2012 of 13 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 7 and International Accounting Standard 32 – link

- Commission Regulation (EU) No 1255/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 12, International Financial Reporting Standards 1 and 13, and Interpretation 20 of the International Financial Reporting Interpretations Committee – link

- Commission Regulation (EU) No 1254/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 10, International Financial Reporting Standard 11, International Financial Reporting Standard 12, International Accounting Standard 27 (2011), and International Accounting Standard 28 (2011) – link

- Commission Regulation (EU) No 475/2012 of 5 June 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1 and International Accounting Standard (IAS) 19 – link

- Commission Regulation (EU) No 1205/2011 of 22 November 2011 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 7 – link

- Commission Regulation (EC) No 149/2011 of 18 February 2011 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs) – link

- Commission Regulation (EC) No 662/2010 of 23 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 19 and International Financial Reporting Standard (IFRS) 1 – link

- Commission Regulation (EC) No 633/2010 of 19 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 14 – link

- Commission Regulation (EC) No 632/2010 of 19 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 24 and International Financial Reporting Standard (IFRS) 8 – link

- Commission Regulation (EC) No 574/2010 of 30 June 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1 and IFRS 7 – link

- Commission Regulation (EC) No 550/2010 of 23 June 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1 – link

- Commission Regulation (EC) No 244/2010 of 23 March 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 2 – link

- Commission Regulation (EC) No 243/2010 of 23 March 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs) – link

- Commission Regulation (EC) No 1293/2009 of 23 December 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 32 – link

- Commission Regulation (EC) No 1171/2009 of 30 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 9 and International Accounting Standard (IAS) 39 – link

- Commission Regulation (EC) No 1165/2009 of 27 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4 and IFRS 7 – link

- Commission Regulation (EC) No 1164/2009 of 27 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 18 – link

- Commission Regulation (EC) No 1142/2009 of 26 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with

Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 17 – link

– Commission Regulation (EC) No 1136/2009 of 25 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1 – link

– Commission Regulation (EC) No 839/2009 of 15 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 – link

– Commission Regulation (EC) No 824/2009 of 9 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7 – link

– Commission Regulation (EC) No 636/2009 of 22 July 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards the International Financial Interpretations Committee's (IFRIC) Interpretation 15 – link

– Commission Regulation (EC) No 495/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 3 – link

– Commission Regulation (EC) No 494/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 27– link

– Commission Regulation (EC) No 460/2009 of 4 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 16 – link

– Commission Regulation (EC) No 254/2009 of 25 March 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 12 – link

– Commission Regulation (EC) No 70/2009 of 23 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs) – link

- Commission Regulation (EC) No 69/2009 of 23 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards amendments to International Financial Reporting Standard (IFRS) 1 and International Accounting Standard (IAS) 27– link

- Commission Regulation (EC) No 53/2009 of 21 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 32 and IAS 1 – link

- Commission Regulation (EC) No 1274/2008 of 17 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1 – link

- Commission Regulation (EC) No 1263/2008 of 16 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 14 – link

- Commission Regulation (EC) No 1262/2008 of 16 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 13 – link

- Commission Regulation (EC) No 1261/2008 of 16 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 2 – link

- Commission Regulation (EC) No 1260/2008 of 10 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 23 – link

- Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (**ESA 2010**) – link

2 CAPITAL REQUIREMENTS REGULATION

- 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 (**CRR IV**) – link

- Regulation (EU) No 575/2013 mandates the EBA to develop implementing technical standards with regard to supervisory reporting on: own funds requirements (Article 99(5));

financial information (Article 99(5) and (6)); losses stemming from immovable property (Article 101(4)); large exposures (Article 394(4)); liquidity ratios; (Article 415(3)); leverage ratio (Article 430(2)); and asset encumbrance (Article 99(5)). These were formally adopted by the European Commission on 16 April 2014 (with the exception of asset encumbrance and FINREP templates on non-performing and forborne exposures), in the form of a Commission Implementing Regulation 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. (**ITS**) – link

3 CAPITAL REQUIREMENTS DIRECTIVES

– Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (**CRD IV**) – link

– Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) – link

– Commission Directive 2009/83/EC of 27 July 2009 amending certain Annexes to Directive 2006/48/EC of the European Parliament and of the Council as regards technical provisions concerning risk management – link

– Commission Directive 2009/27/EC of 7 April 2009 amending certain Annexes to Directive 2006/49/EC of the European Parliament and of the Council as regards technical provisions concerning risk management – link

4 FINANCIAL CONGLOMERATES DIRECTIVE

– Directive No 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council – link

5 SELECTED STATISTICAL LEGAL ACTS

– Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (**SSM Regulation**) – link

– Regulation (EC) No 1011/2012 of the European Central Bank of 17 October 2012 concerning statistics on holdings of securities (ECB/2012/24) – link

- Regulation (EC) No 33/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2013/33) (**BSI Regulation**) – link

- Regulation (EC) No 34/2013 of the European Central Bank of 24 September 2013 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (Recast) (ECB/2013/34) (**MIR Regulation**) – link

- Regulation (EC) No 38/2013 of the European Central Bank of 18 October 2013 concerning statistics on the assets and liabilities of investment funds (Recast) (ECB/2013/38) – link

- Regulation (EC) No 40/2013 of the European Central Bank of 18 October 2013 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (Recast) (ECB/2013/40) – link

- Guideline of the ECB of 4 April 2014 on monetary and financial statistics (recast) (ECB/2014/15) – link

7.2 THE MAIN METHODOLOGICAL ELEMENTS: MIR-BSI-SHS-FINREP-COREP

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Reporting population	All resident credit institutions and all other institutions (within the MFI sector) which take deposits from and/or grant loans to households and/or non-financial corporations resident in the participating member state comprise the reference reporting population. The reference reporting population does not include money market funds or central banks. Data can be collected either from a census or, most often, from a sample of the reference reporting population.	Resident monetary financial institutions (MFIs), consisting of central banks, credit institutions (as defined in Community Law), money market funds (MMFs, a type of collective investment undertaking), other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs, and, for their own account, at least in economic terms, to grant credits and/or make investments in securities, and electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money.	Resident MFIs, IFs, FVCs and custodians are required to report their own holdings subject to derogations which may be granted by the relevant NCBs. Other residents may also be required to report by the relevant NCB. As a minimum, the combined contribution of the reporting credit institutions to the total amount of securities held by the credit institutions in the relevant member state should be no less than 95%. Custodians (including MFIs acting as such) report the holdings of the entities not included in the direct reporting. Custodian reporting may also be subject to derogations granted by a relevant NCB. Heads of banking groups report if the banking group has consolidated balance sheet assets: – larger than 0.5% of the total consolidated balance sheet assets of the Union banking groups (the "0.5% threshold"'); or – equal or below the 0.5% threshold, provided that the banking group meets certain quantitative or qualitative criteria that make it important for the stability and functioning of the financial system in the euro area and/or individual euro area Member State.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
Institutions that apply IFRS. This means, as a minimum, all EU credit institutions and investment firms whose securities are admitted to trading on a regulated market (listed), as they are required to use IFRS for their consolidated financial statements according to Regulation EC 1606/2002. Some EU countries have extended the application of IFRS to all their institutions, regardless of whether they are listed or not. Finally, Article 99 of CRR envisages two cases of further extension of the reporting population of FINREP. First, competent authorities may require those institutions applying IAS/IFRS for the reporting of own funds on a consolidated basis to also report financial information. Second, as regards institutions applying national GAAP and otherwise not required to report FINREP, where a competent authority considers that FINREP is necessary to obtain a comprehensive view of the risk profile of their activities and a view of the systemic risks to the financial sector or the real economy posed by them, the competent authority shall consult the EBA on the extension of the FINREP on a consolidated basis to those institutions. Templates developed for national GAAP would apply.	EU credit institutions, investment firms and financial intermediaries subject to the Regulation 575/2013/EU (CRR). All EU credit institutions and investment firms, as mandated by the CRR.	Substantial overlap between the populations: credit institutions. FINREP generally only covers banks that apply IRFS, even though its scope may be extended under certain conditions. MMFs (and some other MFIs) are not obliged to use COREP. Other non-MFI financial institutions, as well as investment firms, may be requested to use COREP by supervisory authorities. Non-MFIs such as investment firms and OFIs do not report MIR.	Substantial overlap between the two populations: credit institutions. MMFs and other MFIs are not obliged to use IFRS in the preparation of their unconsolidated accounts. Other non-MFI financial institutions may be requested to use FINREP by supervisory authorities.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Consolidation scope	MFIs should consolidate the business of all their offices (registered or head office and/or branches) located within the same national territory ("host" residency principle, i.e. only the business of resident MFIs, excluding foreign branches, is reported). As a rule, if an MFI has subsidiaries (as opposed to branches) in the same country which are also MFIs, the parent MFI should not consolidate the business of these subsidiaries (although it may do so under certain conditions). No consolidation for statistical purposes is permitted across national or sectoral boundaries.	MFIs should consolidate the business of all their offices (registered or head office and/or branches) located within the same national territory ("host" residency principle, i.e. only the business of resident MFIs, excluding foreign branches, is reported). As a rule, if an MFI has subsidiaries (as opposed to branches) in the same country which are also MFIs, the parent MFI should not consolidate the business of these subsidiaries (although it may do so under certain conditions). No consolidation for statistical purposes is permitted across national or sectoral boundaries.	Heads of reporting groups report their gross holdings, including non-resident entities ("home" basis), without netting out from the group holdings the securities issued by entities of the same group.
Data model	The NCBs shall define and implement the reporting arrangements to be followed by the actual reporting population in accordance with national characteristics. The NCBs shall ensure that these reporting arrangements provide the statistical information required by MIR Regulations.	The NCBs shall define and implement the reporting arrangements to be followed by the actual reporting population in accordance with national characteristics. The NCBs shall ensure that these reporting arrangements provide the statistical information required by BSI Regulations.	The NCBs shall define and implement the reporting arrangements to be followed by the actual reporting population in accordance with national characteristics. The NCBs shall ensure that these reporting arrangements provide the statistical information required by SHS Regulations.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
Prudential consolidation according to the CRR: credit institutions and other financial institutions are fully consolidated, while insurance companies and non-financial companies – if any – may be permitted or required to be accounted for using the equity method. Proportional consolidation may be permitted, on a case-by-case basis, subject to conditions. FINREP follows the "home" basis reporting concept, i.e. resident groups should report the business of non-resident branches and subsidiaries (consolidated accounting). National supervisory authorities may also decide to apply FINREP for solo reporting purposes. FINREP also provides summarised information of the balance sheet with an accounting scope of consolidation.	A uniform COREP for all countries is compulsory for solo and consolidated reporting. COREP follows the "home" basis reporting concept like FINREP, i.e. resident intermediaries or groups should also report the business of non-resident branches and subsidiaries.	MIR "host" basis reporting, versus COREP and FINREP "home" basis reporting. Differences, in particular as regards the consolidation of non-resident branches (on a solo basis) and of domestic and foreign subsidiaries (on a consolidated basis).	BSI "host" basis reporting, versus FINREP "home" basis reporting. Differences, in particular as regards the consolidation of non-resident branches and of domestic and foreign subsidiaries. When FINREP is required for solo reporting and on a host approach basis, differences still remain as regards the consolidation of foreign branches.
Mandatory and uniform reporting as of the third quarter of 2014, with the first reference date being 30/09/2014. FINREP sets explicit reporting requirements based on a common set of data definitions in two sets of templates with given reporting frequency, designed separately for IFRS and national GAAP. Certain thresholds, based on the structure of tangible assets, non-domestic exposures and income, apply for reporting some templates. National GAAP templates are not mandatory, but competent authorities can request an extension of FINREP reporting requirements on a consolidated basis to institutions applying national GAAP: in this case, national GAAP templates are to be reported. National supervisors willing to request information not covered by the templates must notify the EBA and the ESRB.	COREP templates are uniform for solo and consolidated reporting.		
Note: Reporting of information specified by the ITS has to take place in line with the data point definition included in the data point model and the validation formulae (Annexes XIV and XV of the ITS).			

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Main valuation criteria of financial instruments	Nominal amount (value) of loans and deposits in new business and outstanding amounts. In the medium term it would be important to get the nominal amount definition to be in line with the IFRS concept.	Market or fair valuation of financial instruments is recommended, except for loans and deposits, where nominal amounts outstanding at the end of the month are mandatory. Despite this recommendation, the BSI Regulation is rather flexible as regards the valuation method, making a general reference to Council Directive 86/635/EEC and any other international standards applicable (e.g. International Accounting Standards / International Financial Reporting Standards as endorsed by the European Union).	MFIs, IFs, FVCs and custodians report their holdings either at nominal values or at market values subject to the reporting requirements set out by the NCBs. Without prejudice to national practice, holdings of securities held by reporting groups have to be reported at (aggregate) nominal value or as number of shares. Market values may also be reported. In the case of securities with an ISIN, the relevant price and master data can be pulled from the Centralised Securities Database (CSDB). Despite this recommendation, the SHS Regulation is rather flexible as regards the valuation method, making a general reference to Council Directive 86/635/EEC and any other international standards applicable (e.g. International Accounting Standards / International Financial Reporting Standards as endorsed by the European Union).

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
In FINREP, the valuation criteria are the IFRS measurement criteria (IAS 39). In particular, financial assets (including loans) and financial liabilities (including deposits) are recognised initially at fair value plus, in the case of financial assets or liabilities not at fair value through profit and loss, transaction costs that are directly attributed to the acquisition or issue of the financial assets and liabilities. Subsequently, all financial assets are to be measured at fair value, except for some items (e.g. the portfolios "loans and receivables" and "held-to-maturity"), which are measured at amortised cost[1] using the effective interest method. In general, all financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit and loss and financial liabilities held for trading, which are measured at fair value. For derivatives, in normal cases the same rules apply as for other financial assets and liabilities. When specific conditions for hedge accounting apply (hedge effectiveness rules), the valuation rules slightly differ. When hedging is applied, one or more hedging instruments are used for full or partial compensation for changes in fair value or cash flows of the hedged items. In cases of *fair value hedges*: –gains or losses go to the P&L; –the carrying amount of the hedged item is adjusted according to the gain or loss on it attributable to the hedged risk and is recognised in the P&L. In cases of *cash flow hedges,* the effective part of the hedge is recognised in the other comprehensive income (within equity). This is a recycling item, which means that gains or losses will be recycled to the P&L: – when capitalised to the asset, it will be shown in the P&L in line with the depreciation; – otherwise, it is reversed directly to the P&L. when capitalised to the asset, it will be shown in the P&L in line with the depreciation; otherwise, it is reversed directly to the P&L.	The precise accounting technique to be used for the calculation of own funds, their adequacy for the risk to which an institution is exposed, and for the assessment of the concentration of exposures should follow whichever accounting standards govern the accounting of the institutions under national law (IFRS or national GAAP). In COREP, for financial assets, subject to capital requirements for credit risk, the original exposure amount (i.e. the carrying amount) and the "value adjustments and provisions associated with the original exposure" must be reported independently of the approach used. Financial assets subject to capital requirements for market risk are reported at their carrying amount as well.	In MIR, the amount to be considered for the loans and deposits is the nominal, whereas in FINREP it is the carrying amount (amortised cost or fair value), and in COREP, the original exposure amount and the related adjustments have to be reported.	In FINREP and BSI it is possible to use the same valuation concepts, except for loans and deposits. In the BSI reporting scheme, loans and deposits should be reported at nominal value, whereas in FINREP these are generally recorded at amortised cost and could in certain restricted cases be recorded at fair value. Differences may also prevail for securities as the BSI data reflects, in most cases, market prices (even if the BSI regulation only requires an internationally applicable accounting standard to be followed).

