EUROPEAN CENTRAL BANK

EUROSYSTEM

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Committee of European Banking Supervisors

MFI BALANCE SHEET AND INTEREST RATE STATISTICS AND CEBS' GUIDELINES ON FINREP AND COREP

FEBRUARY 2010

BRIDGING REPORTING REQUIREMENTS – METHODOLOGICAL MANUAL

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Address
Kaiserstrasse 29
60311 Frankfurt am Main,
Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone
+49 69 1344 0

Website
http://www.ecb.europa.eu

Fax
+49 69 1344 6000

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CONTENTS

LIST OF ABBREVIATIONS

AAR	annualised agreed rate
APRC	annualised percentage rate of charge
ASA	alternative standardised approach
BAD	Banking Accounts Directive
BSC	Banking Supervision Committee
BSI	balance sheet items
CA	capital adequacy
CEBS	Committee of European Banking Supervisors
CIUs	collective investment undertakings
COREP	Common Reporting
CRD	Capital Requirements Directive
CR EQU IRB	Credit Risk: Equity – Internal Ratings-Based Approaches to Capital Requirements
CR IRB	Credit, counterparty credit, dilution and delivery risk: Internal Ratings-Based Approach to Capital Requirements
CR SA	Credit, counterparty credit and delivery risk: Standardised Approach to Capital Requirements
CR SEC	Details – Credit Risk: Detailed information on securitisation by originators and sponsors
CR SEC IRB	Securitisations – Internal Ratings-Based Approach to Capital Requirements
CR SEC SA	Credit Risk: Securitisation – Standardised Approach to Capital Requirements
CR TB SETT	Settlement Risk in the Trading Book
ESA 95	European System of Accounts 1995
FINREP	Financial Reporting
FV	fair value
FVCs	financial vehicle corporations
GAAPs	Generally Accepted Accounting Principles (US-GAAP)
HHs	households
IAS	International Accounting Standards
IAS 27	IAS consolidation scope
IFRS	International Financial Reporting Standards
IRB	internal ratings-based
JEGR	Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements
MBS	money and banking statistics
MFIs	monetary financial institutions
MIR	MFI interest rates statistics
MMFs	money market funds
NCB	national central bank
NFCs	non-financial corporations
OPR	operational risk
SA	standardised approach
SNA 93	System of National Accounts 1993
STC	Statistics Committee (ESCB)

PREFACE

The Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR) was established in June 2008 under the joint sponsorship of the European System of Central Banks' (ESCB) Statistics Committee (STC) and Banking Supervision Committee (BSC). The Committee of European Banking Supervisors (CEBS) joined the JEGR as a full sponsor from October 2008. Pierre Olivier Cousseran (Banque de France) chaired the JEGR. A list of JEGR participants is attached to this publication.

The aim of the JEGR is to bridge elements of the statistical and supervisory reporting frameworks relating to credit institutions (definitions, concepts, valuation rules, reporting templates, etc.) and, where possible, identify reconciliation options between them, taking into consideration, on the one hand, the framework established by CEBS for the reporting of financial information compliant with international accounting standards (FINREP) and capital adequacy data requirements (COREP) and, on the other hand, the European Central Bank (ECB) statistical reporting framework for credit institutions' balance sheet items (BSI) and monetary financial institution interest rates (MIR) statistics based on the European System of Accounts (ESA 95).

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; and

2) an explanation of how this bridging analysis has been transposed into a relational database aiming to systemically identify possible links (commonalities and differences) between these requirements.

The classification system has helped the ESCB and CEBS to identify cases where differences between the two 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 identify possible links (similarities and differences) between different reporting obligations in an easy and accurate manner, and is designed to facilitate – under certain conditions – respondents' data production processes.

In particular, the JEGR suggested a series of reconciliation proposals which are in the process of being implemented by the ECB and CEBS. These proposals have a general impact on the BSI, MIR, FINREP and COREP frameworks as they bring important aspects such as instrument definitions and classification, sector classification, consolidation and accounting rules closer to each other.

The JEGR's achievements have also been welcomed by the banking industry. The European Banking Federation has published a very positive assessment of the JEGR's work in its report on "Overcoming the crisis and moving beyond".[1]

The JEGR's mandate expired in September 2009 and is being renewed by its sponsors in order to continue the fruitful dialogue between statistical and supervisory experts, in particular to maintain the classification system by ensuring that the methodological bridging manual remains up to date (for instance, to reflect possible changes to COREP, FINREP and International Accounting Standard (IAS) 39, as well as to the statistical requirements) and to further develop the functionality of the relational database.

