



EUROPEAN COMMISSION

Internal Market DG

FINANCIAL INSTITUTIONS

Financial conglomerates and cross-sectoral issues

BRUSSELS, 22 NOVEMBER 2002

**SUMMARY OF THE CONSULTATION OF THE FINANCIAL INDUSTRY FEDERATIONS ON
THE ISSUE OF REPORTING REQUIREMENTS**

**1) Meeting DG Markt – Financial Industry Federations on 30 October
2002**

DG Markt's services met with EU-federations on 30 October 2002 to discuss the issue of streamlining reporting requirements for financial institutions. The recently published findings paper of the Forum Group on this topic provided the basis for the discussion. This paper can be found on the following web-site :

http://europa.eu.int/comm/internal_market/en/finances/cross-sector/index.htm

DG Markt's services recalled the mandate given to the Commission at the Oviedo informal Ecofin meeting (... "to explore by December 2002 proposals to reduce the administrative burden by streamlining and enhancing consistency of reporting requirements").

DG Markt's services underlined that the Forum Group's Findings paper expressed the personal views of Forum Group Members only and that it cannot be considered as a Commission position or view.

The list of participants in the meeting is attached.

Summary of the views of the financial industry federations

- The Federations noted the high quality of work of the Forum Group and supported the recommendations in the Findings Paper. They agreed on the need to streamline reporting. However, more in depth studies would be necessary before proposing concrete actions in this complex and interrelated area.
- Federations supported the Lamfalussy process and considered the committees as potential fora for addressing the issue of reporting rather than harmonisation by way of legislation. Co-ordination was seen as crucial. In particular the Level 3 Committees should start examining the reporting areas that could be streamlined/co-ordinated. A formal mandate in the area of reporting for the Level 3 Committees should be envisaged (as a result of legislation or of a formal request). Transparency and formal consultation with market participants would be necessary.

- Federations agreed that convergence of approaches, in particular in the area of common definitions and applications, is vital. Single definitions/classifications for the implementation of rules and requirements should be established at the EU-level and where possible, at the international level.
- Federations clearly indicated that sectoral differences between financial markets should be respected, but that common issues need common solutions.
- Federations advocated an approach that takes into account the diversity of institutions (reporting based on risk profiles and use of internal models).
- Federations supported the concept of an enhanced role for a co-ordinator/lead-supervisor but were not in favour of a centralised EU supervisory authority.
- Federations underlined the importance of using accounting rules as a basis for reporting. The International Accounting Standards (IAS) should as a result be the starting point for any streamlining process in the prudential field. All companies should be associated and not only listed companies.
- Federations suggested that reporting requirements and their changes should regularly be monitored from a consistency point of view. A “patch-work” regulation should be avoided. The consequences of new pieces of legislation on existing rules should be addressed in a consistent way. A global view and top-down approach would be needed, focussing on the supervisory objectives.

2) Written contributions : summary of additional views expressed by financial industry federations

Written contributions have been made by the : Association of European Co-operative and Mutual Insurers, European Federation of Building Societies, European Mortgage Federation, European Saving Banks Group. They have been posted on the Internal Market DG’s website.

Summary of the additional views of the financial industry federations

- While it is important to encourage convergence in the timing, formats, etc. of reporting requirements, full convergence may be neither desirable nor feasible. Tax authorities, supervisory authorities, etc. will continue to have differing requirements in the future.
- One aspect to be taken into consideration is the level at which harmonisation should take place : additional reporting requirements can have their origin at national level, rather than at European level, or even at international level.
- The objective of streamlining of reporting seems in contradiction to the current tendency which is a multiplication in reporting systems due to new requirements and an increased number of receivers.
- Convergence to a standard model in reporting is a long term objective : the problem of applying accounting standards in the insurance field shows that it cannot be realised in the short or medium term

- The Forum Group’s paper does not emphasise enough the substantial difference between internal and external reporting.
- The Forum Group’s recommendation “to improve transparency, co-ordinate computer systems of authorities and to strive for a single contact point and reduce the number of receivers” is more a medium- to long term objective rather than a priority issue.
- The use of IAS as a common basis for reporting is a conceptually good idea but may in reality lead to problems (consolidated/individual accounts, volatility in profit and loss accounts and balance sheet), taking into account the differing objectives of tax, financial or statistical reporting. They would not necessarily offer meaningful results to regulators and shareholders.
- An additional recommendation would be to undertake regular impact assessments on the financial reporting burden when bringing forward new legislation. In particular, the Commission proposal on transparency obligations for securities would need such an exercise.
- As a starting point for work on the issue of reporting, it would be useful to make an initial one-off exercise reviewing all reporting requirements at the national, European and international levels before proposing concrete actions. Harmonisation of reporting formats, classifications, definitions and timetables should proceed as quickly as possible following this initial review, but the concept of maximum harmonisation should be treated carefully.
- The Forum Group could be extended using a series of industry/regulator deregulation workshops concentrating on the practical aspects of improving financial reporting.
- Work on the co-ordination of the implementation of IAS, Basle II and the financial conglomerates directive should start immediately.
- As regards the prioritisation of work : “formal aspects” of reporting (i.e. criteria, definitions, classifications as well as timetables, periods, technical formats) should be harmonised first.
- Certainty on accounting and prudential rules is necessary before starting work on reporting requirements.
- Information systems, which are at the basis of reporting, require time and money. It would be interesting to know the cost of conception, maintenance and development of reporting systems in the different types of institutions in order to have an idea of the investment corresponding to the different lines of thought expressed in the Findings Paper.

Participants consultation meeting with financial industry Federations - 30 October 2002

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