1 According to IAS 39, the amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Time of recording	Contract date for new business. For outstanding amounts, the same rules as BSI apply. For outstanding amounts, the date of withdrawals (loans) or placements (deposits) of the respective amounts. This coincides with the BSI rules.	Transactions should be recorded at the settlement date (i.e. the date on which the asset is delivered, which is the moment when the ability to exercise the rights associated with the traded asset are received/transferred). Other criteria can be applied (e.g. trade date) in accordance with the accounting provisions, provided that this does not create significant distortions.	Either trading date or settlement date accounting, provided that the chosen method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.
Treatment of accrued interest	No such concept in MIR new business. In MIR outstanding amounts, all interest is considered in the calculation of the interest rate regardless of whether it is only accrued or also paid. Nevertheless, the outstanding amount used in the weighting of the interest rates is the nominal amount (i.e. without taking into account the accrued interest). Over the longer term, the treatment should be harmonised with the IFRS amortised cost internal interest rate concept. It is also worth noting that in the MIR Regulation, three different types of interest rate are considered. First, MIR requires the reporting of annualised agreed rate (AAR) for all loan and deposit categories. Second, national central banks (NCBs) may require their reporting agents to provide, for all or some deposit and loan instruments referring to new business and outstanding amounts, the narrowly defined effective rate (NDER) instead of the annualised agreed rate. Finally, the reporting agents shall provide, for new business in respect of consumer credit and loans to households for house purchases, the annual percentage rate of charge (APRC).	Accrued interest should be subject to on-balance-sheet recording as it accrues (i.e. on an accrual basis). Accrued interest should be recorded on a gross basis separate from the underlying instrument under “remaining assets”/“remaining liabilities”. For loans and deposits, total accrued interest should be reported as an “of-which” item under “remaining assets”/“remaining liabilities”. For other financial instruments, it is recognised that it may be difficult to disentangle accrued interest from price developments, and therefore the accounting practice can be maintained for statistical purposes (debt securities include accrued interest). Ideally, the treatment should be harmonised with the IFRS amortised cost internal interest rate concept. Ideally, the treatment should be harmonised with the IFRS amortised cost internal interest rate concept.	For positions reported at nominal value, accrued interest not yet paid is excluded. For positions at market value, accrued interest can be reported either as part of the position or not at all, in which case it is estimated by the compiler using the CSDB data. If transactions are reported, accrued interest not yet paid is recorded as a financial transaction, showing that interest is reinvested in the relevant financial instrument.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
Either trading date or settlement date accounting, provided that the chosen method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.	Either trading date or settlement date accounting, provided that the chosen method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.	The methods may be consistent if: – settlement date is applied in FINREP/COREP; or – MIR outstanding amounts and FINREP/COREP are all recorded on trading date.	The methods may be consistent if: – the financial institution decides to report in FINREP following the settlement date; – in accordance with the accounting provisions, MFIs do not record transactions when the delivery is made and decide to do the same for BSI reporting.
Accrual accounting is also required in the FINREP framework. Accrued interest not yet due should be reported with the underlying instrument in the balance sheet, i.e. following "dirty price" accounting. In the income statement, in cases of: – financial instruments held for trading; – financial instruments at fair value through profit and loss. accrued interest income and expenses may be reported either as part of interest income/expenses ("clean price") or together with gains and losses from these categories of instruments ("dirty approach"). The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, an entity will consider all contractual terms of the financial instruments (including transaction costs, discounts, premiums) when estimating cash flows.	The same method as the one adopted in the financial statements (for intermediaries adopting IFRS, accrued interest should be reported with the underlying instrument in the balance sheet).	No direct link, as in this case MIR follows the BSI "clean price" principle, while COREP and FINREP follow "dirty price" principle (i.e. accrued interest should be reported with the underlying instrument in the balance sheet). The NDER and the effective interest rate are, however, equivalent when no incremental costs occur. The effective rate may differ when the annual interest rate is annualised with the AAR formula. Regarding APRC, the effective rate and the APRC are equivalent when costs are identical in the two calculations. MIR requires the use of APRC for new businesses of consumer and housing loans of households, whereas calculating the effective rate is required for all loans in the IFRS. The MIR regulation is silent on the treatment of discounts and premiums regarding loans, whereas these premiums or discounts should be included in the effective interest rate calculation. In the balance sheet statistics, interest accruals are part of the other assets and liabilities instead of being treated together with the host instruments (e.g. loans, deposits). The method for calculating interest accruals in the balance sheet is linear, instead of the effective interest method.	For both statistical and supervisory purposes, the principle of accrual accounting should be applied. The two reporting schemes differ as regards the balance sheet allocation of accrued interest: – BSI requires the reporting of accrued interest of loans and deposits under remaining assets/liabilities, i.e. "clean price" accounting for the underlying instrument. The remaining financial instruments can be reported using the financial statements amount. – FINREP requires the transmission of accrued interest for all financial instruments with the underlying instrument in the balance sheet ("dirty price" accounting).

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Recognition and derecognition	In MIR outstanding amounts, BSI criteria are followed. This means that the amounts recognised or derecognised in the BSI are, respectively, included or excluded in MIR.	Loans (assets) should be derecognised only when they expire or all risks and rewards of ownership are transferred. BSI reporting usually follows local GAAP, with the exception of repurchase agreements. Generally, financial derivatives are recognised on balance sheet at their fair value if MFIs follow IFRS (or national GAAPs are consistent with IFRS) for their individual accounts, otherwise they are recorded off-balance sheet.	Financial assets should be derecognised when the contractual rights to the cash flows from a financial asset expire or when the financial asset is deemed to be transferred and that transfer qualifies for derecognition.
Netting (offsetting) arrangements	Gross recording should be applied, in line with BSI.	All financial assets and liabilities should be reported on a gross basis. As an exception, loans/deposits may be presented in net terms if credit and debit balances have identical features, i.e. are vis-à-vis the same customer (resident in same territory as the reporting MFI), in the same currency, and have the same original maturity, and if the right of set-off is enforceableby law. An exception to the rule of gross recording is the treatment of holdings of own instruments issued. For purposes of MFIbalance sheet statistics, holdings of own instruments issued should be recorded on a net basis (i.e. the holding and the liability should not be recorded gross onseparates sides of the balance sheet). Gross recording of holdings of own instruments issued ispermitted if this is required by local accounting rules.	Without prejudice to national accounting practices and netting arrangements, holdings of securities shall be reported on a gross basis for statistical purposes. Data shall be reported on the basis of the group's gross portfolio, without netting the securities issued by entities of the same group out from the group holdings.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
Financial assets should be derecognised when the contractual rights to the cash flows from a financial asset expire or when the financial asset is deemed to be transferred and that transfer qualifies for derecognition.	The same method as the one adopted in the financial statement (for banks adopting IFRS, financial assets should be derecognised when the contractual rights to the cash flows from a financial asset expire or when the financial asset is deemed to be transferred and that transfer qualifies for derecognition). For securitisation transactions, specific rules apply for the derecognition of the assets (the derecognition applies if a significant part of the credit risk is transferred).	Significant differences can arise in the case of complex transactions (partial transfer of risk and rewards) whenever local GAAP differ from IFRS.	Significant differences can arise in the case ofcomplex transactions (partial transfer of risk and rewards) whenever local GAAP differ from IFRS. This issue was addressed when developing MFI and FVC securitisation statistics.
A financial asset may be offset against a liability and the net amount presented in the balance sheet when, and only when, an entity: (a) currently has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.	The same provisions as those considered in the GAAP that is the basis for COREP reporting. For IFRS, a financial asset may be offset against a liability and the net amount presented in the balance sheet when, and only when, an entity: – currently has a legally enforceable right to set off the recognised amounts; – intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Furthermore, master netting agreements covering repurchase transactions and/or securitiesor commodities lending or borrowing transactions and/or other capital market-driven transactions are considered.	No netting is allowed in MIR; FINREP and COREP allow for offsets with conditions and also consider master netting agreements covering repurchase transactions and/or securities or commodities lending.	The netting principles are practically identical. In particular, it can beunderlined that the first condition of the IAS is very restrictive, and netting is rarely applied under this framework. Furthermore, in FINREP, netting among cross-border transactions is possible. This is not relevant in BSI due to the application of the "host" principle.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Treatment of impaired assets (basis of recording)	Bad loans and loans for debt restructuring granted at rates below market conditions are not included in the weighted average interest rates or in the new business volumes. The total amount of loans partially or totally classified as bad loans are also excluded from MFI interest rate statistics. Bad loans are defined in accordance with the BSI regulation. Loans for debt restructuring, i.e. restructuring in relation to financially distressed debtors, should be defined in accordance with existing national definitions	The BSI Regulation requires loans to be recorded at principal amount. This implies that they must be reported gross of all related provisions (impairment losses or amounts recorded in allowance accounts), except credit losses recorded as write-offs (or write-downs when partial). NCBs may, however, allow the reporting of loans net of provisions, provided that such reporting practice is applied by all resident reporting agents. BSI Regulations include the definition of "bad debt loans that have not yet been repaid or written off" as the total amount of loans in respect of which repayment is overdue or otherwise identified as being impaired, partially or totally, in accordance with the default definition of the CRR (Art. 178). Nevertheless, BSI does not require separate data on "bad debt loans".	Reflected in the market value of the security. Information on other changes in volume is necessary for calculating transaction flows. Such information is directly reported for securities without an ISIN code. The CSDB may contain information to identify defaulted or impaired securities.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
Assets should be reported net of impairment losses, either implicitly via fair value accounting or, for assets valued at amortised cost, by reducing the balance sheet amount directly or using an allowance account. There is information in Table 7 on the allowances accounts for debt instruments (debt securities and loans and advances). Furthermore, for loans and advances, breakdowns by counterparties, by product, by collateral and by subordination are available. The definition of impairment on financial assets ("loans and advances", "debt securities" and "equity instruments") measured at amortised cost is reported in IAS 39, paragraphs 58-70. FINREP provides information on past due and impaired loans in table 7. The ITS on supervisory reporting introduces definitions of "forbearance" and "non-performing exposures" and the accompanying supervisory reporting templates that apply to all loans and debt securities that are on-balance sheet (except for trading exposures). NB: The IASB Exposure Draft "Financial Instruments: Amortised Cost and Impairment" reports a clear definition of "non-performing financial assets" (Appendix A): "The status of a financial assets that is more than 90 days past due or is considered uncollectible." This proposed definition – if retained – could match with the COREP framework and thus with ECB regulations. FINREP does not require the amount of past due or impaired loans measured at fair value with changes through profit or loss (although tables 4.1 and 4.2 provide the "Accumulated changes in fair value due to credit risk", this amount is different than the total amount of the impaired loan). FINREP templates 6, 9, 20.04, 20.05, 30.02 18 and 19 contain information on non-performing and forborne exposures (the last two being overview tables).	In COREP, for financial assets subject to credit risk capital requirements, the original exposure amount (the financial statement value, IFRS or national GAAP, gross of value adjustments and provisions) and the "value adjustments and provisions associated with the original exposure" must be reported independently of the approach used. CRR includes a definition of "default" and "past due" loans for the IRB approach (Art. 178). For the standardised approach, there are definitions of (Art. 128) items belonging to regulatory high risk categories (this category can include impaired loans other than overdue more than 90 days). For banks adopting the standardised approach for credit risk, the following exposure classes include "bad debt loans": "exposures in default" and "exposures with particularly high risk" (CRR Art. 112). For banks adopting the IRB approaches for credit risk, the applicable definition of default is that found in CRR Art. 178. For loans subject to market risk, COREP does not require data on past due, impairment or default.	The definitions of bad loans in MIR and default loans in COREP are the same. Nevertheless, the definition of "default" in COREP applies only to loans subject to credit risk under the IRB approach, and many institutions apply the standardised approach. Additionally, the definition of "default" is slightly different than the accounting definition of "impaired assets" plus "past due but not impaired assets (over 90 days)", because a financial asset must be qualified as in "default" when it is considered that the obligor is unlikely to pay it in full "without recourse by the credit institution to actions such as realising security". For a loan to be classified as impaired in FINREP, it is necessary to have an impairment loss after considering the security. This difference is limited to those loans that are not past due over 90 days. FINREP provides data on past due and impaired loans that are not measured at fair value through profit and loss. Non-performing exposures are defined in FINREP as those which are more than 90 days past-due and/or for which the debtor is assessed as unlikely to pay in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due. Forborne exposures are defined in FINREP as debt contracts in respect of which forbearance measures, i.e. concessions towards a debtor facing or about to face difficulties in meeting its financial commitments, have been extended.	In the BSI reporting scheme, loans should in principle be reported gross of all impairment allowances, although reporting net of specific impairments is implicitly permitted provided that such reporting practice is applied by all resident reporting agents. In FINREP, they should be reported net of those allowances. The bridging is possible at the level of loans, taking into account the allowances reported in FINREP Template 7 for loans not measured at fair value through profit or loss. Nevertheless, the bridging at level of products is limited to loans measured at amortised cost within the FINREP package.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Residency breakdown	Residency covers only domestic and other euro area residents (as a whole). For countries outside the euro area, MIR covers only domestic non-financial corporations and households.	BSI statistics generally require the following breakdown by residence of the counterparty: – domestic residents; – residents in other euro area Member States; – rest of the world. For certain items, however, the split by residency of the counterparty is not available. Additionally, for some asset and liability positions, items data are broken down by country of residency of the counterparties (when resident in EU countries).	Resident MFIs, IFs, FVCs, custodians and heads of banking groups report own holdings. Heads of resident reporting groups report holdings of their group, including non-resident entities. Custodians also report holdings held in custody concerning: – resident investors (financial and non-financial) that are not required to report their own holdings; – non-resident non-financial investors who are resident in other euro area Member States; – investors resident in non-EMU countries holding securities issued by euro area residents.
Counterpart sector breakdown	The classification of institutions into sectors follows the ESA 2010 concepts. MIR covers only households (including NPISH) and non-financial corporations.	The classification of institutions into sectors follows the ESA 2010 concepts. Institutional units resident in the domestic territory or in other euro area countries are grouped into the following main categories based on their principal functions, behaviour and objectives: MFIs, general government, non-MMF investment funds, insurance corporations, pension funds, other financial intermediaries + financial auxiliaries + captive financial institutions and money lenders, non-financial corporations and households (including non-profit institutions serving households). The economic relationships between residents and non-euro area residents are recognised separately, mainly broken down by banks and non-banks. Additional sectoral breakdowns are sometimes available as of-which positions (e.g. certain positions vis-à-vis credit institutions, central counterparties, financial vehicle corporations and sole proprietors).	The residency concept and the classification of institutions into sectors follow, as far as possible, the equivalent ESA 2010 concepts. Concerning securities with an ISIN code reported as own holdings, sector information on the holder may be derived from the master data. For holdings reported by custodians, sector information on the holder is collected depending on the residency of the holder. The data is transposed by NCBs into the following holder sectors: – non-financial corporations; – certain subsectors of financial corporations; – general government and certain subsectors; – households; non-profit institutions serving households. As regards securities without an ISIN code, sector information is collected on both the holder and issuer.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
In FINREP, Template 20 provides the following geographical breakdowns: – for assets, liabilities and statement of profit or loss items by location of the activities: domestic and non-domestic; – for assets, off-balance sheet exposures, liabilities, loans and advances to non-financial corporations (by NACE codes), by residence of the counterparty: country of residence (as z-axis). The breakdowns are required by instrument, portfolio and sector of the FINREP framework. This provides a standardised counterparty breakdown where financial information is broken down into eight economic sector allocation classes.	Table 9 requires information on credit risk on a country-by-country basis. This is to be reported if non-domestic original exposures in all “nondomestic” countries in all exposures classes are equal or higher than 10% of total domestic and non-domestic original exposures.	MIR and FINREP residency definitions are consistent. As regards COREP, the residency definitions are also consistent (as they are not different from that of FINREP), but COREP is essentially focused on risk exposure classes. These exposure classes can be matched, to some extent, with BSI, MIR and FINREP sectors.	BSI and FINRE Presidency definitions are consistent.
The FINREP framework provides a standardised counterparty breakdown where financial information is broken down into six economic sector allocation classes: – Central banks, General government, Credit institutions – Other financial corporations, – Non-financial corporations, – Households. The definitions are in line with those of the BSI regulation. The economic sector allocation is based on the nature of the direct counterparty, with an additional breakdown in the case of loans held for non-financial corporations and households into those that meet the CRD definitions of corporates and retail.	COREP classifies the assets subject to credit risk capital requirements among different “exposure classes” that are regulated by the CRR (Art. 112). The exposure classes are a mix between counterpart sector and instrument breakdowns. They generally specify a sector of counterpart for debt instruments (debt securities and loans and advances), but instead specify an instrument breakdown for equity and other assets. Nevertheless, in the standardised approach, debt instruments that meet some criteria must be included in specific exposure classed independently of the counterparty sector (e.g. exposures in default, exposures belonging to the regulatory high risk category, and so on).	In the MIR framework, units resident in an economy are grouped into two institutional sectors (households and non-financial corporations).In FINREP, loans and deposits are classified into different sectors, among them non-financial corporations and households. In the COREP counterpart breakdown, units are grouped into exposure classes on the basis of their risk profile, without regard to their residency. This is particularly relevant as regards the distinction between non-financial corporations and households.	BSI and FINREP counterpart sector breakdowns are broadly consistent. With the revised FINREP, reconciliation between the two reporting schemes is that financial corporations are split into central banks, credit institutions and other financial corporations in FINREP, while BSI applies a finer breakdown based on ESA 2010. There are also minor differences in the classification of multilateral banks in BSI and in FINREP.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Original and residual maturity breakdown	MIR on outstanding amounts requires the breakdown of loans and deposits by: – original maturity at inception or at issue; – residual maturity (loans); – interest rate reset (loans). MIR also requires, for new business, the classification of deposits by original maturity or period of notice, and by their initial rate fixation period in the case of loans. Data on renegotiated loans is reported separately, on an aggregated level, i.e. without maturity or initial rate fixation breakdowns.	For loans, deposits and debt securities, a breakdown by original maturity is required, i.e. the maturity at inception or at issue, with the exception of deposits redeemable at notice, where the notice period is the relevant maturity concept. Some breakdowns by remaining maturity (1, 2 years) and rate reset interval (12, 24 months) are also available.	This data is available from the CSDB for securities with an ISIN code. For securities that do not have an ISIN code, a breakdown by original maturity is required for debt securities (one year or less; more than one year).