1 EBF report entitled "Overcoming the crisis and moving beyond: EBF policy recommendations for advancing the integration of European financial services markets", 2009, available on the EBF's website at www.ebf-fbe.eu.

By ensuring that the classification system is maintained on a regular basis, its advantages for compilers and reporting agents can be fully exploited.

This publication covers the first element of the classification system, namely the methodological bridging manual. The relational database is developed in MS Access, and the users' guide in MS Word. Both files can be sent via e-mail to interested parties upon request to the following address: JEGR@ecb.int.

I INTRODUCTION

The Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR) was established in June 2008 under the joint sponsorship of the European System of Central Banks' (ESCB) Statistics Committee (STC) and Banking Supervision Committee (BSC), followed in October 2008 by the Committee of European Banking Supervisors (CEBS).

The aim of the JEGR is to bridge elements of the statistical and supervisory reporting frameworks relating to credit institutions (definitions, concepts, valuation rules, reporting templates, etc.) and, where possible, identify reconciliation options between them, taking into consideration, on the one hand, the framework established by CEBS for the reporting of financial information compliant with international accounting standards (FINREP) and capital adequacy data requirements (COREP) and, on the other hand, the European Central Bank (ECB) statistical reporting framework based on the European System of Accounts (ESA 95). The focus here is on credit institutions' balance sheet items (BSI) and monetary financial institution interest rates (MIR) statistics.

To attain this goal, the JEGR has developed a classification system for the ECB's statistical requirements relating to credit institutions' balance sheets and interest rates and the relevant supervisory guidelines established by CEBS. This classification system comprises two parts: the present methodological manual presenting all the bridging work that has been achieved by the JEGR and a relational database.[1] The JEGR has conducted a thorough comparison between the ECB's statistical regulations and CEBS' reporting guidelines. The resulting reports are included in this manual, which comprises three bridging reports: (I) a BSI-FINREP bridging report, (II) a BSI-COREP bridging report and (III) a MIR-COREP/FINREP bridging report. The JEGR is aware that the reporting frameworks in question are subject to change, and indeed the present manual takes into account the amendments to the BSI and MIR Regulations published in December 2008 and March 2009, as well as the proposed changes to FINREP, published in March 2009.

As a complement to the methodological manual, the relational database is an instrument designed to provide a facility for data compilers: helping them to identify and understand the similarities and differences between the different reporting obligations. It thereby supports the respondents' statistical and supervisory reporting production process. This document has served as a strict guideline for the construction of the relational database, which is accompanied by a users' guide.[2]

Based on the present methodological manual and its relational database, the JEGR has made a number of reconciliation proposals endorsed by its sponsors that make use of the bridging and reconciliation results to exploit the links and promote synergies between the different reporting requirements, in particular when differences in the requirements are not justified by differences in the final use or purpose of the data.

These reconciliation proposals cover data definitions and concepts, valuation rules and classification issues. The proposals were defined within the boundaries of the (accounting, supervisory and statistical) standards governing the reporting frameworks under review, for example it was not possible to recommend the use of a statistical (BSI) definition for an item where an IAS/IFRS definition has already been implemented in FINREP, and vice versa. However, the existing standards allow some leeway to clarify definitions and to reconcile different accounting and classification approaches. The most important proposals concern the reconciliation of selected statistical and supervisory definitions of balance sheet instruments and loan products, the amendment

1 The relational database is available upon request to the following address: JEGR@ecb.int.

2 Both files, the users' guide and the relational database are available upon request to the following address: JEGR@ecb.int.

of the sector classification of counterparties in FINREP, and accounting rules for recording transactions. These proposals were subject to a light merits and costs assessment. The merits were assessed from a medium-term perspective and balanced against possible set-up costs likely to be borne by reporting agents and/or data compilers in implementing the reconciliation proposals.

CEBS has already implemented several reconciliation proposals in the updated FINREP templates and guidelines published in December 2009. These make express reference to the BSI with regard to the use of the statistical concepts of certain instrument breakdowns referring to “debt securities” and certain loan categories as well as sector classifications referring to “non-financial corporations” and “households” within the counterparty breakdown. Most of the proposals affecting the statistical framework are currently being implemented in the context of the STC’s work to develop a manual on MFI balance sheet statistics.