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
FINREP has no reporting requirements on maturity of the financial instruments, but IFRS 7 requires disclosure by residual maturity.	Debt instruments in trading book under the maturity-base approach of the standardised approach are classified on the basis of their residual maturity.	MIR requires breakdown on original maturity and initial rate fixation. COREP and FINREP do not require the original maturity or initial rate fixation period.	BSI covers breakdowns by original maturity,residual maturity,and rate reset interval. FINREP has no reporting requirements.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Instrument breakdown	Deposits – Overnight – With agreed maturity – Redeemable at notice – Repo Loans – By type of product or purpose. – Households • Revolving loans and overdrafts • Extended credit card credit • House purchases • Consumption • Other (of which: sole proprietors) – Non-financial corporations • Revolving loans and overdrafts • Extended credit card credit – By size of loan • Up to €0.25m • Over €0.25m and up to €1m • over €1m In MIR, a given loan can only be included in one category.	Assets – Cash – Loans (of which: intra group positions/syndicated loans/ reverse repos/revolving loans and overdrafts/ convenience and credit card credit/extended credit card credit/loans with real estate collateral) – Debt securities held – Equity – Investment fund shares/units • MMF shares/units • non-MMF investment fund shares/units – Non financial assets (including fixed assets) – Remaining assets (of which: financial derivatives/accrued interest on loans) Liabilities – Currency – Deposits (of which: intra group positions/transferable deposits/deposits up to 2 years/syndicated loans) • Overnight (of which: transferable) • With agreed maturity • Redeemable at notice • Repos – MMF shares/units issued – Debt securities issued (of which: up to 1 year/over 1 and up to 2 years/over 1 and up to 2 years with nominal capital guarantee below 100%/over 2 years) – Capital and reserves – Remaining liabilities (of which: financial derivatives/ accrued interest on deposits)	The following instrument categories may be applied by the NCB as appropriate at national level: – Debt securities (F.3) • Short-term debt securities (F.31) • Long-term debt securities (F.32) – Equity (F.51) • Listed shares (F.511) – Investment fund shares or units (F.52)

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
FINREP breakdown by type of instruments: Assets – Cash and cash balances at central banks . – Accounting portfolios broken down by (as applicable) . • Derivatives . • Equity instruments • Debt securities • Loans and advances – Investments in subsidiaries, joint ventures and associates – Fair value changes of the hedged items in portfolio hedge of interest rate risk – Investments in subsidiaries, joint ventures and associates – Tangible assets – Intangible assets Liabilities – Accounting portfolios broken down by (as applicable) • Derivatives • Short positions (Equity/Debt) • Deposits (Overnight/With agreed maturity/Redeemable at notice/Repos) • Debt securities issued (Certificates of deposits/Asset-backed/Covered bonds/Hybrid contracts/Other) • Other financial liabilities – Provisions – Share capital repayable on demand Both for assets and liabilities – Derivatives – Hedge accounting – Fair value changes of the hedged items in portfolio hedge of interest rate risk – Tax assets/liabilities – Other assets/liabilities – Non-current assets/Liabilities and disposal groups classified as held for sale FINREP requires further breakdowns of loans and advances by product, collateral, purpose and subordination. The definitions refer to IFRS 7.IG 21[2] and links to the ECB BSI regulation are included.	For assets, COREP tables on credit risk do not require specification of the type of asset to be reported in the heading "On balance sheet items", but this item must include the following type of instruments: "Debt instruments" (debt securities and loans and advances) for tables that provide data on the exposure classes (in both SA and IRB approaches): Government (and central banks), institutions, corporate and retail. "Equity instruments", in table CR EQU IRB. For own funds: eligible capital (paid up capital, other instruments eligible as capital, etc.), eligible reserves, funds for general banking risks, other country-specific original own funds, additional own funds. COREP does not include definitions of deposits[3] or loans, although it shall be assumed that they are the same as those used for FINREP, i.e. the ECB BSI definition (as prudential data stem from the applicable accounting framework). In COREP, a given loan can only be included once for the calculation of capital requirements (in an exposure class for credit risk or in a table for market risk).	The definition of deposits and their breakdown by type of product are the same in FINREP as in BSI/MIR. In Table 5, FINREP includes a breakdown of loans and advances, by product, whose definitions allow full bridging with the BSI definition of loans (see Annex 4.3 of the BSI-FINREP bridging report). COREP does not include definitions of deposits and loans, although it stems from the accounting framework. In the BSI and MIR regulations, loans are broken-down both by product and by purpose. In MIR, a given loan may only be included in one category. In COREP, a given loan may only be included once for the calculation of capital requirements. In FINREP, a "loan" or "advance" shall only be reported in one of the categories of the breakdown by product.	The breakdown of instruments in FINREP (equity instruments, loans and advances, etc.) has a clear bridging with that of MFI statistics at the highest level (loans, debt securities, equity etc.). Among other things, the bridgingmakes it possible to clarify the statistical classification of certain accounting entries specified in FINREP. Nevertheless, in FINREP there is a lack of data on the type of instruments classified in the financial statements under the specific categories of assets and liabilities "held for sale" in accordance with IFRS 5 (see comment on this issue). This prevents a full bridging between FINREP and BSI instruments, since BSI classifies instruments included in assets and liabilities held for sale according to their nature, and not within a specific portfolio, as is the case of FINREP.

2 IFRS IG 7.21 states the following: "*Paragraph 36 requires an entity to disclose information about its exposure to credit risk by class of financial instrument. Financial instruments in the same class share economic characteristics with respect to the risk being disclosed (in this case, credit risk). For example, an entity might determine that residential mortgages, unsecured consumer loans, and commercial loans each have different economic characteristics.*"

3 The liquidity framework of the CRR (Part VI) defines retail deposits for its purposes.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Collateral/guarantees received	Loans to households and non-financial corporations secured with collateral and/or guarantees are separately reported for all new business categories in the MIR statistics (except extended credit card credit, revolving loans and overdrafts, and lending for other purposes). More specifically, the Regulation states that "For the purpose of MFI interest rate statistics, the breakdown of loans according to collateral/guarantees includes the total amount of new business loans which are collateralised using the "funded credit protection" technique as defined in Art. 4(1)(58) of 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/or guaranteed using the "unfunded credit protection" technique as defined in Art. 4(1)(59) of Regulation (EU) No 575/2013, in such a way that the value of the collateral and/or guarantee is higher than or equal to the total amount of the loan. If an MFI except central banks and MMFs applies a system different from the "Standardised Approach" as defined in Regulation (EU) No 575/2013 for supervisory purposes, it may also apply the same treatment in the reporting of loans included under this breakdown."	BSI requires the breakdown of loans according to real estate collateral that meet specific criteria. More specifically, this breakdown includes loans to households and non-financial corporations which are real estate collateralised in accordance with Art. 199, paragraphs 2 to 4, of Regulation (EU) 575/2013, *with an outstanding loan/collateral ratio of 1 or below 1*. If these rules are not applied by the reporting agent, the determination of the loans to be included in this breakdown is based on the approach chosen to comply with capital requirements.	NA/via CSDB.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
In FINREP, there is a breakdown by type of "loan and advances" which takes into account the type of collateral received in table 5 (real estate and other collateral). Loans must be classified as collateralised independently of their loan-to-value. FINREP does not refer directly to the CRD IV/CRR. Thus, mortgage loans (collateralised loans with immovable property) and other collateralised loans could include collateralised loans that are not eligible for capital requirements purposes. Additionally, FINREP includes in Table 9 the nominal amount of all guarantees received, independent of whether they meet the CRD criteria for being eligible for solvency purposes, or are not guaranteeing loans. Furthermore, FINREP Template 13.1 provides a breakdown of loans by collateral and guarantees for reporting the maximum collateral/guarantee that can be considered.	According to the CRR: – for intermediary-ies adopting the standardised approach for credit risk, some exposures secured by mortgages on residential property or commercial real estate represent a specific exposure class (Art. 112); – for intermediary-ies adopting the IRB approach, including the use of own estimates of LGD and conversion factors, specific requirements for the recognition of some real estate in estimating own LGDs are provided for (Art. 181); – for intermediary-ies adopting the IRB approach, some real estate and other collateral constitute a specific type of funded credit protection (Art. 199).	In general terms, the MIR framework and the COREP refer to common definitions of collateral and guarantees. More specifically, the new Regulation says: "If an MFI applies a system different from the 'standardised approach' as defined in Regulation (EU) No 575/2013 for supervisory purposes, it may also apply the same in the reporting of loans included under this breakdown". Divergences between the two frameworks can arise with respect to the following aspects: – A divergence could emerge if the collateral was not considered eligible for capital purposes according to CRR Art. 197(4) (minimum requirements, e.g. in terms of legal certainty and monitoring of property values) – the MIR Regulation requires that the value of the collateral and/or guarantee is higher than or equal to the total amount of the loan; the CRD provides for this with different impacts on the LGD, depending on the value of the ratio C/E (collateral/exposures) with respect to the thresholds C* and C** (CRR Art. 229-230). FINREP classifies loans as collateralised with immovable property or other collateralised loans when they are collateralised with that type of collateral independently such that the collateral meets: (i) the CRD IV/CRR criteria to be eligible for solvency purposes and (ii) the loan to value. Additionally, FINREP considers any guarantee received by the loans.	The BSI framework uses the CRR definition of real estate collateral with a loan to value of 1 or below 1; meanwhile, in FINREP, mortgage loans include any collateralised loan with immovable property, regardless its loan to value.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Securitisation and other transfers	In MIR there are no specific information requirements for securitisations and other transfers. Derecognition rules are the same as in BSI.	The BSI regulation requires the reporting of specific tables with data on transferred loans, with distinction between traditional securitisations and other transfers. The data to be provided relate to: i) net flows of loans securitised or otherwise transferred during the period (transactions with or without impact on reported loan stocks calculated as disposals minus acquisitions); ii) loans securitised and derecognised for which the MFI acts as servicer (outstanding amounts and transactions); outstanding amounts of securitised loans not derecognised and outstanding amounts of loans serviced in a securitisation. Data are reported broken-down by sector and residency of the counterparty. BSI does not require data on synthetic securitisations.	For securities with an ISIN code, information on the asset securitisation type is available in the CSDB.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
Revised FINREP framework has information about securitization and other types of financial asset transfers in template 15. A breakdown for each IAS 39 portfolio by type of transfer (securitisation, repurchase agreement and others) and by product (except for HTM and IFRS 5 – "held for sale") is available, disclosing the total amount of original assets not derecognised that has been securitised (and the associated liabilities). Additionally, there are data on the total amount of financial assets entirely derecognised for which the entity retains servicing rights and amounts derecognised exclusively for capital purposes. FINREP applies the CRR definition of traditional securitisation. FINREP does not require data on synthetic securitisations. Nevertheless, Table 13.1 provides data on guarantees received (including credit derivatives) and Table 9 provides data on the maximum collateral/guarantee that can be considered.	Article 4 of the CRR defines "securitisation", "traditional securitisation" and "synthetic securitisation". There are two types of templates for securitisation, dealing with credit risk and market risk. Credit risk templates CR SEC SA and IRB (one per approach) are divided into three major blocks of rows which gather data on the originated, sponsored and retained or purchased exposures by originators, investors and sponsors. For each of them, the information is broken down by on-balance sheet items and off-balance sheet items and derivatives, as well as by securitisations and re-securitisations. Total exposures (at reporting date) are also broken down according to the credit quality steps applied at inception. Originators, sponsors and investors shall report this information. The SEC Details template gathers information on a transaction basis (versus the aggregate information reported in other templates) on all securitisations the reporting institution is involved in. The main features of each securitisation, such as the nature of the underlying pool and the own funds requirements are requested on a consolidated basis. Market risk templates request information on positions (all/net and long/short) and the related own funds requirements for the specific risk component of position risk in securitisations/re-securitisations held in the trading book, and also cover the correlation trading portfolio under the standardised approach.	There is no link between MIR, COREP and FINREP on data on securitisations and other transfers of loans.	Both BSI and FINREP require data on traditional securitisations and other transfers of loans. COREP requires data on traditional and synthetic securitisations, but not on other transfers of loans. FINREP applies the CRR definitionfor traditional securitisations, which is also valid in BSI, but the latter extends the definition to that of FVC regulation as well, which involves the disposal of the loans being securitised to an FVC.

	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	Securities holdings statistics (SHS)
Non-current assets and disposal groups classified as held for sale, and Liabilities included in disposal groups classified as held for sale	In MIR, loans and deposits must be included in the statistics independently if they meet the criteria to be classified as "held for sale" in accordance with IFRS 5.	In BSI, loans, debt securities held, equity instruments, deposits and debt securities issued must be classified in the relevant instrument category independently if they meet the criteria to be classified as "held for sale" in accordance with IFRS 5.	In SHS, securities held must be reported independently if they meet the criteria to be classified as "held for sale" in accordance with IFRS 5.

FINREP (IFRS templates)	COREP	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
In FINREP, non-current assets and disposal groups classified as held for sale, and the associated liabilities, are to be recognized separately from other items of assets and liabilities on the balance sheet (classification according to IFRS 5 provisions). Nevertheless, FINREP does not provide a breakdown of these items by type of instrument (e.g. there is no data on loans, debt securities held, equity instruments, deposits or debt securities issued classified as "held for sale").	In COREP, the loans, debt securities and equity instruments held must be classified in the relevant exposure class for the calculation of the requirements of capital for credit risk (or in the relevant market risk table) independently if they are classified as "held for sale" in the financial statements. The same happens with the debt instruments held or issued that must be included in the calculation of capital requirements for market risk.	In MIR and COREP, instruments must be classified in the relevant instrument or exposure class (or market risk table), although they are classified in FINREP as "held for sale" in accordance with IFRS 5. FINREP does not provide a breakdown by type of instrument of "held-for-sale" assets and liabilities. The separate identification of the two items stemming from IFRS 5 provisions creates difficulties for bridging financial instruments in MIR/BSI/COREP and FINREP, unless this framework includes a breakdown by instrument similar to the ones available for financial assets and financial liabilities in the IAS 39 portfolios.	Please refer to the comment made on MIR.

7.3 BRIDGING BSI REQUIREMENTS WITH FINREP EQUIVALENT

7.3.1 RECONCILIATION BETWEEN LOAN/DEPOSIT VALUATION METHODS

A reconciliation between the nominal value (requested for statistical purposes), on the one hand, and the fair value and amortised cost (requested for supervisory purposes) on the other, is provided below.[1]

Nominal value	=	fair value
	+/-	impairment losses/reversal of, applicable only to loans included in the available-for-sale category
	-	accrued interest
	+/-	fair value measurement (including embedded derivatives, applicable only for hybrid instruments included in the categories of financial instruments at fair value through profit and loss[2])
	-/+	premiums/discounts in the acquisition or origination
	+	origination fees[3]
	-	transaction costs

Nominal value	=	amortised cost
	+/-	impairment losses/reversal of
	-	accrued interest
	+/-	fair value hedge accounting in hedge items[4]
	-/+	premiums/discounts in the acquisition or origination
	+	origination fees[5]
	-	transaction costs

Regarding items needed to reconcile the nominal amount of loans and deposits with their carrying amount in IAS/IFRS, Regulation ECB/2013/33 establishes that "accrued interest" is included in "Remaining assets" ("Remaining liabilities"). The other items (impairment losses, fair value measurements, premiums/discounts in the acquisition or origination, etc.) are recorded under "Capital and reserves", which now includes:

(a) equity capital raised, including the share premium;

(b) profit (or loss) as recorded in the statement of profit and loss;

(c) income and expenses recognised directly in equity;

(d) funds arising from income not distributed to the shareholders;

(e) specific and general provisions against loans, securities and other types of assets, e.g. allowances and impairments for loan-losses (may be recorded according to the accounting rules).

1 The sign of the items relate to assets.
2 Other embedded derivatives are separated from the host contracts (IAS 39.11) and presented separately in FINREP in the items "derivatives held for trading" or "derivatives – hedge accounting".
3 When they are an integral part of the effective interest rate of the financial instrument, according to IAS 18 (Appendix 14.a (i)).
4 In fair value hedges, the carrying amount of the hedged item shall be adjusted by the amount of the gain or loss attributable to the hedge risk (IAS 39.89).
5 When they are an integral part of the effective interest rate of the financial instrument, according to IAS 18 (Appendix 14.a (i)).

7.3.2 BRIDGING BETWEEN LOANS AND ADVANCES (FINREP) AND LOANS (BSI)

The bridging below compares the definitions and measurement criteria used in FINREP Instructions related to "loans and advances" with the definitions and measurement criteria used in BSI regulations related to "loans".

1. DEFINITION OF "LOANS AND ADVANCES" (FINREP) AND "LOANS" (BSI REGULATION)

In accordance to FINREP definitions, the instrument "loan" in BSI is equal to the instrument "loans and advances" in FINREP, except those "advances that cannot be classified as 'loans' according to the ECB Regulation".[6] Consequently FINREP includes a product breakdown in Table 5 that reports a specific item for the advances that cannot be classified as loans ("Advances that are not loans").

FINREP Guidelines state that debt instruments held that meet the definition of loans in accordance with the ECB Regulation cannot be classified as debt securities, although they are securities from a "legal perspective" (Annex 5, part 1, par. 26).

FINREP provides data on all loans and advances, except when they are classified as "Non-current assets and disposal groups classified as held for sale" in accordance with IFRS 5, because no breakdown is available for this aggregated item in the revised framework.

2. BREAKDOWN ON THE BASIS OF THEIR CHARACTERISTICS

Both FINREP and BSI Regulations include breakdowns of loans on the basis of their characteristics. FINREP provides a breakdown of "loans and advances" in Table 5 and 6 on the basis of a mix of the following characteristics/attributes: collateral, type of product, counterpart, purpose and NACE classification.

The BSI Regulation classifies the loans on the basis of the same FINREP attributes, except the origin of the loan (i.e. if they are "trade receivables").

Breakdowns of loans in BSI	Breakdowns of loans in FINREP
– By purpose (only loans granted to households and non-profit institutions serving households) • credit for consumption (loans granted for the purpose of mainly personal use in the consumption of goods and services) • lending for house purchase • other – By product – Credit card debt – Revolving loans and overdrafts Syndicated loans (single loan agreements, in which several institutions participate as lenders). – Deposits as assets of MFIs Financial leases granted to third parties – Bad loans that have not yet been repaid or written off [CRR definition] – Holdings of non-negotiable securities – Traded loans – Subordinated debt in the form of deposits or loans	– By product • On demand [call] and short notice [current account] • Credit card debt [BSI definition] • Trade receivables • Finance leases • Reverse repurchase loans • Other term loans • Advances that are not loans [based on the BSI definition of loans] – By collateral • of which: mortgage loans [Loans collateralised by immovable property] • of which: other collateralised loans – By purpose • of which: credit for consumption [BSI definition] • of which: lending for house purchase [BSI definition] – By subordination (of which: project finance loans) – By NACE (only applicable to loans and advances to non-financial corporations) – By performing status (performing, non-performing)

6 These advances shall be classified as "Remaining assets" in BSI.

Breakdowns of loans in BSI	Breakdowns of loans in FINREP
– Claims under reverse repos or securities borrowing against cash collateral – By counterparty[1]	– By forbearance status – By counterparty: • Central bank • General governments • Credit Institutions • Other financial corporations • Households – By residence of the counterparty (only applicable to loans and advances to non-financial corporations) – By their impairment status

1 For the counterparty breakdown, refer to Annex 2.

Some BSI Regulation definitions are not used for FINREP [Syndicated loans, Holdings of non-negotiable securities, Traded loans and loans granted on a trust basis] and some FINREP definitions are not used for BSI Regulation (trade receivables).