The structure of this document is as follows. In Section 2 the BSI-FINREP bridging report is presented. The section discusses the considerations and motivations underlying the two reporting schemes and describes their organisation. The links between the reporting schemes’ main methodological concepts are then presented and finally the focus shifts towards considerations on the collection and compilation of flow statistics (transactions). Section 3 contains the BSI-COREP bridging report. It compares the BSI instrument breakdown with the COREP templates: credit risk (including securitisation), market risk, own funds and operational risk. Section 4 presents the MIR-COREP/FINREP bridging report. The section considers the basics and structure of COREP and MIR, as well as the links with MIR, referring to the breakdown by type of risk and the corresponding COREP templates. Finally, the structure of FINREP and the links with MIR are discussed. A number of annexes provide further background information.

2 BSI-FINREP

2.1 THE PURPOSE OF THE TWO REPORTING REQUIREMENTS

This section describes the background to the development of two reporting schemes: BSI and FINREP. It considers the respective objectives and purposes of the two frameworks (the micro-prudential versus macro-statistical dimension) and elaborates on the reasoning behind the two sets of requirements, which helps to understand the differences between them.

2.1.1 BSI: OBJECTIVES AND PURPOSES

Despite the existence of some common elements in national banking statistics across Europe, in the mid-1990s it was deemed impossible to compile high quality euro area money and banking statistics from the simple aggregation of the existing national data without further improvements and conceptual harmonisation. Against this background, and after some years of preparatory work, the ECB's Governing Council adopted a regulation which defined the basic requirements for compiling the consolidated balance sheet of euro area monetary financial institutions (MFI).[1] These requirements were enhanced in 2001 – Regulation (ECB/2001/13)[2] – and were again updated at the end of 2008 – see Regulation (recast) ECB/2008/32, the BSI Regulation.[3]

The requirements involve the regular production of a properly articulated consolidated 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), based on a complete and homogeneous monetary sector, i.e. reporting population. This dataset should offer sufficient flexibility in calculating monetary aggregates and counterparts covering this territory. It should also provide some additional detail for further analysis of monetary developments and to serve other statistical purposes, such as financial accounts and balance of payments.

The statistical system in place for compiling BSI statistics is based on two main elements: (1) the definition of the money-issuing sector, and (2) the specification of the data requirements (financial instruments to be covered). The first element, relating to the definition of the money-issuing sector (MFIs), corresponds to the delineation of the actual reporting population. The ECB's definition of the euro area monetary aggregates is based on harmonised definitions of the money-issuing sector and the money-holding sector. The money-issuing sector comprises MFIs resident in the euro area, whereas the money-holding sector includes all non-MFIs resident in the euro area excluding the central government sector. The BSI consolidation scope relates to the need to cover only the business of the resident (euro area) MFIs vis-à-vis the euro area money-holding sector. As monetary aggregates have a macroeconomic dimension, individual MFI balance sheet data "are not relevant" per se, contributing instead to the overall aggregate.

The second element refers to the specification of the statistical information to be collected. The euro area monetary aggregates also rely on harmonised categories of MFI liabilities. Based on conceptual considerations and empirical studies, the Eurosystem has defined a narrow (M1), an intermediate (M2) and a broad (M3) monetary aggregate. These 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

1 Regulation (EC) No 2819/98 of the European Central Bank of 1 December 1998 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/1998/16). Consolidation in this context means the elimination of assets and liabilities within the MFI sector, which differs from the definition in the context of financial supervision or financial stability analysis (see Section 2.3.2 for more details).

2 Regulation (EC) No 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13).

3 Regulation (EC) No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2008/32). See the list of most relevant legal acts in Annex 1.

include. Hence, BSI statistics require MFI liabilities to be broken down by instrument, original maturity and currency of denomination.

Temporal analysis (i.e. time series analysis) is a core element of monetary policy analysis. In this context, it is extremely important to have a stable and robust set of statistical definitions (e.g. sector coverage needs to be stable over time, see Section 2.3.9). Balance sheet (stocks) information also needs to be complemented by financial transactions (flows)[4] for a meaningful compilation of growth rates. In general, harmonisation of definitions and concepts is a very important aspect in compiling statistics; it is even more so in the compilation of euro area aggregates, since a lack of data "aggregability" jeopardises the quality of euro area figures.