Table 7.3 provides a comparison between the definitions included in both frameworks to help reporting agents in the bridging between BSI statistical and FINREP items.

3. CLASSIFICATION ON THE BASIS OF THE STATUS OF LOANS

BSI Regulation defines "bad debt loans" as "the total amount of loans in respect of which repayment is overdue or otherwise identified as being impaired, partially or totally, in accordance with the CRR definition of default under the IRB approach. The BSI definition of bad loans applies to all loans, disregarding the portfolio in which they are classified in the financial statements or how they are treated for solvency purposes.

In FINREP, loans and advances shall be classified as "impaired" according to IAS 39 provisions.

The ITS on supervisory reporting introduce definitions of "**forbearance**" and "**non-performing exposures**", and the accompanying supervisory reporting templates that apply to all loans and debt securities that are on-balance sheet (except for trading exposures) kindly note that these templates were in draft stage on 30 April 2014.

The definition of forbearance builds on existing accounting and regulatory provisions. The definition of non-performing exposures is related to but broader than the definitions of impairment and default in the IFRS and CRR framework. It sets out common identification and discontinuation criteria (90 days past due) to serve as a more harmonised asset quality indicator across Europe.

Regarding the reports, the BSI Regulation does not require specific data on "bad loans"; nevertheless, the BSI definition is used for the MIR statistics, where bad loans are not included in the weighted average interest rates.

FINREP does not include any information on the amount of past due and or impaired loans measured at fair value with changes through profit or loss (although Tables 4.1 and 4.2 provide the amount of "accumulated change in fair values due to credit risk"). However, concerning forborne and non-performing exposures, FINREP presents a rich set of information in various breakdowns:

– A comprehensive set of information on performing and non-performing exposures (Table 18) and forborne exposures (Table 19),[7] broken down by instruments and sectors, providing gross

7 Please note that these templates were in draft stage on 30 April 2014.

carrying amounts, accumulated impairment, accumulated changes in fair value due to credit risk and provisions, collateral received and financial guarantees received (for performing and non-performing exposures, also broken down by forbearance measures in Table 19).

- Non-performing exposures in Table 6 for Breakdowns of loans and advances to non-financial corporations by NACE codes and also by residence of the counterparty (as z-axis) in Table 20.07;

- Non-performing exposures as of-which positions in Table 9 for loan commitments, financial guarantees and other commitments)

- Debt forbearance and non-performing exposures in Table 20.04 along the geographical breakdown of assets by residence of the counterparty;

- Non-performing part of off-balance sheet items given by the reporting institution separately for Securitisation special purpose Entities, asset management and other activities (as an of-which position).

Furthermore, FINREP provides a link with the statistical concept of “bad loans” in Table 7 – “Financial assets subject to impairment that are past due or impaired” – for loans and advances classified in the IAS 39 categories of available-for-sale, loans and receivables, and held-to-maturity, because this table includes a breakdown of “loans and advances” from a credit risk point of view. The relevant information is included in the columns “past due but not impaired”, “carrying amount of the impaired assets”, “specific allowances for individually assessed financial assets”, “specific allowances for collectively assessed financial assets”, “collective allowances for incurred but not reported losses” and “accumulated write-offs”.

The Capital Requirements Regulation definition of “default” is different than the definition of “impaired assets” plus “past due but not impaired assets (over 90 days or, in some special cases, 180 days[8])”, because a financial asset shall be qualified as in “default” when it is considered that the obligor is unlikely to pay it in full “without recourse by the institution to actions such as realising security”; meanwhile, for classifying a loan as impaired it is necessary to have an impairment loss after considering the security.

8 In particular, according to Article 178 of the Capital Requirements Regulation: “competent authorities may replace the 90 days with 180 days, for exposures secured by residential or SME commercial real estate in the retail exposure class, as well as exposures to public sector entities.”

Table 7.3 Loans and advances as defined by the FINREP Instructions and loans as defined by the BSI Regulation

FINREP, Template 5, Loans and advances by product		BSI Regulation, Annex I, Part 2, Instrument categories, Loans	
Breakdown	**Instructions or definitions**	**Breakdown**	**Definitions**
On demand [call] and short notice [current account]	– Current accounts and similar balances, which may include loans that are overnight deposits for the borrower, regardless of their legal form – Balances receivable on demand, at short notice	Loans *that are* Overnight deposits *(for the borrower)*	The ESA 2010 distinguishes between "loans" and "deposits" on the basis of the party that takes the initiative (if this is the borrower, then it constitutes a loan, but if this is the lender, then it constitutes a deposit). In BSI the definition of Loans, when applied from the borrower's point of view, includes Deposits (see asset category 2.e and liability category 9). *[Note: FINREP includes balances "at short notice", but it does not specify what time must be considered as "short" for this purposes. In this bridging, deposits redeemable at notice are included among other term loans.]*
	This item also includes "overdrafts" which are debit balances on current account balances.	Overdrafts	Overdrafts are debit balances on current accounts.
Credit card debt	Includes credit granted either via delayed debit cards or credit cards (ECB BSI Regulation).	Credit card debt	For the purpose of this Regulation, this category comprises credit granted to households or non-financial corporations either via delayed debit cards (i.e. cards providing convenience credit as defined below) or via credit cards (i.e. cards providing convenience credit and extended credit). Credit card debt is recorded on dedicated card accounts and therefore not evident on current or overdraft accounts. Convenience credit is defined as the credit granted at an interest rate of 0% in the period between the payment transaction(s) effectuated with the card during one billing cycle and the date at which the debit balances from this specific billing cycle become due. Extended credit is defined as the credit granted after the due date(s) of the previous billing cycle(s) has/have passed, i.e. debit amounts on the card account that have not been settled when this was first possible, for which an interest rate or tiered interest rates usually greater than 0% are charged. Often minimum instalments per month have to be made, to at least partially repay extended credit. The counterpart to these forms of credit is the entity liable to eventually repay the amounts outstanding in accordance with the contractual agreement, which coincides with the cardholder in the case of privately used cards, but not in the case of company cards.

Table 7.3 Loans and advances as defined by the FINREP Instructions and loans as defined by the BSI Regulation (cont'd)

FINREP, Template 5, Loans and advances by product		BSI Regulation, Annex I, Part 2, Instrument categories, Loans	
Breakdown	**Instructions or definitions**	**Breakdown**	**Definitions**
Trade receivables	Includes loans to other debtors granted on the basis of bills or other documents that give the right to receive the proceeds of transactions for the sale of goods or provision of services. This item includes all factoring transactions (both with and without recourse).	*N/A*	
Finance leases	Includes the carrying amount of finance lease receivables as defined in IAS 17.	Financial leases granted to third parties	*[Note: BSI regulation includes this definition, but it doesn't require specific data]* Financial leases are contracts whereby the legal owner of a durable good ('lessor') lends these assets to a third party ('lessee') for most if not all of the economic lifetime of the assets, in exchange for instalments covering the cost of the good plus an imputed interest charge. The lessee is in fact assumed to receive all of the benefits to be derived from the use of the good and to incur the costs and risks associated with ownership. For statistical purposes, financial leases are treated as loans from the lessor to the lessee (enabling the lessee to purchase the durable good). The assets (durable goods) which have been lent to the lessee are not recorded anywhere on the MFI's balance sheet.
Reverse repurchase loans	Includes finance granted in exchange for securities bought under repurchase agreements or borrowed under securities lending agreements	Claims under reverse repos or securities borrowing against cash collateral	Counterpart of cash paid out in exchange for securities purchased by reporting agents at a given price under a firm commitment to resell the same or similar securities at a fixed price on a specific future date, or securities borrowing against cash collateral (see liability category 9.4).

Table 7.3 Loans and advances as defined by the FINREP Instructions and loans as defined by the BSI Regulation (cont'd)

FINREP, Template 5, Loans and advances by product		BSI Regulation, Annex I, Part 2, Instrument categories, Loans	
Breakdown	**Instructions or definitions**	**Breakdown**	**Definitions**
Other term loans	Includes debit balances with contractually fixed maturities or terms that are not included in other items.		*[Note: In FINREP, Other term loans is the residual category. To be included in this item, loans shall not qualify to be classified in other items.]*
	N/A	Revolving loans that are not collateralised	Revolving loans are loans that have all the following features: 1) the borrower may use or withdraw funds to a pre-approved credit limit without giving prior notice to the lender; 2) the amount of available credit can increase and decrease as funds are borrowed and repaid; 3) the credit may be used repeatedly; and 4) there is no obligation of regular repayment of funds. Revolving loans include the amounts obtained through a line of credit and not yet repaid (outstanding amounts). A line of credit is an agreement between a lender and borrower that allows a borrower to take advances, during a defined period and up to a certain limit, and repay the advances at his discretion before a defined date. (…) Revolving loans (…) exclude loans provided through credit cards. The total amount owed by the borrower is to be reported, irrespective of whether it is within or beyond any limit agreed beforehand between the lender and the borrower with regard to size and/or maximum period of the loan.
		Loans *that are* Deposits with agreed maturity	*[Note: FINREP includes balances "at short notice" but it doesn't define the "short term". Within the bridge deposits redeemable at notice are included other term loans]* *[Note: The BSI regulation establishes the definition of Deposits for the borrower (see liability category 9), but this definition applies also for the lender (see asset category 2.e)]* Deposits with agreed maturity. Non-transferable deposits which cannot be converted into currency before an agreed fixed term or that can only be converted into currency before that agreed term provided that the holder is charged some kind of penalty. This item also includes administratively regulated savings deposits where the maturity related criterion is not relevant (…). Although deposits with agreed maturity may feature the possibility of earlier redemption after prior notification, or may be redeemable on demand subject to certain penalties, these features are not considered to be relevant for classification purposes.

Table 7.3 Loans and advances as defined by the FINREP Instructions and loans as defined by the BSI Regulation (cont'd)

FINREP, Template 5, Loans and advances by product		BSI Regulation, Annex I, Part 2, Instrument categories, Loans	
Breakdown	**Instructions or definitions**	**Breakdown**	**Definitions**
		Deposits redeemable at notice *(for the borrower)*	Deposits redeemable at notice. Non-transferable deposits without any agreed maturity which cannot be converted into currency without a period of prior notice; before the expiry the conversion into currency is not possible or possible only with a penalty. They include deposits which, although perhaps legally withdrawable on demand, would be subject to penalties and restrictions according to national practice (…), and investment accounts without period of notice or agreed maturity, but which contain restrictive drawing provisions.
	"Subordinated loans" (loans that provide a subsidiary claim on the issuing institution which can be exercised only after all claims with a higher status have been satisfied)	Subordinated debt in the form of deposits or loans	*[Note: BSI regulation includes this definition, but it does not require specific data on this type of loans]* Subordinated debt instruments provide a subsidiary claim on the issuing institution that can only be exercised after all claims with a higher status (e.g. deposits/loans) have been satisfied, giving them some of the characteristics of equity. For statistical purposes, subordinated debt is to be classified as either "loans" or "debt securities" according to the nature of the financial instrument.
Other term loans (continued) *N/A*	*[Note: in the FINREP framework, debt instruments that meet the definition of loans in accordance with BSI Regulations cannot be classified as debt securities, although they are securities from a legal point of view]*	Holding of non-negotiable securities	*[Note: BSI regulation includes this definition, but it doesn't require specific data]* Holdings of debt securities which are not negotiable and cannot be traded on secondary markets.
	[Note: FINREP does not include data on these loans, which continue to be recognised according to the product they are represented by]	Traded loans	*[Note: BSI regulation includes this definition, but it doesn't require specific data]* Loans that have de facto become negotiable are to be classified under the asset item "loans" provided that there is no evidence of secondary market trading. Otherwise they should be classified as debt securities (category 3).
	[Note: the FINREP breakdown of loans does not include the item "syndicated loan"; they are normally included under the item "Other term loans"]	Syndicated loans (single loan agreements in which several institutions participate as lenders)	Syndicated loans only cover cases where the borrower knows, from the loan contract, that the loan is made by several lenders. For statistical purposes, only amounts actually disbursed by lenders (rather than total credit lines) are regarded as syndicated loans. The syndicated loan is usually arranged and coordinated by one institution (often called the "lead manager") and is actually made by various participants in the syndicate. Participants, including the lead manager, all report their share of the loan vis-à-vis the borrower (i.e. not vis-à-vis the lead manager) in their balance sheet assets.

Table 7.3 Loans and advances as defined by the FINREP Instructions and loans as defined by the BSI Regulation (cont'd)

FINREP, Template 5, Loans and advances by product		BSI Regulation, Annex I, Part 2, Instrument categories, Loans	
Breakdown	**Instructions or definitions**	**Breakdown**	**Definitions**
Advances that are not loans	Includes advances that cannot be classified as "loans" according to the ECB Regulation. This item includes, among other things, gross amounts receivable in respect of suspense items (such as funds that are awaiting investment, transfer, or settlement) and transit items (such as cheques and other forms of payment that have been sent for collection).	*Part of* Remaining assets *(including* gross amounts receivable in respect of suspense items, gross amounts receivable in respect of transit items and Amounts receivable not related to the main MFI business)	*[Note: these amounts are not BIS loans, they are FINREP advances]* The item "remaining assets" is the residual item on the asset side of the balance sheet, defined as "assets not included elsewhere". NCBs may require the reporting of specific sub-positions included in this item. Remaining assets may include: (…) b) gross amounts receivable in respect of suspense items Suspense items are asset balances held in the MFI balance sheet which are not booked in the name of customers but which nevertheless relate to customers' funds (e.g. funds that are awaiting investment, transfer or settlement) c) gross amounts receivable in respect of transit items Transit items represent funds (usually belonging to customers) that are in the course of being transmitted between MFIs. Items include cheques and other forms of payment that have been sent for collection to other MFIs (…) g) amounts receivable not related to the main MFI business
Mortgage loans (loans collateralised by immovable property)	Includes loans formally secured by residential and commercial immovable property collateral. Therefore, loans collateralised with other immovable property shall be classified as "other collateralised loans".	Loans *with* Real estate collateral	For the purpose of this reporting scheme, the breakdown of loans according to real estate collateral includes the total amount of outstanding loans which are collateralised in accordance with Article 199, paragraphs 2 to 4, of Regulation (EU) 575/2013, with an outstanding loan/collateral ratio of 1 or below 1. If these rules are not applied by the reporting agent, the determination of the loans to be included in this breakdown is based on the approach chosen to comply with capital requirements.
Other collateralised loans	Includes loans formally backed by collateral other than "loans collateralised by commercial and residential immovable property" (e.g. pledges of securities, cash, or other collateral).	N/A	*[Note: The BSI Regulation does not include a definition or require specific data on this type of loan, but the MIR Regulation requires data on other collateralised loans that meet some criteria to be eligible for prudential purposes]*

Table 7.3 Loans and advances as defined by the FINREP Instructions and loans as defined by the BSI Regulation (cont'd)

FINREP, Template 5, Loans and advances by product		BSI Regulation, Annex I, Part 2, Instrument categories, Loans	
Breakdown	**Instructions or definitions**	**Breakdown**	**Definitions**
Credit for consumption	Includes loans granted mainly for the personal consumption of goods and services (ECB BSI Regulation).	Credit for consumption	Credit for consumption consists of loans granted for the purpose of mainly personal use in the consumption of goods and services. Credit for consumption granted to sole proprietors/unincorporated partnerships is included in this category if the reporting MFI knows that the loan is predominantly used for personal consumption purposes.
Lending for house purchase	Includes credit extended to households for the purpose of investing in houses for own use and rental, including building and refurbishments (ECB BSI Regulation).	Lending for house purchase	Credit extended for the purpose of investing in houses for own use or rental, including building and refurbishments. It comprises loans secured on residential property that are used for the purpose of house purchase and other loans for house purchase made on a personal basis or secured against other forms of assets. Housing loans granted to sole proprietors/unincorporated partnerships are included in this category unless the reporting MFI knows that the house is predominantly used for business related purposes, in which case it is reported as "other lending, of which sole proprietors/unincorporated partnerships"'
Project finance loans	Includes loans that are recovered solely from the income of the projects financed by them.	N/A	

N/A: not applicable (there is no clarification about the item in the framework notwithstanding the fact that it is included)

7.3.3 BRIDGING THE BSI AND FINREP INSTRUMENT BREAKDOWNS

This table describes the coverage of the instruments from the side of the BSI and lists the best matching FINREP items. This exercise is complicated by the differences in the structure of the two reporting schemes, as well as by the low level of instrument detail existent in the FINREP balance sheet. The JEGR has developed a relational database in MS Access in order to formalise this bridging.