The rules underlying the collection of BSI statistics refer to national legislation transposing the Banking Accounts Directive[5] (BAD), other relevant international statistical standards (ESA 95) and the System of National Accounts (SNA 93), and supervisory and accounting standards (International Accounting Standards/International Financial Reporting Standards, IAS/IFRS, if applied at national level to an MFI's balance sheet on a solo basis), with a few important exceptions, where statistical standards should be strictly followed (valuation of deposits and loans and sector breakdown, netting arrangements, etc.). This flexible approach minimises the reporting burden, as generally the same set of (accounting) rules are used for financial reporting and, to the extent possible, statistical reporting.

2.1.2 FINREP: OBJECTIVES AND PURPOSES

The introduction of the international accounting standards (IAS/IFRS) in Europe prompted considerable changes to the administrative/accounting systems of credit institutions using these standards for their financial reporting purposes and also compelled European supervisory authorities to adapt their prudential financial reporting. These circumstances created a unique window of opportunity for the convergence of supervisory practices. Using IAS/IFRS as the basis for prudential reporting provides scope for further alignment of supervisory and financial reporting and ultimately for the harmonisation of prudential reporting frameworks within the European Union (EU).

Against this background, and motivated by the absence of prescribed reporting formats under IAS/IFRS, CEBS began developing guidelines for a standardised consolidated financial reporting framework (FINREP) for credit institutions consistent with international accounting standards. The framework is not intended to cover all the disclosure requirements of IAS/IFRS, nor solo reporting.[6] It is instead envisaged for use by EU supervisory authorities when requesting consolidated financial information from credit institutions for supervisory purposes. In other words, FINREP is specifically destined for credit institutions that use IFRS for their financial reporting and must, at the same time, periodically report financial statements to their supervisory authorities. An overview of the use of FINREP across EU countries is provided in Annex 3.

FINREP also aims to reduce the reporting burden of European companies by presenting a harmonised financial reporting framework for prudential purposes to be used across Europe by the different supervisory authorities. The FINREP framework is not mandatory, since each national supervisory authority will decide on how extensively the framework is to be implemented within its jurisdiction. Nevertheless, national supervisory authorities are highly recommended to use the framework.

4 In the case of BSI statistics, financial transactions (flows) are currently compiled as differences of stocks corrected from revaluations and other volume changes in financial assets and liabilities (see Section 2.4 for more detailed information).

5 Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC), as amended.

6 As in many countries credit institutions are (or will be) required or allowed to use IAS/IFRS in solo accounting, national supervisory authorities may adapt FINREP for solo financial reporting.

As part of the Lamfalussy process, the common applicability of FINREP across Europe would certainly help to remove further barriers to an efficient internal market in the area of financial services.[7]

Under the proposed new FINREP Guidelines published in March 2009, CEBS has decided to adopt express minimum and maximum reporting requirements, i.e. to use a "Maximum Data Model" which limits reporting requirements to the core and non-core information specified in the framework. The minimum requirement will be the reporting of all "core" information (templates 1.1, 1.2, 1.3, and 2). The maximum requirement will be the reporting of this core information as well as the "non-core" information contained in the rest of the templates. Each supervisor is free to determine requirements anywhere between these two extremes. This approach represents a compromise between the necessity of flexibility to accommodate different supervisory needs and the desire for greater convergence and harmonisation.

Supervisory reporting requirements rely on two main sets of data: (1) individual company data and (2) consolidated data at group level. Firstly, national supervisory authorities are (mainly) involved in analysing the financial conditions of individual credit institutions. Although the financial position of the sector as a whole, or of institutions in the same peer group, may ultimately have an impact on the financial conditions faced by individual institutions (contagion risk), prudential supervision is essentially concerned with the financial situation of an individual institution at a certain moment in time.[8] In this context, while temporal analysis may be attractive and useful in multiple circumstances, financial supervision is more about future prospects and financial soundness, while past performance is only relevant insofar as it influences the present and future conditions of the institution(s).

Secondly, financial supervision requires the availability of consolidated accounts at the reporting group level (see Section 2.3.2). The commercial and supervisory accounting concepts of consolidation involve the netting out of transactions and positions between all units within a reporting group. Since different consolidation scopes relate to different institutional coverages, they convey different information about exposures, vulnerabilities and strengths of the (financial) group. In particular, the IAS consolidation scope (IAS 27) requires parent entities to consolidate the financial statements of all subsidiaries (resident and non-resident; financial and non-financial), while supervisory standards (Basel II) require the scope of consolidation of banks' accounts to be limited to financial institutions other than insurance companies.

2.2 THE STRUCTURE OF THE TWO REPORTING REQUIREMENTS

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

2.2.1 BSI: STRUCTURE

The statistical framework in place for compiling the consolidated balance sheet of the euro area MFI sector is based on a set of five monthly and quarterly tables, which are inter-connected and complementary. These double-entry tables are generally organised in the ordinate by instrument, with additional detail by currency and original maturity, and in the abscissa by sector of counterpart, country or currency, depending on the table. The BSI Regulation provides detailed definitions of the variables to be reported.

7 The status of this reporting framework has been raised by the European Commission in its "White Paper on Financial Services Policy 2005-2010", which foresees working towards truly common data and reporting requirements for supervisory purposes. More recently, ECOFIN has mandated CEBS to deliver a single set of data requirements for FINREP (and COREP) by 2012 (ECOFIN Council conclusions, 14 May 2008).

8 A distinction should be drawn between prudential supervision (primarily concerning the micro aspects) and financial stability (concentrating on the macro aspects) as the analysis and related data requirements of the two functions differ. In general, financial stability analysis relies, among other data sources, on the aggregation of data used primarily for financial supervision purposes.

Table 1 – Stocks: This monthly table requires stock data on the business of MFIs in 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 calculating monetary aggregates and counterparts covering this territory. The data supplied in this table are generally broken down by: (1) instrument, (2) sector of counterpart, (3) residency (domestic/other participating Member States/Rest of the World (RoW)/not allocated), (4) original maturity, (5) currency and (6) purpose of loans to households (consumer credit/house purchase/other lending). The table is reported to the ECB 15 working days after the end of the reference period.

Table 1A – Revaluation adjustments: This monthly table requires "additional" data to compile flow statistics (transactions) in respect of the monetary aggregates and counterparts. Data on the value of transactions need to be derived in a timely manner using the consolidated balance sheet (stocks), which provides information on outstanding assets and liabilities, and additional statistical information ("adjustments") relating to "reclassifications and other adjustments", "revaluation adjustments" and "exchange rate changes".[9] Although more limited, the data supplied in this table are also generally broken down by: (1) instrument, (2) sector of counterpart, (3) residency (domestic/other participating Member States/ RoW/not allocated), (4) original maturity, (5) currency and (6) purpose (consumer credit/ 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: This quarterly table requires additional detail on the sector breakdown of certain items of the monthly balance sheet (Table 1), namely 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 participating Member States/RoW) 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 the individual EU countries and the rest of the world (i.e. excluding the EU). The data supplied in this table are broken down by: (1) instrument, (2) sector of counterpart (MFIs versus non-MFIs), (3) residency (country by country) and (4) original maturity (only for holdings of securities other than shares). 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"/USD/JPY/ CHF/remaining currencies together).[10] The data supplied in this table are further broken down by: (1) instrument, (2) sector of counterpart (MFIs versus non-MFIs), (3) residency (domestic/ other participating Member States/RoW) and (4) original maturity (only for RoW). The table is reported to the ECB 28 working days after the end of the reference period.

Table 5a – Securitisations and other loan transfers: This monthly table requires the reporting of net flows of loans securitised or otherwise transferred, separately for transactions with and without impact on reported loan stocks, as well as the reporting of the outstanding amounts of securitised loans not derecognised.[11] The data supplied in this table are broken down by: (1) type (financial vehicle corporations, FVCs, and total) and residency (euro area

9 For more details on the compilation of flow statistics see Section 2.4.
10 These data are mainly used in the compilation of "exchange rate changes".
11 The latter item is requested only as a total, on a quarterly basis.

and total) of the counterparty in the transfer, (2) sector of loans' debtors and (3) residency of loans' debtors (domestic/other participating Member States/RoW). 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 of the monthly securitisation table (Table 5a) where the counterparty in the transfer is a FVC, separately for euro area FVCs and as a total. The detailed data requirements mainly involve breaking down the net flows of loans, with impact on reported loan stocks, by purpose and original maturity. There is also a requirement in respect of the outstanding amounts of loans serviced in a securitisation, broken down by: (1) type (FVCs and total) and residency (euro area and total) of the counterparty in the transfer, (2) sector of loans' debtors, (3) residency of loans' debtors (domestic/other participating Member States/RoW) and (4) original maturity (only for loans to non-financial corporations). The table is reported to the ECB 28 working days after the end of the reference period.