Assets

BSI requirement	FINREP "equivalent" tables
Cash	
Holdings of euro and foreign banknotes and coins in circulation that are commonly used to make payments.	This is the item "Cash on hand" from Table 1.1.
Loans	
Holdings of financial assets that are created when creditors lend funds to debtors and are not evidenced by documents or are evidenced by non-negotiable documents. Also included are assets in the form of deposits placed by reporting agents, particularly: – Loans to households for all purposes (e.g. house purchase, consumption or other purposes). – Credit card debt. – Revolving loans and overdrafts. – Syndicated loans. – Deposits as assets of MFIs. – Financial leases, which are lease contracts where the lessee incurs the costs and risks associated with the ownership of the good. The durable good which has been lent to the lessee should not be recorded in the MFI balance sheet. This kind of lease contract should be recorded as the provision of a loan for the acquisition of a good by the lessee. – Bad loans in respect of which repayment is overdue or identified as being impaired. – Holding of non-negotiable securities, i.e. securities that cannot be traded in secondary markets. – Traded loans. – Subordinated debt in the form of loans and deposits. – Claims under reverse repos or securities borrowed against cash collateral, i.e. the counterpart cash paid out in exchange for securities purchased by reporting agents.	The following items should be added: – Loans and advances: Total (Table 5). – Loans and advances included in "Non-current assets and disposal groups classified as held for sale" (table 1.1.). This amount is not separately available in FINREP. The following item of Table 5 should be subtracted: – "Advances that are not loans". This item includes advances that cannot be classified as "loans" according to the ECB BSI Regulation. The following amount should be subtracted: – the difference between the carrying amount of the loans and their principal amount outstanding. **Notes:** – FINREP "Loans and receivables – loans and advances" does not include BSI "debt securities" because debt securities which can be traded in secondary markets (even only sporadically) shall be classified as "debt securities" (and never as "loans and advances"). – Table 5 of FINREP provides a breakdown of "all" loans and advances by product, by collateral and purpose, except those classified as "Non-current assets and disposal groups classified as held for sale". This table specifically includes loans and advances classified as "Cash and cash balances at central banks" as well. – "Loans and advances" include financial assets that do not meet the definition of loans according to ECB Regulation (e.g. gross amounts receivable in respect of suspense and transit items). The financial assets that are included in the breakdown of loans and advances by product in Table 5 of FINREP under the item "Advances that are not loans" should be classified under the BSI category "remaining assets". – As for the reconciliation between the principal amount of loans and their carrying amount according to IAS/IFRS, Regulation ECB/2013/33 establishes that "accrued interest incomes" (recorded together with the underlying instrument within FINREP) shall be included in "Remaining assets", while the other items ("impairment losses", fair value measurements, premiums/discounts upon acquisition or origination, etc.) shall be recorded in "Capital and reserves". FINREP includes the following data on "accumulated impairment" and "accumulated changes in fair value due to credit risk" that must be included under "Capital and reserves" in BSI:

Assets (cont'd)

BSI requirement	FINREP "equivalent"
Loans	
	• "Financial assets held for trading – loans and advances". The amount of accumulated changes in fair value due to credit risk is available in Table 4.1. • "Financial assets designated at fair value through profit or loss – loans and advances". The amount of accumulated changes in fair value due to credit risk is available in Table 4.2. • "Available-for-sale financial assets – loans and advances". The amount of accumulated impairment is available in Table 4.3. • "Loans and receivables: loans and advances". The amount of allowances is available in Table 4.4. • "Held-to-maturity investments – loans and advances". The amount of allowances is available in Table 4.4.
Holdings of debt securities	
Holdings of debt securities, which are negotiable financial instruments serving as evidence of debt, are usually traded on secondary markets or can be offset on the market, and do not grant the holder any ownership rights over the issuing institution. This includes: – Holdings of securities which give the holder the unconditional right to a fixed or contractually determined income in the form of coupon payments and/or a stated fixed sum at a specified date (or dates), or starting from a date defined at the time of issue. – Loans that have become negotiable on an organised market, i.e. traded loans, provided that there is evidence of secondary market trading, including the existence of market makers, and frequent quotation of the financial asset, such as provided by bid-offer spreads. Where this is not the case, they should be classified under the asset item "loans" (see also "traded loans"). – Subordinated debt in the form of debt securities. – Debt securities lent out under securities lending operations should remain on the original owner's balance sheet. – Convertible bonds, as long as they have not been converted. Where separable from the underlying bond, the conversion option should be regarded as a separate financial asset (derivative). – "Short selling" – the sale of a financial asset not currently held on-balance sheet – should be recorded as a negative position in debt securities. This treatment is aimed to avoid duplications.	The following items of Tables 1.1 and 4 should be added (consistent with the definition of "debt securities"): – "Financial assets held for trading – debt securities" (table 1.1 or 4.1). – "Financial assets designated at fair value through profit or loss – debt securities" (table 1.1 or 4.2). – "Available-for-sale financial assets – debt securities" (table 1.1 or 4.3). – "Loans and receivables – debt securities" (table 1.1 or 4.4). – "Held-to-maturity investments – debt securities" (table 1.1). – Debt securities included in "Non-current assets and disposal groups classified as held for sale" (table 1.1). This amount is not separately available in FINREP. The following items of Table 1.2 should be subtracted: – "Financial liabilities held for trading – short positions" – Debt securities. **Notes:** – When an entity securitises a loan through an FVC but does not derecognise the loan for accounting purposes, a new liability in the form of a deposit is recognised for the consideration received. When the entity buys securities issued by the FVC, according to BSI rules, this entity has to recognise these securities as an asset; meanwhile, in accordance IAS 39, it should offset the liability to avoid the duplication of assets. Thus, the treatment in the BSI rules is different than the treatment applied in FINREP, where these securities are not recognised on the asset side, but subtracted from the liability side previously recognised for the consideration received.
Holdings of investment fund shares/units	
Shares or units issued by investment funds, which are collective investment undertakings that invest in financial and/or non-financial assets, to the extent that the objective is investing capital raised from the public. This item includes MMF shares/units and shares/units issued by non-MMFs.	Parts of the following items of Table 1.1 and Table 4 should be added (only those parts issued by investment funds): – "Financial assets held for trading – debt securities (other financial corporations)" (table 1.1 or 4.1 for the breakdown) issued by investment funds. – "Financial assets designated at fair value through profit or loss – debt securities (other financial corporations)" (table 1.1 or 4.2 for the breakdown) issued by investment funds; – "Available-for-sale financial assets – debt securities (other financial corporations)" (table 1.1 or 4.3 for the breakdown) issued by investment funds. – "Investments in subsidiaries, joint ventures and associates"(table 1.1) issued by investment funds (rare case in practice). – Equity instruments issued by investment funds included in "Non-current assets and disposal groups classified as held for sale"(table 1.1). This amount is not separately available in FINREP.

Assets (cont'd)

BSI requirement	FINREP "equivalent"
Holdings of investment fund shares/units	
	The following items of Table 8.1 should be subtracted: – "Financial liabilities held for trading – short positions". Equity instruments issued by investment funds. **Notes:** – Those parts of "equity instruments" issued by investment funds are not separately available in FINREP. – As investment fund shares include an obligation to pay cash to the holder of the instrument (the cash payment is not at the discretion of the issuer of the security) and, in the case of open-ended funds, shares are redeemable immediately, the investment fund shares in most cases are classified as debt securities in IFRS. Nevertheless, BSI has a dedicated instrument category for investment fund shares/units.
Equity	
Equity represents property rights in corporations or quasi-corporations; it is a claim on residual value after the claims of all creditors have been met. This item includes listed and unlisted shares and other equities.	Parts of the following items of Tables 1.1 and 4 should be added (except parts regarding investment funds): – "Financial assets held for trading – equity instruments" (table 1.1 or 4.1), excluding shares/units issued by investment funds. – "Financial assets designated at fair value through profit or loss – equity instruments" (table 1.1 or 4.2), excluding shares/units issued by investment funds. – "Available-for-sale financial assets – equity instruments" (table 1.1 or 4.3), excluding shares/units issued by investment funds. – "Investments in associates, subsidiaries and joint ventures" (table 1.1). – Equity instruments included in "Non-current assets and disposal groups classified as held for sale". This item is not separately available in FINREP. The following items of Table 8.1 should be subtracted: – "Financial liabilities held for trading – short positions". Equity instruments (excluding shares/units issued by investment funds). **Notes:** – According to IFRS, an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The fundamental principle of IAS 32 is that a financial instrument should be classified as either a financial liability or an equity instrument according to the substance of the contract, not its legal form. A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity, and (b) the instrument will or may be settled in the issuer's own equity instruments.

Assets (cont'd)

BSI requirement	FINREP "equivalent"
Non-financial assets (including fixed assets)	
Tangible or intangible assets other than financial assets. This item includes dwellings, other buildings and structures, machinery and equipment, valuables, and intellectual property products such as computer software and databases.	The following items of Table 1.1 should be added: – "Tangible assets". – "Intangible assets". – Tangible and intangible assets included in "Non-current assets and disposal groups classified as held for sale". This item is not separately disclosed in FINREP.
Remaining assets	
This item is the residual item on the asset side of the balance sheet, defined as "assets not included elsewhere". It generally includes: – financial derivative positions with gross positive market values; – gross amounts receivable in respect of suspense and transit items; – accrued interest receivable on loans and assets in the form of deposits; – accrued interest on holdings of debt securities; – dividends to be received; – amounts receivable not related to the core business. **Notes:** – Contingent assets (contingencies), i.e. instruments which are contingent or conditional on the occurrence of uncertain future events, should not be recorded in the balance sheet, but instead off-balance sheet. They include, for example, guarantees, commitments, administered and trust loans.	The following items of Table 1.1 should be added: – "Financial assets held for trading – derivatives"; – "Derivatives – Hedge accounting"; – "Tax assets"; – "Other assets". The following items of Table 5 should be added: – "advances that are not loans"; – "non-current assets and disposal groups held for sale" which are not classified elsewhere. **Notes:** – The item "Advances that are not loans" includes advances that cannot be classified as "loans" according to ECB/2013/33. – Financial assets included under "Loans and advances" that do not meet the definition of loans from the ECB Regulation (e.g. amounts receivable not related to the core business, dividends to be received and amounts receivable in respect of suspense and transit items) should be classified under the category "remaining assets". – (2) "Remaining assets" should include financial assets included in "Non-current assets and disposal groups classified as held for sale" which are not classified elsewhere (i.e. all except loans, debt securities and equity instruments that must be classified in the relevant BSI instrument).
Of which: financial derivatives	
Financial derivative instruments that have a market value should be subject to on-balance-sheet recording. They have a market value when they are traded on organised markets or under circumstances in which they can be regularly offset on non-organised over-the-counter markets. Derivatives should be recorded on a gross basis; therefore, derivative contracts with gross positive market values should be recorded on the asset side. **Notes:** – Notional amounts should not be entered as on-balance-sheet items.	The following items of Table 1.1 should be added: – "Financial assets held for trading – derivatives held for trading". – "Derivatives – Hedge accounting". – Derivatives included in "Non-current assets and disposal groups classified as held for sale". This amount is not separately available in FINREP. **Note:** FINREP includes a breakdown of financial derivatives by type of risk in templates 10 (those for trading) and 11 (those for hedging).
Of which: accrued interest on loans	
Accrued interest on the category "loans", i.e. interest that is receivable on the balance sheet reporting date, but which is not due to be received until a future date, is to be classified on a gross basis under this category. Accrued interest is to be excluded from the loan to which it relates, which should be valued at the nominal amount outstanding on the reporting date.	In FINREP, accrued interest is recorded together with the underlying instrument.

Liabilities

BSI requirement	FINREP "equivalent"
Deposits	
Amounts owed to creditors by reporting agents, other than those arising from the issue of negotiable securities or MMF shares/units. This category also covers loans as liabilities of MFIs (syndicated loans received by reporting agents fall under this category). Non-negotiable debt instruments issued by reporting agents are generally to be classified in this category. Non-negotiable instruments issued by reporting agents that subsequently become negotiable and that can be traded on secondary markets should be reclassified in the category "debt securities". Margin deposits (margins) made under derivative contracts should be classified in this category, where they represent cash collateral deposited with MFIs and where they remain in the ownership of the depositor and are repayable to the depositor when the contract is closed out. In principle, margins received by the reporting agent should only be classified as deposits to the extent that the MFI is provided with funds that are freely available for on-lending; where a part of the margin received by the MFI has to be passed to another derivatives market participant, e.g. the clearing house, only that part which remains at the disposal of the MFI should in principle be classified as deposits. The complexities of current market practice may make it difficult to identify those margins that are truly repayable, because different types of margin are placed indistinguishably within the same account, or because those margins provide the MFI with resources for on-lending. In these cases, it is acceptable to classify these margins under the category "remaining liabilities" or as "deposit liabilities". According to national practice, "earmarked balances" related to e.g. leasing contracts are classified as deposit liabilities under "deposits with agreed maturity" or "deposits redeemable at notice" depending on the maturity/provisions of the underlying contract. Shares issued by MFIs are classified as deposits instead of as capital and reserves if: (i) there is a debtor-creditor economic relationship between the issuing MFI and the holder, regardless of any property rights in these shares; and (ii) the shares can be converted into currency or redeemed without significant restrictions or penalties. A notice period is not considered to be a significant restriction. In addition, such shares must comply with some conditions (see BSI Regulation). Securitisation liabilities, i.e. the counterpart of loans and/or assets disposed of in a securitisation but still recognised on the statistical balance sheet, are classified as deposits. Funds (deposits) received on a trust basis are not recorded on the MFI statistical balance sheet; therefore, this item is not treated as a deposit.	The following items of Table 1.2 should be added: – "Financial liabilities held for trading – deposits". – "Financial liabilities designated at fair value through profit and loss – deposits". – "Financial liabilities measured at amortised cost – deposits". – Deposits and loans as liabilities of MFIs included in "Liabilities included in disposal groups classified as held for sale". This amount is not separately available in FINREP. – Part of "Share capital repayable on demand" (if no significant penalties apply). **Notes:** – This instrument should be classified in "Overnight deposits" in BSI. The following amount should be subtracted: – the difference between the carrying amount of the deposits and their principal amount outstanding. Financial liabilities held for trading, designated at fair value through profit and loss and measured at amortised cost, but not those classified as "held for sale", are further broken down by type of deposit (overnight deposits, deposits with agreed maturity, deposits redeemable at notice and other deposits), as specified in Regulation ECB/2013/33, in Table 8.1. **Notes:** – When an entity securitises a loan through an FVC but does not derecognise the loan for accounting purposes, a new liability in the form of deposit is recognised for the consideration received. When the entity buys securities issued by the FVC, according to BSI rules, this entity has to recognise these securities as an asset; meanwhile, in accordance with IAS 39, it should offset the liability to avoid the duplication of assets. Thus, the treatment in the BSI rules is different than the treatment applied in FINREP, where these securities are not recognised on the asset side but subtracted from the liability side previously recognised for the consideration received. – As for the reconciliation between the principal amount of deposits and their carrying amount in IAS/IFRS, Regulation ECB/2013/33 establishes that accrued interest expenses shall be included in "Remaining liabilities". The other items (fair value measurements, premiums/discounts on origination, etc.) shall be recorded under "Capital and reserves". – In FINREP, embedded derivatives included in hybrid instruments are separated from the host contracts (IAS 39.11) and recognised under items "derivatives held for trading" or "derivatives – hedge accounting". Only hybrid instruments included in the categories at fair value through profit or loss are not segregated from the host contracts.

Liabilities (cont'd)	
BSI requirement	**FINREP "equivalent"**
For the purposes of the reporting scheme, this category is further broken down into: – Overnight deposits – Deposits which are convertible into currency and/or which are transferable on demand by cheque, banker's order, debit entry or similar means, without significant delay, restriction or penalty. Balances representing prepaid amounts in the context of electronic money issued by MFIs, either in the form of "hardware based" e-money (e.g. prepaid cards) or "software based" e-money, are included under this item. This item excludes non-transferable deposits which are technically withdrawable on demand but which are subject to significant penalties. – (of which Transferable deposits) – Transferable deposits are those deposits within the category overnight deposits which are directly transferable on demand to make payments to other economic agents by commonly used means of payment, such as credit transfer and direct debit, possibly also by credit or debit card, e-money transactions, cheques, or similar means, without significant delay, restriction or penalty. Deposits that can only be used for cash withdrawal and/or deposits from which funds can only be withdrawn or transferred through another account of the same owner are not to be included as transferable deposits. – Deposits with agreed maturity – Non-transferable deposits which cannot be converted into currency before an agreed fixed term or that can only be converted into currency before that agreed term provided that the holder is charged some kind of penalty. This item also includes administratively regulated savings deposits where the maturity related criterion is not relevant. Financial products with roll-over provisions must be classified according to the earliest maturity. Although deposits with agreed maturity may feature the possibility of earlier redemption after prior notification, or may be redeemable on demand subject to certain penalties, these features are not considered to be relevant for classification purposes. – Deposits redeemable at notice – Non-transferable deposits without any agreed maturity which cannot be converted into currency without a period of prior notice, before the term of which the conversion into cash is not possible or possible only with a penalty. They include deposits which, although perhaps legally withdrawable on demand, would be subject to penalties and restrictions according to national practice, and investment accounts without period of notice or agreed maturity, but which contain restrictive drawing provisions. – Repos – Counterpart of cash received in exchange for securities/gold sold by reporting agents at a given price under a firm commitment to repurchase the same (or similar) securities/gold at a fixed price on a specified future date. Amounts received by reporting agents in exchange for securities/gold transferred to a third party ('temporary acquirer') are to be classified here where there is a firm commitment to reverse the operation and not merely an option to do so (e.g. repurchase agreements, bond lending against cash collateral and sale/buy-back agreement). This implies that reporting agents retain effective (economic) ownership of the underlying securities/gold during the operation. In this respect, the transfer of legal ownership is not the relevant feature for determining the treatment of repo-like operations. Where the temporary acquirer sells the securities received by way of a repo operation, this sale must be recorded as an outright transaction in securities/gold and entered in the balance sheet of the temporary acquirer as a negative position in the securities/gold portfolio.	

Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
Money market fund shares/units issued	
Shares/units issued by MMFs. See ECB BSI Regulation (Annex 1, part 1, Section 2).	– N/A (MMFs are beyond the scope of FINREP).
Debt securities issued	
Securities other than equity issued by reporting agents, which are usually negotiable and traded on secondary markets or which can be offset in the market, and which do not grant the holder any ownership rights over the issuing institution. This includes: – securities that give the holder the unconditional right to a fixed or contractually determined income in the form of coupon payments and/or a stated fixed sum at a specified date (or dates) or starting from a date defined at the time of issue; – non-negotiable (debt) instruments that have subsequently become negotiable should be reclassified as "debt securities; – subordinated debt issued in the form of debt securities; – convertible bonds, as long as they have not been converted. Where separable from the underlying bond, the conversion option should be regarded as a separate financial liability (derivative or equity). – "Short selling" should be recorded as a negative position in debt securities (assets) and not as a liability. – Hybrid instruments that are combined instruments that contain embedded derivatives that shall not be separated from the host contracts (that are negotiable debt securities). – For the purposes of the BSI reporting scheme, a further breakdown is provided for "Of which debt securities up to two years and nominal capital guarantee below 100%" – Hybrid instruments issued by MFIs of original maturity of up to two years and which at maturity may have a contractual redemption value in the issuing currency lower than the amount originally invested due to their combination of debt and derivative components. This redemption value may be linked to the development of an underlying reference asset, asset price or other reference indicator over the maturity of the instrument. Examples of such instruments include, but are not limited to, discount certificates and reverse convertible securities	The following items of Table 1.2 should be added: – "Financial liabilities held for trading – debt securities issued". – "Financial liabilities designated at fair value through profit or loss – debt securities issued". – "Financial liabilities measured at amortised cost – debt securities issued". – Debt securities issued included in "Liabilities included in disposal groups classified as held for sale". This amount is not separately available in FINREP. The following items of Table 1.2 should be subtracted: – Debt securities issued that, according to their legal form, are capital but do not meet the IFRS/IAS definition of equity (e.g. a preferred share that pays a dividend when the entity posts profits) included in "Financial liabilities measured at amortised cost" and "Financial liabilities designated at fair value through profit or loss". This amount is not separately disclosed in FINREP. **Notes:** – According to IAS 39.42-AG58, when an entity repurchases part of a debt security issued, this part shall be subtracted from the total amount of debt securities issued (it is not recognised as a financial asset), in all cases without regard to the intention of the issuer (even when it intends to resell it in the near term). Similarly, the MFI Guidance Notes state that own holdings should be netted out (unless gross recording is required by local accounting rules). – In FINREP, embedded derivatives in hybrid instruments are separated from the host contracts (IAS 39.11) and recognised under items "derivatives held for trading" or "derivatives – hedge accounting". Only hybrid instruments included in the categories at fair value through profit or loss are not segregated from the host contracts. This treatment is the same as in BSI.
Capital and reserves	
This category comprises the amounts arising from the issue of equity capital by reporting agents to shareholders or other proprietors, representing for the holder property rights in the MFI and generally an entitlement to a share in its profits and to a share in its own funds in the event of liquidation. Profit (or loss) as recorded in the statement of profit and loss, funds arising from income not distributed to the shareholders or funds set aside by reporting agents in anticipation of likely future payments and obligations are also included. This particularly includes: – equity capital raised, including the share premium; – profit (or loss) as recorded in the statement of profit and loss; – income and expenses recognised directly in equity;	The following items of Table 1.1 should be subtracted: – "Fair value changes of the hedged items in portfolio hedge of interest rate risk". This includes valuation adjustments that are recognised in income from the current period or reserves (those generated in previous periods). The following items of Table 1.2 should be added: – Debt securities that, according to their legal form, are capital but do not meet the IFRS/IAS definition of equity (e.g. a preferred share that pays a dividend when the entity posts profits) included in "Financial liabilities measured at amortised cost" and "Financial liabilities designated at fair value through profit or loss". This amount is not separately disclosed in FINREP.

Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
– funds arising from income not distributed to the shareholders; – specific and general provisions against loans, securities and other types of assets (may be recorded according to the accounting rules).	– "Fair value changes of the hedged items in portfolio hedge of interest rate risk". This includes valuation adjustments that are recognised in income from the current period or reserves (those generated in previous periods). – Part of "Share capital repayable on demand" (if significant penalties apply).
Capital and reserves	
	The following items of Table 1.3 should be added: – "Capital"; – "Share premium"; – "Other equity"; – "Equity instruments issued other than capital"; – "Retained earnings"; – "Accumulated other comprehensive income"; – "Revaluation reserves"; – "Other reserves"; – "Profit (loss) attributable to owners of the parent". The following items of Table 1.3 should be subtracted: – "Treasury shares", i.e. own equity are not recognised as financial assets, but instead deducted from equity; – "Interim dividends". Parts of the following items of Table 7 should be added: – "Loans and advances – Specific allowances for individually assessed financial assets" (excluding "Loans and advances" that do not meet the ECB definition of loans); – "Loans and advances – Specific allowances for collectively assessed financial assets" (excluding "Loans and advances" that do not meet the ECB definition of loans); – "Loans and advances – Allowances for incurred but not reported losses on financial assets" (excluding "Loans and advances" that do not meet the ECB definition of loans). The following items of Tables 4.1 and 4.2 should be added: – "Loans and advances –Accumulated changes in fair value due to credit risk". The following amount should be added: – the difference between the gross carrying amount (i.e. before credit risk allowances) of the loans and the carrying amount of the deposits (excluding accrued interest receivable or payable) and their principal amount outstanding (i.e. fair value measurements, premiums/discounts upon acquisition or origination and other valuation adjustments should be added). **Notes:** – According to IAS 32.33 and to the MFI Guidance notes, when an entity repurchases its own shares, these shares shall be subtracted from equity (they are not recognised as a financial asset). – In FINREP, the amounts of impairment losses for "loans and advances" classified as "Available-for-sale", "Loans and receivables" and "Held-to-maturity investments" are included in tables 4.3, 4.4and 7.

Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
	– Tables 4.1 and 4.2 (that are referring to "held for trading" and "designated at fair value through profit or loss") include the amount of accumulated losses due to credit risk (a "proxy" for impairment losses) for "loans and advances". The amount of accumulated losses due to credit risk related to (potentially) impaired "loans and advances" would be equivalent to the amount of impairment losses for the total of "loans and advances" included in IAS 39 classes at fair value through profit or loss. FINREP does not include information for making a distinction between "loans and advances" impaired and not impaired (for such classes). – Information about impairment (or accumulated losses due to credit risk) is not separately available for "loans and advances" classified as "Non-current assets and disposal groups classified as held for sale". – As for the reconciliation between the principal amount of loans and deposits with their carrying amount in IAS/IFRS, Regulation ECB/2013/33 establishes that "accrued interest" incomes (expenses) are included in "Remaining assets" ("Remaining liabilities"). The other items (impairment losses, fair value measurements, premiums/discounts upon acquisition or origination, etc.) are recorded under "Capital and reserves".
Remaining liabilities	
This item is regarded as the residual item on the liability side of the balance sheet, defined as "liabilities not included elsewhere". It generally includes: – financial derivative positions with gross negative market values; – gross amounts payable in respect of suspense and transit items; – accrued interest payable on deposits and liabilities in the form of loans; – accrued interest on debt securities issued; – dividends to be paid; – provisions representing liabilities against third parties (pensions, restructuring, etc.); – margin payments made under derivative contracts; – amounts payable not related to the core business. **Notes:** – Contingent liabilities (contingencies), i.e. instruments which are contingent or conditional upon the occurrence of uncertain future events, should not be recorded in the balance sheet, but instead off-balance sheet. They include, for example, guarantees, commitments, administered and trust loans. – Under IAS/IFRS, financial guaranties given and certain loan commitments given are recorded on-balance sheet (IAS 39.47. (c) - (d)). In FINREP Template 1.2, these financial liabilities are included in "other financial liabilities" or, when doubtful, in "Provisions – Loan commitments and guaranties". The treatment in BSI statistics, in accordance with ESA 2010, is to record such guarantees and commitments off-balance sheet.	The following items of Table 1.2 should be added: – "Financial liabilities held for trading – derivatives". – "Financial liabilities held for trading – other financial liabilities". – "Financial liabilities designated at fair value through profit and loss – other financial liabilities". – "Financial liabilities measured at amortised cost – other financial liabilities". – "Derivatives – Hedge accounting". – "Provisions". – "Tax liabilities". – "Other liabilities". – "Liabilities included in disposal groups classified as held for sale", except deposits and debt securities issued that must be classified in the relevant instrument. This amount is not separately available in FINREP.

Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
Of which: financial derivatives	
Financial derivative instruments that have a market value should be subject to on-balance-sheet recording. They have a market value when they are traded on organised markets or in circumstances in which they can be regularly offset on non-organised over-the-counter markets. Derivatives should be recorded on a gross basis; therefore, derivative contracts with gross negative market values should be recorded on the liability side. **Notes:** – notional amounts should not be entered as on-balance sheet items.	The following items of Table 1.2 should be added: – "Financial liabilities held for trading – derivatives". – "Derivatives – Hedge accounting". – Derivatives included in "Liabilities included in disposal groups classified as held for sale". This amount is not separately available in FINREP. **Note:** – FINREP includes a breakdown of financial derivatives by type of risk in templates 10 (those for trading) and 11 (those for hedging).
Of which: accrued interest on deposits	
– Accrued interest expenses on "deposits", i.e. interests payable at reporting date, but not due to be paid until a future date, shall be classified on a gross basis under this category. Accrued interest is to be excluded from the deposit to which it relates, which should be valued at the nominal amount outstanding at the reporting date.	In FINREP, accrued interest is recorded together with the underlying instrument.

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK)

7.4.1 CASH

	COREP "equivalent"		
	CREDIT RISK		
			Securitisation
BSI requirement	**Standard Approach (CR SA)**	**IRB Approach (CR IRB and CR EQU IRB)**	**Standard Approach (CR SEC SA)**
Holdings of euro and foreign banknotes and coins in circulation that are commonly used to make payments.	– Column: "original exposure pre conversion factors" – Rows: "on-balance sheet items subject to credit risk" – Exposure classes: "other items" for the part referred to as cash in hand. (CRR Art. 134(3))	– Template: CR IRB 1 – Column 2 "original exposure pre conversion factors" – Rows: "on-balance sheet items subject to credit risk"	N.A.

COREP "equivalent"			
CREDIT RISK		MARKET RISK[1]	OWN FUNDS
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	Solvency Ratio Overview (CA)
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		
N.A.	N.A.	N.A.	N.A.

1) This column describes the BSI instruments' coverage and lists the best matching COREP items for the tables on Market Risk – standard approach. This exercise is complicated by the differences in the structure of the two reporting schemes. A similar bridging for the advanced approach is not possible. Market risk is calculated on the trading book of credit institutions. The trading book of an institution shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or are able to be hedged. Positions held with trading intent are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations. Capital requirements are calculated as a % of the net position in a set of instruments. The excess of an institution's long (short) positions over its short (long) positions in the same equity, debt and convertible issues and identical financial futures, options, warrants and covered warrants shall be its net position in each of those different instruments. In calculating the net position, the competent authorities shall allow positions in derivative instruments to be treated as positions in the underlying securities.

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (CONT'D)

7.4.2 LOANS

	COREP "equivalent"		
	CREDIT RISK		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach (CR SEC SA)
Holdings of financial assets that are created when creditors lend funds to debtors and are not evidenced by documents or are evidenced by non-negotiable documents. This item also includes assets in the form of deposits placed by reporting agents.	– Column 1 "original exposure pre conversion factors" Rows: – ''on-balance sheet items subject to credit risk'' – From "off-balance sheet exposures subject to credit risk" • "Securities Financing Transactions" and "Derivatives & Long Settlement Transactions" (for the part referred to reverse repos, even if they can't be separately identified) In the case of netting agreements, the reported amount in column 1 conforms to the net value. [Note: COREP does not include a definition of loans, although it could be assumed that this definition is the same as in FINREP] [Note: COREP does not require specific data on this type of instrument]	– Template: CR IRB; for non-negotiable securities CR EQU IRB – Column 2 "original exposure pre conversion factors" for all BSI items; for further information on the value of the real estate as collateral (loans collateralised by real estate and leases), see also column 19 "real estate". In the case of netting agreements, the reported amount in column 2 conforms to the net value. – Rows: • "On-balance sheet items subject to credit risk" • "Securities Financing Transactions" and "Derivatives & Long Settlement Transactions" (for the part referred to as reverse repos) • Part of the row "cross product netting" (for reverse repos, even if they can't be separately identified) [Note: COREP does not include a definition of loans, although it could be assumed that this definition is the same as in FINREP] [Note: COREP does not require specific data on this type of instrument]	– Column 5 "original exposure pre conversion factors" – Rows: "on-balance sheet items" (part) – Traditional and synthetic securitisations

COREP "equivalent"			
CREDIT RISK		MARKET RISK	OWN FUNDS
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)
– Column 5 "original exposure pre conversion factors" – Rows: "on-balance sheet items" (part) – Traditional and synthetic securitisations	– Column 14 "securitised exposures – total amount" – Traditional (for those securitisations for which, according to IAS/IFRS or local GAAP, securitised exposures are not derecognised by the BSI, but that meet the criterion of significant credit risk transfer according to CRR) and synthetic securitisations – Only for originators [Note: In BSI, the financial assets are derecognised when all of the risks and rewards of ownership are transferred. The reconciliation of BSI requirements with this template of COREP arises when there are loans that are not derecognised in BSI and that meet the securitisation criteria of the CRR] [Note: In BSI, tables 5a) and 5b) require data on securitisations and other loan transfers. The data are on outstanding amounts of securitised loans not derecognised, on outstanding amounts of loans serviced in securitisations, and on net flows of loans securitised (or otherwise transferred). The link between these BSI tables and COREP has not been explored.]	Loans are only subject to capital requirements for market risk in terms of foreign exchange risk. If the sum of an institution's overall net foreign exchange position and its net gold position exceeds 2% of its total own funds, it shall multiply the sum of its net foreign exchange position and its net gold position by 8% in order to calculate its own funds requirement against foreign exchange risk (CRR Art. 351). A two-stage calculation shall be used for capital requirements for foreign exchange risk. Firstly, the institution's net open position in each currency (including the reporting currency) and in gold shall be calculated. Secondly, net short and long positions in each currency other than the reporting currency and the net long or short position in gold shall be converted at spot rates into the reporting currency. They shall then be summed separately to form the total of the net short positions and the total of the net long positions respectively. The higher of these two totals shall be the institution's overall net foreign exchange position. The competent authorities may allow institutions to remove positions in any currency which is subject to a legally binding intergovernmental agreement to limit its variation relative to other currencies covered by the same agreement. Unmatched positions in those currencies shall be treated in the same way as other currencies.	For the parts referred to as loans from: – 1.1.1.1.4 Own CET1 instruments – 1.1.1.15 Reciprocal cross-holdings in CET1 Capital – 1.1.1.17 Qualifying holdings outside the financial sector which can alternatively be subject to a 1.250% risk weight – 1.1.1.18 Securitisation positions which can alternatively be subject to a 1.250% risk weight – 1.1.1.21. Equity exposures under internal models approach which can alternatively be subject to a 1.250% risk weight – 1.1.1.22 CET1 instruments of financial sector entites where the institution does not have a significant investment – 1.1.1.24 CET1 instruments of financial sector entities where the institution has a significant investment – 1.1.2.1.4 Own AT1 instruments – 1.1.2.5 Reciprocal cross-holdings in AT1 Capital – 1.1.2.6 AT1 instruments of financial sector entities where the institution does not have a significant investment – 1.1.2.7 AT1 instruments of financial sector entities where the institution has a significant investment – 1.2.1.4 Own Tier 2 instruments – 1.2.7 Reciprocal cross-holdings in Tier 2 Capital

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.2 LOANS (CONT'D)

	COREP "equivalent"		
	CREDIT RISK		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach (CR SEC SA)
Detailed bridging with BSI items: (BSI asks for specific information on the following types of loans) [**Note:** In the BSI regulation, a given loan can be included in more than one definition (e.g. the amount of a loan can be included in the definitions of syndicated loans, revolving loans and collateralised by real estate)]	**Detailed bridging with BSI items:** [**Note:** In COREP, the amount of a given loan can only be included in an exposure class (e.g. the amount of a real estate collateralised loan to a household classified as a bad loan should be included once in the relevant "exposure class")].	**Detailed bridging with BSI items:**	**Detailed bridging with BSI items:**
Convenience and extended credit card credit	Rows: "on-balance sheet items" (part). Exposure classes: "corporates" (including "short-term claims"), "retail" and "exposures in default" [**Note:** COREP does not require specific data on this type of loan]	Rows: "on-balance sheet items" (part). Exposure classes: "corporates", "retail". [**Note:** COREP does not require specific data on this type of loans]	N.A.
Revolving loans and overdrafts	Rows: "on-balance sheet items" (part). Exposure classes: all exposures, excluded "covered bonds", "CIUs", and "other items". [Note: COREP does not require specific data on this type of loan]	Rows: "on-balance sheet items" (part). Exposure classes: all exposures, excluded "other non-credit-obligation assets". [**Note:** COREP does not require specific data on this type of loan]	Traditional securitisations (liquidity facilities)
Syndicated loans	Rows: "on-balance sheet items" (part). Exposure classes: all exposures, excluded "retail", "covered bonds", "CIUs" and "other items". [**Note:** COREP does not require specific data on this type of loan]	Rows: "on-balance sheet items" (part). Exposure classes: all exposures, excluding "retail" and "other non-credit-obligation assets". [**Note:** COREP does not require specific data on this type of loan]	N.A.
Loans collateralised by real estate to households	Rows: "on-balance sheet items" (part). Exposure classes: "exposures secured by immovable property" (when the loan-to-value is	Rows: "on-balance sheet items". Exposure classes: all exposures, for the part referred to defaulted loans (PD in column 1 = 100%).	N.A.