Table of non-balance sheet items: This annual table requires the reporting of two variables: the number of transferable overnight deposit accounts and the number of transferable internet/PC-linked overnight deposit accounts. Annual statistics must be transmitted by the national central banks (NCBs) to the ECB together with the monthly statistics with reference to April of the following year.

2.2.2 FINREP: STRUCTURE

The IAS/IFRS, unlike Directive 86/635/EEC,[12] do not impose a single standardised reporting format.[13] 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 designed for credit institutions that use IAS/IFRS for their published financial statements and that must provide similar information in the periodic prudential reports they are required to submit to their supervisory authorities. Unlike the BSI Regulation, FINREP does not provide detailed definitions in string (text) format for the variables to be reported, however it does include references to the relevant IAS/IFRS.

Under the IFRS, in the balance sheet, financial instruments may be presented by instrument (instrument approach) or by category of financial instruments (portfolio approach). On the other hand, in FINREP, preference has been given to the portfolio approach. Indeed, financial instruments are presented by category of financial assets and financial liabilities, in accordance with IAS 39.9 and IFRS 7.8. Consequently, on the first level of the asset side of the FINREP balance sheet, five main categories of financial assets are recognised (see Section 2.3.11):[14]

1 **Financial assets held for trading** – This is a sub-category of financial assets at fair value which are reported through profit and loss, and which: (1) are acquired principally for the purpose of selling in the near term, (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 or (3) are financial derivatives not used for hedge accounting.

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

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

13 Although the IAS/IFRS do not impose a single standardised reporting format, IAS 1 prescribes a basis for presenting "general purpose financial statements" (i.e. those intended to serve users who do not have the authority to demand financial reports tailored to their own needs), to ensure comparability both with the entity's financial statements for previous periods and with other entities' financial statements. IAS 1 sets out the overall framework and responsibilities for the presentation of financial statements, guidelines for their structure and minimum requirements as regards their content.

14 In fact, IAS 39 only defines four categories of financial instruments. The FINREP fifth category is simply the IAS category "financial assets designated at fair value through profit and loss" broken down to distinguish those financial instruments that are covered by the so-called fair value option.

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).[15]

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 held-to-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.

Liabilities under FINREP are presented in three main categories: financial liabilities held for trading, financial liabilities designated at fair value through profit and loss, and financial liabilities carried at amortised cost.

FINREP is composed of a set of tables divided into two sections which contain quantitative financial information designated as "core" and "non-core" respectively. Financial information which under IFRS may be provided in the form of a note disclosure has also been integrated into the framework in the form of a table.

The core financial information consists of the information provided by credit institutions in line with the minimum supervisory reporting requirements if and when required by their national supervisory authority in order to prepare consolidated prudential financial reporting under IAS/IFRS. It comprises the following tables:

Table 1.1 – Consolidated balance sheet statement – Assets: As mentioned above, on the asset side of the consolidated balance sheet, financial instruments are presented following the portfolio approach (each portfolio is subsequently broken down by instrument). Moreover, at the top level, there are also entries for derivatives – hedge accounting, participations, interests, fixed assets (tangible and intangible), tax assets and other minor items.

Table 1.2 – Consolidated balance sheet statement – Liabilities: On the liability side of the consolidated balance sheet, financial instruments are similarly organised following the portfolio approach (each portfolio is subsequently broken down by instrument). Moreover, at the top level, there are also entries for derivatives – hedge accounting, provisions, tax liabilities and other minor items.

Table 1.3 – Consolidated balance sheet statement – Equity and Minority interest: This table is organised by instrument. A distinction is made between the different forms of equity, reserves, valuation adjustments, minority interest and income attributable to the current financial year.

Table 2 – Consolidated income statement: This table shows income and expenses from continuing operations separately from discontinued operations. Items of income or expense from continuing operations are presented by nature. Major captions are broken down into their component parts with reference to the balance sheet categories of financial instruments. Gains (losses) on financial assets and liabilities are presented on a net basis on the face of the consolidated income statement. A breakdown of the net gains (losses) into their component parts (i.e. broken down by category

15 Some debt securities may be (mis)classified in this category.

or by type of instrument) is sometimes also required on the face of the consolidated income statement. Income (expenses) from discontinued operations is disclosed as a net single amount.