COREP "equivalent"			
CREDIT RISK		MARKET RISK	OWN FUNDS
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)
			– 1.2.8 Tier 2 instruments of financial sector entities where the institution does not have a significant investment 1.2.9 Tier 2 instruments of financial sector entities where the institution has a significant investment
Detailed bridging with BSI items:	**Detailed bridging with BSI items:**	**The link with the BSI item refers to the positions in non-reporting currencies.** The following items of table MKR SA FX should be added: TOTAL POSITIONS IN NON-REPORTING CURRENCIES 1. Currencies closely correlated 2. All other currencies 3. Gold	
N.A.	Traditional and synthetic securitisations		
Traditional securitisations (liquidity facilities)	Traditional and synthetic securitisations		
Traditional securitisations (liquidity facilities)	Traditional and synthetic securitisations		
N.A.	Traditional and synthetic securitisations		

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.2 LOANS (CONT'D)

BSI requirement	COREP "equivalent" – CREDIT RISK: Standard Approach (CR SA)	COREP "equivalent" – CREDIT RISK: IRB Approach (CR IRB and CR EQU IRB)	COREP "equivalent" – CREDIT RISK: Securitisation – Standard Approach (CR SEC SA)
	equal or lower than a specific threshold), "corporate" and "retail" (when the loan-to-value is higher than the threshold). [**Note:** In BSI, the definition of "real estate" is the same as in COREP, but the loan-to-value can be up to 1]		
Bad debt loans that have not yet been repaid or written off. The total amount of loans in respect of which repayment is overdue or otherwise identified as being impaired, partially or totally, in accordance with the definition of default in Article 178 of the CRR. [**Note:** BSI does not require data on the amount of bad loans: this definition is only issued for the MIR requirements]	Rows: "on-balance sheet items". Exposure classes: "exposures in default" for the part referred to as loans. [**Note:** the BSI definition of bad loans is equal or lower than the CRR definition].	Rows: "on-balance sheet items". Exposure classes: all exposures, for the part referred to defaulted loans (PD in column 1 = 100%).	Traditional securitisations
Subordinated debt in the form of loans and deposits [**Note:** BSI does not require specific data on this type of loan]	Rows: "on-balance sheet items" (part). Exposure classes: all exposure classes, for the part referred to as subordinated loans (excluding "covered bonds", "CIUs" and "other items"). For those claims on credit and financial institutions and insurance companies which are deducted by own funds, see the CA template for the parts referred to as loans.	Rows: "on-balance sheet items" (part). Exposure classes: all exposure classes, for the part referred to as subordinated loans (excluded "other non-credit-obligation assets"). For those claims on credit and financial institutions and insurance companies which are deducted by own funds, see the CA template for the parts referred to as loans.	Traditional securitisations
Claims under reverse repos or securities borrowing against cash collateral, i.e. the counterpart paid out in exchange for securities purchased by reporting agents.	Rows: "Securities Financing Transactions" and "Derivatives & Long Settlement Transactions" (for the part referred to as reverse repos), part of the row "From Contractual Cross-Product Netting" (for reverse repos, even if they cannot be separately identified). Exposure classes: all exposure classes (excluding "exposures secured by immovable property", "covered bonds", "CIUs", and "other items"). [**Note:** COREP does not require specific data on this type of loan]	Rows: "Securities Financing Transactions" and "Derivatives & Long Settlement Transactions" (for the part referred to as reverse repos), part of the row "From Contractual Cross-Product Netting" (for reverse repos, even if they can't be separately identified). Exposure classes: all exposure classes (excluding "other non-credit-obligation assets"). [**Note:** COREP does not require specific data on this type of loan]	N.A.

COREP "equivalent"			
CREDIT RISK		MARKET RISK	OWN FUNDS
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)
Traditional securitisations	Traditional and synthetic securitisations		
Traditional securitisations	Traditional and synthetic securitisations		
N.A.	N.A.		

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.3 DEBT SECURITIES

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach (CR SEC SA)
Holdings of debt securities which are negotiable financial instruments and usually traded on secondary markets or can be offset in the market, and which do not grant the holder any ownership rights over the issuing institution.	– Column 1 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: all exposure classes, for the part referred to as negotiable securities (excluding "retail exposures", "exposures secured by mortgages on real estate property", and "other items"). – For those securities belonging to the trading book, see the MKR template. [Note: COREP does not include a definition of debt securities, although it could be assumed that this definition is the same as in FINREP] [Note: COREP does not require specific data on this type of instrument]	– Template: CR IRB – Column 2 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: all exposure classes, for the part referred to as negotiable securities (excluding "retail exposures" and "other non-credit-obligation assets") – For those securities belonging to the trading book, see the MKR template. [Note: COREP does not include a definition of debt securities, although it could be assumed that this definition is the same as in FINREP] [Note: COREP does not require specific data on this type of instrument]	– Column 5 "original exposure pre conversion factors" – Rows: "on-balance sheet items" (part) – Traditional and synthetic securitisations

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)
– Column 5 "original exposure pre conversion factors" – Rows: "on-balance sheet items" (part) – Traditional and synthetic securitisations	– Column 14 "Securitised exposures – total amount" – Traditional (for those securitisations for which, according to IAS/IFRS or local GAAP, securitised exposures are not derecognised by the BSI, but that meet the criterion of significant credit risk transfer according to CRR) and synthetic securitisations – Only for originators	The position risk on a traded debt instrument (or debt derivative) shall be divided into two components in order to calculate the capital required against it. The first shall be its specific risk component – this is the risk of a price change in the instrument concerned due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying instrument. The second component shall cover its general risk – this is the risk of a price change in the instrument due (in the case of a traded debt instrument or debt derivative) to a change in the level of interest rates.	For the parts referred to as securities from: – 1.1.1.1.4 Own CET1 instruments – 1.1.1.15 Reciprocal cross-holdings in CET1 Capital – 1.1.1.16 Excess of deduction from AT1 items over AT1 Capital – 1.1.1.17 Qualifying holdings outside the financial sector which can alternatively be subject to a 1.250% risk weight – 1.1.1.18 Securitisation positions which can alternatively be subject to a 1.250% risk weight – 1.1.1.22 CET1 instruments of financial sector entities where the institution does not have a significant investment – 1.1.1.24 CET1 instruments of financial sector entities where the institution has a significant investment – 1.1.2.1.4 Own AT1 instruments – 1.1.2.5 Reciprocal cross holdings in AT1 Capital – 1.1.2.6 AT1 instruments of financial sector entities where the institution does not have a significant investment – 1.1.2.7 AT1 instruments of financial sector entities where the institution has a significant investment – 1.2.1.4 Own Tier 2 instruments – 1.2.7 Reciprocal cross-holdings in Tier 2 Capital 1.2.8 Tier 2 instruments of financial sector entities where the institution does not have a significant investment – 1.2.9 Tier 2 instruments of financial sector entities where the institution has a significant investment

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.3 DEBT SECURITIES (CONT'D)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	**Standard Approach (CR SA)**	**IRB Approach (CR IRB and CR EQU IRB)**	**Standard Approach (CR SEC SA)**
Detailed bridging with BSI items: – Subordinated debt in the form of debt securities. [Note: The BSI does not require specific data on this type of debt security]	**Detailed bridging with BSI items:** – As above. For those securities issued by credit and financial institutions and insurance companies which are deducted by own funds, see the CA template for the parts referred to as securities.	**Detailed bridging with BSI items:** – As above. For those securities issued by credit and financial institutions and insurance companies which are deducted by own funds, see the CA template (for the parts referred to as securities.	**Detailed bridging with BSI items:** – Traditional and synthetic securitisations
"Short selling" – the sale of a financial asset not currently held on-balance sheet – should be recorded as a negative position in debt securities. This is a reference to the (non-binding) Guidance Notes.	In COREP, the short selling of securities is not deducted from the securities held by the entity.	In COREP, the short selling of securities is not deducted from the securities held by the entity.	

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)
Detailed bridging with BSI items: – Traditional and synthetic securitisations	**Detailed bridging with BSI items:** – Traditional and synthetic securitisations	**The link with the BSI item refers to the position risk. The following items of table MKR SA TDI should be added:** **Traded debt instruments in trading book** [positions risk value] – General risk. – Maturity-based approach; or – General risk. – Duration-based approach; – Specific risk. Particular alternative approach for position risk in CIUs.	

General risk: Maturity-based approach

The procedure for calculating capital requirements against general risk involves two basic steps. First, all positions shall be weighted according to maturity (residual or interest rate reset interval), in order to compute the amount of capital required against them. Second, allowance shall be made for this requirement to be reduced when a weighted position is held alongside an opposite weighted position within the same maturity band. A reduction in the requirement shall also be allowed when the opposite weighted positions fall into different maturity bands, with the size of this reduction depending both on whether the two positions fall into the same zone (maturity bands are grouped into three zones) or not, and on the particular zones they fall into.

The institution shall assign its net positions to the appropriate maturity bands. It shall do so on the basis of residual maturity in the case of fixed-rate instruments and on the basis of the period until the interest rate is next set in the case of instruments on which the interest rate is variable before final maturity. Net positions will be weighted for the maturity band in question.

It shall then work out the sum of the weighted long positions and the sum of the weighted short positions in each maturity band. The amount of the former which are matched by the latter in a given maturity band shall be the matched weighted position in that band, while the residual long or short position shall be the unmatched weighted position for the same band. The total of the matched weighted positions in all bands shall then be calculated (CRR Art. 339).

General risk: Duration-based approach

Institutions may use an approach for calculating the own funds requirement for the general risk on debt instruments which reflects duration, instead of the maturity-based approach, provided that the institution does so on a consistent basis (CRR Art. 340).

Specific risk

This risk is calculated on a different basis for each issuer and therefore has no link with the BSI breakdown by counterparties. However, to the extent that security-by-security (*) reporting arrangements are in place, a relatively easy link could be established.

Particular approach for position risk in CIUs:

Positions in CIUs, including investment fund shares, shall be subject to a capital requirement for position risk (specific and general), where the institution is aware of the underlying investments of the CIU on a daily basis, i.e. if the institution may look through to those underlying investments in order to calculate the capital requirements for position risk (general and specific) for those positions. If the look-through is not possible, banks pay a fixed capital requirement.

Under this approach, positions in CIUs shall be treated as positions in the underlying investments of the CIU. Netting is permitted between positions in the underlying investments of the CIU and other positions held by the institution.

[Note: In BSI requirements, the positions in CIU are included in the items Investment fund shares/units]

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.3 DEBT SECURITIES (CONT'D)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach (CR SEC SA)

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)

In addition to the above-mentioned capital requirements regarding the position risk, the positions in debt securities and investment fund shares shall be subject to two further capital requirements:

– for foreign exchange risk (see explanation below, under BSI item "loan");

– for settlement/delivery risk.

The link with the BSI item refers to the balance sheet values. The following items from the table CR SETT should be added:

Total unsettled transactions in the trading book (balance sheet values)

– Transactions unsettled up to 4 days;

– Transactions unsettled between 5 and 15 days;

– Transactions unsettled between 16 and 30 days;

– Transactions unsettled between 31 and 45 days;

– Transactions unsettled for 46 days or more.

(*) Note: In accordance with the BSI Regulation, *"For the purpose of collecting statistical information on MFIs' securities portfolios, pursuant to Regulation (EU) No 1011/2012 of the European Central Bank of 17 October 2012 concerning statistics on the holding of securities (ECB/2012/24), NCBs report quarterly on a security-by-security basis."*

7.4.4 INVESTMENT FUNDS SHARES

BSI requirement	COREP "equivalent" – Credit risk: Standard Approach (CR SA)	COREP "equivalent" – Credit risk: IRB Approach (CR IRB and CR EQU IRB)	COREP "equivalent" – Securitisation: Standard Approach (CR SEC SA)
Holdings of investment fund shares: shares or units issued by investment funds, which are collective investment undertakings that invest in financial and/or non-financial assets, to the extent that the objective is investing capital raised from the public. This item includes money market fund (MMF) shares/units issued by MMFs.	– Column 1 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: "exposures in the form of units or shares in collective investment undertakings (CIUs)". – For those MMFs belonging to the trading book, see the MKR template.	– Template: CR IRB – Column 2 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: "all exposure classes for the part referred to as investment fund shares (excluding "retail exposures", "other non-credit-obligation assets"). – For investment fund shares belonging to the trading book, see the MKR template.	N.A.

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	Solvency Ratio Overview (CA)
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		
N.A.	N.A.	As above regarding debt securities.	As for loans, but for the parts referring to investment funds shares.

7.4.5 EQUITY

BSI requirement	COREP "equivalent"		
	Credit risk		
			Securitisation
	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach
			N.A.
Holdings of securities which represent property rights in corporations or quasi-corporations. This is a claim on residual value after the claims of all creditors have been met. This item includes listed and unlisted shares and other equity.	– Column 1 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: "exposures to institutions" and "other items" (both for the part referred to shares) – For those shares belonging to the trading book, see the MKR template. – For those shares issued by credit and financial institutions and insurance companies which are deducted by own funds, see the CA template – concerning the part referred to as shares. [**Note**: COREP does not include a definition of equity securities, although it could be assumed that the definition is the same as in FINREP] [**Note**: COREP does not require specific data on this type of instrument]	Template: CR EQU IRB Column 2 "original exposure pre conversion factors" Rows: "on-balance sheet items" For those shares belonging to the trading book, see the MKR template. For those shares issued by credit and financial institutions and insurance companies which are deducted by own funds, see the CA template – concerning the part referred to as shares. [**Note**: COREP does not include a definition of equity securities, although it could be assumed that the definition is the same as in FINREP] [**Note**: COREP does not require specific data on this type of instrument] In COREP, the short selling of securities is not deducted from the securities held by the entity.	
"Short selling" positions in equity should be subtracted.	In COREP, the short selling of securities is not deducted from the securities held by the entity.		

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		Solvency Ratio Overview (CA)
N.A.	N.A.		Items as for loans, and for the part referring to investment fund shares.

The position risk on equity (or equity derivative) shall be divided into two components in order to calculate the capital required against it (CRR Art. 326). The first shall be its specific risk component — this is the risk of a price change in the instrument concerned due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying instrument. The second component shall cover its general risk – this is the risk of a price change in the instrument due (in the case of an equity or equity derivative) to a broad equity market movement unrelated to any specific attributes of individual securities.

The institution shall sum all its net long positions and all its net short positions. The sum of the two figures shall be its overall gross position. The difference between them shall be its overall net position.

Specific risk. The institution shall sum all its net long positions and all its net short positions. It shall multiply its overall gross position in order to calculate its capital requirement against specific risk (CRR Art. 342).

General risk. Its capital requirement against general risk shall be its overall net position.

Stock-index futures may be broken down into positions in each of their constituent equities. These positions may be treated as underlying positions in the equities in question, and may, subject to the approval of the competent authorities, be netted against opposite positions in the underlying equities themselves.

Stock-index futures which are exchange traded and – in the opinion of the competent authorities – represent broadly diversified indices shall attract a capital requirement against general risk of 8%, but no capital requirement against specific risk.

If a stock-index future is not broken down into its underlying positions, it shall be treated as if it were an individual equity.

EBA shall develop draft implementing technical standards listing the stock indices for which the specific risk on this individual equity can be ignored if the stock-index future is exchange traded and represents a relevant appropriately diversified index. Until its entry into force, firms may continue to apply the above treatments (CRR Art. 344).

The link with the BSI item refers to the position risk. The following items of table MKR SA EQU should be added:

Equities in trading book [positions risk value]:

– general risk;

– specific risk;

– particular approach for position risk in CIUs.

Particular approach for position risk in CIUs

Positions in CIUs shall be subject to a capital requirement for position risk (specific and general). Where the institution is aware of the underlying investments of the CIU on a daily basis, the institution may look through to those underlying investments in order to calculate the capital requirements for position risk (general and specific) for those positions.

Under this approach, positions in CIUs shall be treated as positions in the underlying investments of the CIU. Netting is permitted between positions in the underlying investments of the CIU and other positions held by the institution.

In addition to the above-mentioned capital requirements regarding the position risk, the positions in debt securities and investment fund shares shall be subject to two further capital requirements:

– for Foreign Exchange Risk (see explanation below, under BSI item "loan");

– for Settlement/Delivery Risk.

The link with the BSI item refers to the balance sheet value.

The following items of table CR TB SETT should be added (balance sheet values):

Total unsettled transactions in the trading book:

– transactions unsettled up to 4 days;

– transactions unsettled between 5 and 15 days;

– transactions unsettled between 16 and 30 days;

– transactions unsettled between 31 and 45 days;

– transactions unsettled for 46 days or more.

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.6 NON-FINANCIAL ASSETS (INCLUDING FIXED ASSETS)

	COREP "equivalent"		
	CREDIT RISK		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach
This item consists of non-financial assets, tangible or intangible, including dwellings, other buildings and structures, machinery and equipment, valuables and intellectual property such as computer software and other databases.	– Column 1 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: "other items" for the part referred to as tangible assets. For the intangible assets which are deducted from own funds, see the CA-template cells 1.1.1.11.	– Template: CR IRB – Column 2 "original exposure pre conversion factors" – Rows: "on-balance sheet items" – Exposure classes: "other non-credit-obligation assets" for the part referred to tangible assets For the intangible assets which are deducted from own funds, see the CA-template cells 1.1.1.1.11.	N.A.

COREP "equivalent"			
CREDIT RISK		MARKET RISK	OWN FUNDS
Securitisation			
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)	Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	Solvency Ratio Overview (CA)
N.A.	N.A.	N.A.	1.1.1.11. Intangible assets.

7.4.7 REMAINING ASSETS

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach (CR SEC SA)
This item is regarded as the residual item on the asset side of the balance sheet, and defined as "assets not included elsewhere". It generally includes: – Financial derivative positions with gross positive market values; – Gross amounts receivable in respect of suspense and transit items; – Accrued interest receivable on loans and debt securities; – Dividends to be received; – Amounts receivable not related to the core business; Note: Contingent assets (contingencies), i.e. instruments which are contingent or conditional on the occurrence of uncertain future events, should not be recorded on the balance sheet, but instead off-balance sheet. They include, for example, guarantees, commitments, administered and trust loans.	– Column 1 "original exposure pre conversion factors" – Rows: "on-balance sheet items" (part) • "Securities Financing Transactions" and "Derivatives & Long Settlement Transactions" (For the part other than the one referred to as reverse repos. Concerning derivatives, if netting agreements are applied, only the net value is reported in column 1). Part of the row "From Contractual Cross Product Netting" (other than the one referred to as reverse repos, even if they can't be separately identified; exposures are reported after netting in column 1). – Exposure classes: all exposures, excluding "exposures secured by mortgages on immovable property", "exposures in the form of covered bonds", "CIUs", and "exposures in default".	– Template: CR IRB – Column 2 "original exposure pre conversion factors" – Rows: • "on-balance sheet items" (part) • "Securities Financing Transactions" and "Derivatives & Long Settlement Transactions" (For the part other than the one referred to as reverse repos. Concerning derivatives, if netting agreements are applied, only the net value is reported in column 1). Part of the row "From Contractual Cross Product Netting" (other than the one referred to as reverse repos, even if they can't be separately identified; exposures are reported after netting in column 1). – Exposure classes: all exposures, excluding the parts for retail-real estate.	– Column 5 "original exposure pre conversion factors" – Rows: "off-balance sheet items and derivatives" (for the part referred to as derivatives) – Traditional securitisation

COREP "equivalent"			
Credit risk		Market risk[1]	Own funds
Securitisation			
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)	Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	Solvency Ratio Overview (CA)
– Column 5 "original exposure pre conversion factors" – Rows: "off-balance sheet items and derivatives" (for the part referred to as derivatives) – Traditional securitisation	N.A.		Items as for loans, but for the parts concerning accrued interest of loans.

Each position in **commodities or commodity derivatives** shall be expressed in terms of the standard unit of measurement. The spot price for each commodity shall be expressed in the reporting currency. Positions in gold or gold derivatives shall be considered as being subject to foreign exchange risk. The excess of an institution's long (short) positions over its short (long) positions in the same commodity and identical commodity futures, options and warrants shall be its net position in each commodity. Options on commodities or on commodity derivatives shall be treated as if they were positions equal in value to the amount of the underlying to which the option refers. The latter positions may be netted off against any offsetting positions in the identical underlying commodity or commodity derivative.

The following items of table MKR SA COM should be added:

Total position in commodities:

- Maturity ladder approach
- Extended maturity ladder approach
- Simplified approach: All positions

Maturity ladder approach

The institution shall use a separate maturity ladder for each commodity. All positions in that commodity and all positions which are regarded as positions in the same commodity shall be assigned to the appropriate maturity bands.

Physical stocks shall be assigned to the first maturity band.

Positions in the same commodity may be offset and assigned to the appropriate maturity bands on a net basis for the following: positions in contracts maturing on the same date; and positions in contracts maturing within 10 days of each other if the contracts are traded on markets which have daily delivery dates. The institution shall then calculate the sum of the long positions and the sum of the short positions in each maturity band. The amount of the former (latter) which are matched by the latter (former) in a given maturity band shall be the matched positions in that band, while the residual long or short position shall be the unmatched position for the same band.

Simplified approach

The institution's capital requirement for each commodity shall be calculated as the sum of:

15% of the net position, long or short, multiplied by the spot price for the commodity;

3% of the gross position, long plus short, multiplied by the spot price for the commodity.

Extended Maturity ladder approach

Institutions may use the minimum spread, carry and outright rates set out in the CRR when they:

- undertake significant commodities business;
- have a diversified commodities portfolio;
- are not yet in a position to use internal models for the purpose of calculating the own funds requirement for commodities risk.

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.7 REMAINING ASSETS (CONT'D)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach (CR SEC SA)

COREP "equivalent"			
Credit risk		Market risk[1)]	Own funds
Securitisation		**Standard Approach** (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	
IRB Approach (CR SEC IRB)	**Detailed information (CR SEC Details)**		**Solvency Ratio Overview (CA)**

Institutions shall notify the use they make of this Article to their competent authorities, together with evidence of their efforts to implement an internal model for the purpose of calculating the own funds requirement for commodities risk.

In addition to the above mentioned capital requirements regarding the position risk, the positions in commodities and financial derivatives shall be subject to two further capital requirements:

1) for Foreign Exchange Risk (see explanation below, under BSI item "loan);

2) for Settlement/Delivery Risk.

The link with the BSI item refers to the balance sheet values. The following items of table CR SETT should be added (balance sheet values):

Total unsettled transactions in the trading book

- transactions unsettled up to 4 days;
- transactions unsettled between 5 and 15 days;
- transactions unsettled between 16 and 30 days;
- transactions unsettled between 31 and 45 days;
- transactions unsettled for 46 days or more.

7.4.8 OF WHICH: FINANCIAL DERIVATIVES

BSI requirement	COREP "equivalent" – Credit risk – Standard Approach (CR SA)	COREP "equivalent" – Credit risk – IRB Approach (CR IRB and CR EQU IRB)	COREP "equivalent" – Securitisation – Standard Approach
Financial derivative instruments that have a market value should be subject to on-balance-sheet recording. They have a market value when they are traded on organised markets or in circumstances in which they can be regularly offset on non-organised over-the-counter markets. Derivatives should be recorded on a gross basis; therefore, derivative contracts with gross positive market values should be recorded on the asset side. **Note:** Notional amounts should not be entered as on-balance sheet items.	– Rows: • derivatives (if netting agreements are applied, only the net value is reported in column 1) • part of the row "cross-product netting" (for the part referred to as derivatives, even if they can't be separately identified); exposures are reported after netting in column 1 – Exposure classes: all exposures, excluding "real estate", "covered bonds", "CIUs", and "past due". **Note:** In COREP, the relevant amount for derivatives is the notional amount; for BSI, the relevant amount is the fair value	– Template: CR IRB – Rows: • derivatives (if netting agreements are applied, only the net value is reported in column 1) • part of the row "cross product netting" (for the part referred to as derivatives, even if they can't be separately identified); exposures are reported after netting in column 1 – Exposure classes: all exposures, excluded "retail-real estate" and "other non-credit-obligation assets". **Note:** In COREP, the relevant amount for derivatives is the notional amount; for BSI, the relevant amount is the fair value	– Column 5 "original exposure pre conversion factors" – Rows: "off-balance sheet and derivatives" (for the part referred to as derivatives)

7.4.9 OF WHICH: ACCRUED INTEREST

BSI requirement	COREP "equivalent" – Credit risk – Standard Approach (CR SA)	COREP "equivalent" – Credit risk – IRB Approach (CR IRB and CR EQU IRB)	COREP "equivalent" – Securitisation – Standard Approach
Accrued interest on the category "loans", i.e. interest that is receivable on the balance sheet reporting date, but which is not due to be received until a future date, is to be classified on a gross basis under this category. Accrued interest is to be excluded from the loan to which it relates, which should be valued at the nominal amount outstanding on the reporting date.	N.A. In COREP, accrued interests are reported together with the principal	N.A. In COREP, accrued interests are reported together with the principal	N.A. In COREP, accrued interests are reported together with the principal

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	Solvency Ratio Overview (CA)
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		
– Column 5 "original exposure pre conversion factors" – Rows: "off-balance sheet and derivatives" (for the part referred to as derivatives)	N.A.	As above for Remaining assets Note: In COREP, the relevant amount for derivatives is the notional amount; for BSI, the relevant amount is the fair value	

COREP "equivalent"			
Credit risk		Market risk	Own funds
Securitisation		Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	Solvency Ratio Overview (CA)
IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)		
N.A. In COREP, accrued interests are reported together with the principal	N.A. In COREP, applicable only for hybrid instruments included in the categories of financial instruments at fair value through profit and loss. Accrued interests are reported together with the principal		As above, for Remaining assets

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.10 DEPOSITS

	COREP "equivalent"						
	Credit risk					Market risk	Own funds
			Securitisation				
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach	IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)	Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	Solvency Ratio Overview (CA)
Amounts owed to creditors by reporting agents, other than those arising from the issue of negotiable securities. This category also covers loans as liabilities of MFIs. Non-negotiable debt instruments issued by reporting agents are generally to be classified in this category. Instruments may be referred to as being "non-negotiable" in the sense that there are restrictions to the transfer of legal ownership of the instrument that means that they cannot be marketed or, although technically negotiable, they cannot be traded owing to the absence of an organised market. Non-negotiable instruments issued by reporting agents that subsequently become negotiable and that can be traded on secondary markets should be reclassified in the category "debt securities"; syndicated loans received by MFIs fall under this category.							Deposit instruments meeting the criteria for Additional Equity Tier 1 (1.1.2) or Tier 2 (1.2, esp. 1.2.1.1. "Paid up capital instruments and subordinated loans") according to Article 52 and 63 of the CRR. By way of derogation from these articles, debt instruments can be classified as Additional Tier 1 or Tier 2 also according to Articles 483-490.

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.11 CAPITAL AND RESERVES

	COREP "equivalent"						
	Credit risk					Market risk	Own funds
			Securitisation				
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach	IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)	Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)	Solvency Ratio Overview (CA)

This category comprises the amounts arising from the issue of equity capital by reporting agents to shareholders or other proprietors, representing for the holder property rights in the MFI and generally an entitlement to a share in its profits and to a share in its own funds in the event of liquidation. Profit (or loss) as recorded in the statement of profit and loss, funds arising from income not distributed to the shareholders or funds set aside by reporting agents in anticipation of likely future payments and obligations are also included. It particularly includes:
- equity capital raised, including the share premium;
- profit (or loss) as recorded in the statement of profit and loss;
- income and expenses recognised directly in equity;
- funds arising from income not distributed to the shareholders;
- specific and general provisions against loans, securities and other types of assets (may be recorded according to the accounting rules).

The following items of Table CA should be added:
- 1.1.1.1.1 Paid up capital instruments;
- 1.1.1..1.3 Share premium;
- 1.1.2.1 Capital instruments eligible as AT1 Capital;
- 1.1.1.2.1 Retained earnings;
- 1.1.1.3 Accumulated other comprehensive income;
- 1.1.3 Funds for general banking risks;
- 1.1.1.4 Other reserves;
- 1.2.6 SA General credit risk adjustments;
- 1.2.10 Other transitional adjustments to T2 capital;
- 1.2.1.5 IRB Excess of provisions over expected losses elegible;

The following items of Table CA should be subtracted:
- 1.1.1.2 Own CET1 instruments;
- Own AT1 instruments;
- Own T2 instruments.

Note: The addition and subtraction of the items listed above is not equal to "Capital and Reserves".

The following amounts should be added:
- Unpaid capital that has been called up. This amount is not available in COREP;
- Equity components of compound financial instruments. This amount is not available in COREP;
- Specific and general provisions against loans, securities and other types of assets (not included in 1.2.1.7 above). These amounts are not available in COREP;
- Fair value changes of the hedged items in portfolio hedge of interest rate risk when they lead to the recognition of a liability. This amount could have a positive or negative sign and is not available in COREP.

And the following amounts should be subtracted:
- Fair value changes of the hedged items in portfolio hedge of interest rate risk when they lead to the recognition of an asset. This amount could have a positive or negative sign and is not available in COREP.

The BSI Regulation does not specify how to classify valuation adjustments made in loans/deposits other than "accrued interest" and "impairment losses" (fair value measurements, premiums/discounts in the acquisition or origination, etc.). For the purposes of its classification system, the JEGR assumes that these amounts are also recorded under "Capital and reserves". These amounts are not available in COREP

7.4 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

7.4.12 DEBT SECURITIES ISSUED

	COREP "equivalent"						
	Credit risk					Market risk	Own funds
			Securitisation				
BSI requirement	Standard Approach (CR SA)	IRB Approach (CR IRB and CR EQU IRB)	Standard Approach	IRB Approach (CR SEC IRB)	Detailed information (CR SEC Details)	Standard Approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA	Solvency Ratio Overview (CA)

Securities other than shares (debt securities) issued by reporting agents, which are instruments usually negotiable and traded on secondary markets or can be offset on the market, and which do not grant the holder any ownership rights over the issuing institution. In particular, these include:

- Securities that give the holder the unconditional right to a fixed or contractually determined income in the form of coupon payments and/or a stated fixed sum at a specified date (or dates) or starting from a date defined at the time of issue;
- Non-negotiable (debt) instruments that have subsequently become negotiable should be reclassified as "debt securities";
- Subordinated debt in the form of debt securities;
- Debt securities with nominal capital certainty at redemption below 100%;
- Convertible bonds as long as they have not been converted. Where separable from the underlying bond, the conversion option should be regarded as a separate financial liability (derivative or equity);
- Hybrid instruments (combined instruments that contain embedded derivatives when their non-derivative host contract, from which the derivative is inseparable, has the form of negotiable debt security).

For the purpose of the BSI reporting scheme, a further breakdown is provided for "Of which debt securities up to two years and nominal capital guarantee below 100%". Hybrid instruments issued by MFIs of original maturity of up to two years and which at maturity may have a contractual redemption value in the issuing currency lower than the amount originally invested due to their combination of debt and derivative components. This redemption value may be linked to the development of an underlying reference asset, asset price or other reference indicator over the maturity of the instrument. Examples of such instruments include, but are not limited to, discount certificates and reverse convertible securities.

Debt instruments meeting the criteria for Additional Equity Tier 1 (1.1.2) or Tier 2 (1.2, esp. 1.2.1.1. "Paid up capital instruments and subordinated loans") according to Article 52 and 63 of the CRR. By way of derogation from these articles, debt instruments can be classified as Additional Tier 1 or Tier 2 also according to Articles 483-490.

Note: COREP does not include a definition of debt securities, although it could be assumed that this definition is the same as in FINREP

Note: COREP does not require specific data on this type of instrument

7.5 ASSESSMENT OF THE LINKS BETWEEN BSI REQUIREMENTS AND THE COREP EQUIVALENT (OPERATIONAL RISK)

According to Basel III, operational risk is a significant risk faced by credit institutions and requires coverage by own funds. It means the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, and includes legal risk. There are three alternative approaches to the calculation of operational risk requirements incorporating different levels of risk sensitivity and requiring different degrees of sophistication. The table below provides an assessment of the link with BSI statistics for each of these three approaches. In all cases, the (draft) conclusion is that there are no direct links between the two frameworks.

BSI	OWN FUNDS		
	Operational risk		
	Basic Indicator Approach	Standardised Approach	Advanced Measurement Approaches
	The own funds requirement for operational risk under the Basic Indicator Approach is equal to 15% of the relevant indicator. The relevant indicator is the average over three years of the sum of net interest income and net non-interest income. The three-year average is calculated on the basis of the last three twelve-monthly observations at the end of the financial year. When audited figures are not available, business estimates may be used. Based on the accounting categories for the profit and loss account of credit institutions under Article 27 of Directive 86/635/EEC, the relevant indicator shall be expressed as the sum of the elements listed below. Each element shall be included in the sum with its positive or negative sign. **1. Interest receivable and similar income** **2. Interest payable and similar charges** **3. Income from shares and other variable/fixed-yield securities** **4. Commissions/fees receivable** **5. Commissions/fees payable** **6. Net profit or net loss on financial operations** **7. Other operating income**	Under the Standardised Approach, institutions shall divide their activities into a number of business lines. Business line are: 1. Corporate finance 2. Trading and sales 3. Retail brokerage 4. Commercial banking 5. Retail banking 6. Payment and settlement 7. Agency services 8. Asset management Credit institutions shall calculate the own funds requirement for operational risk as the average over three years of the sum of the annual own funds requirements across all business lines. The annual own funds requirement of each business line is calculated as a percentage of a relevant indicator. All activities must be mapped into the business lines in a mutually exclusive and jointly exhaustive manner. Credit institutions shall have a well-documented assessment and management system for operational risk with clear responsibilities assigned for this system. They shall identify their exposures to operational risk and track relevant operational risk data, including material loss data.	Credit institutions may use Advanced Measurement Approaches based on their own operational risk measurement systems, provided that the competent authority expressly approves the use of the models concerned for calculating the own funds requirement. In order to get approval, credit institutions must have in place procedures for regularly reporting operational risk exposures and loss experience. Credit institutions shall calculate their capital requirement as comprising both expected loss and unexpected loss, unless they can demonstrate that expected loss is adequately captured in their internal business practices. The operational risk measurement system of a credit institution must have certain key elements. These elements must include the use of 1) internal data, 2) external data, 3) scenario analysis and 4) factors reflecting the business environment and internal control systems. A credit institution needs to have a well-documented approach for weighting the use of these four elements in its overall operational risk measurement system. Correlations in operational risk losses across individual operational risk estimates may be recognised only if credit institutions can demonstrate to the satisfaction of the competent authorities that their systems for measuring correlations are sound, implemented with integrity, and take into account the uncertainty surrounding any such correlation estimates, particularly in periods of stress. The credit institution must validate its correlation assumptions using appropriate quantitative and qualitative techniques.

BSI	OWN FUNDS		
	Operational risk		
	Basic Indicator Approach	**Standardised Approach**	**Advanced Measurement Approaches**
			Credit institutions shall be able to recognise the impact of insurance and other risk transfer mechanisms where the credit institution can demonstrate to the satisfaction of the competent authorities that a noticeable risk mitigating effect is achieved.
	Conclusions: The item included in the COREP template regarding the operational risk for the basic approach does not have corresponding items in BSI reporting.	*Conclusions:* The items included in the COREP template regarding the operational risk for the standardised approach (breakdown by business line) do not have corresponding items in BSI reporting (breakdown by instruments). NB: since business lines refer to items of the income statement (rather than to balance sheet items), there is no possibility for a reconciliation of certain business lines with BSI items.	*Conclusions:* The item included in the COREP template regarding the operational risk for the advanced approaches does not have corresponding items in BSI reporting.

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