FINREP also envisages the provision of non-core financial information (tables 3 to 26). In general, the non-core tables provide additional details about the core tables and contribute to standardising the data items that are most often reported to European supervisory authorities. In particular:

- Tables 4 – Financial assets designated at fair value through profit or loss: credit risk information, 5 – Breakdown of financial assets, 6 – Breakdown of loans and advances by product: carrying amount, 7 – Information on impairment and past due assets, 16.D – Collateral held and 16.D.1 – Loans and advances – maximum collateral that can be considered, provide additional information on **financial assets**;

- Table 10 provides additional information on **financial liabilities**;

- Tables 3 – Derivatives held for trading and 8 – Derivatives – Hedge accounting give additional details on **derivatives**;

- Tables 25.A – Information on fair value, 25.C – Use of the Fair Value Option (FVO) and 25.D – Hybrid financial instruments not designated at fair value through profit or loss provide additional information on **the use of fair value for financial instruments**;

- Information on **transfers of financial assets** is included in Tables 11 – Transfer of financial assets and 17 – Repurchase agreements, reverse repurchase agreements and related agreements;

- Table 16 includes additional information on **credit risk and impairment**;

- Additional information on **selected items of Tables 1.1 and 1.2** are included in Tables 9 – Tangible and intangible assets, 12 – Provisions and 19 – Defined benefit plans and employee benefits;

- Tables 13 – Minority interests: Revaluation reserves and other valuation differences and 25.B – Information on unrealised gains and losses include information on **prudential filters** for linking the FINREP data with the calculation of own funds;

- Table 20 includes information on **loan commitments, financial guarantees and other commitments**;

- Table 24 provides information on **asset management, custody and other service functions**;

- A breakdown of **selected items of Table 2** can be found in Tables 14 – Fee and commission income and expenses and 15 – Gains and losses recognised in income statement;

- Tables 21 – Statement of comprehensive income and 22 – Statement of changes in equity are based on IAS/IFRS **primary financial statements other than core templates** (FINREP does not include a statement of cash flows);

- Table 18 – Related party disclosures includes information on transactions and balances with **related parties**;

- Tables 5.D – Geographical breakdown of financial assets: carrying amount and 10.C – Geographical breakdown of financial liabilities: carrying amount include a **geographical breakdown of financial instruments**;

- Table 26 allows the **consolidation scope** established by the IAS/IFRS to be reconciled with that provided under the Capital Requirements Directive[16] (see Section 2.3.2);

16 Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast).

- Table 23 – Scope of the group provides information on **certain investments in shares**.

Within the predefined format of non-core information, national authorities may require additional details consisting of a breakdown by six classes of economic sector, as envisaged in templates 3, 5, 7, 8, 10, 15, 16, 17 and 20 (counterpart sector – see Section 2.3.9).

From 2012 onwards, the reporting frequency will be quarterly, semi-annual or annual. In other words, no monthly reporting will be required. National authorities are free to decide the reporting frequency for each template. They may define different reporting frequencies for different tables of core and non-core financial information. The reporting dates will be: 31 March, 30 June, 30 September and 31 December. FINREP remittance dates remain a matter of national discretion within a corridor of 20 to 40 business days. Member States have the option to require reporting of audited data as at 31 December on top of the quarterly reporting with a separate remittance period depending on national regulations regarding the publication of audited year-end results.

2.3 THE LINKS BETWEEN THE TWO REPORTING FRAMEWORKS

This section elaborates on various methodological aspects associated with the two reporting schemes. The sub-sections describe the key similarities and differences between the two sets of requirements and provide a general assessment of data comparability. Annex 4 provides the basis for developing links between the two frameworks in a more systematic way. Indeed, this has already been achieved with the relational database.

2.3.1 REPORTING POPULATION

Article 2(1) of the BSI Regulation defines the actual reporting population for compiling the consolidated balance sheet of the monetary financial institutions sector. The reporting population consists of the MFIs resident in the territory of the participating Member States. The definition of MFI is contained in Article 1 as follows: *"The MFI sector comprises[17]: (a) central banks; (b) credit institutions as defined in Article 4(1) of Directive 2006/48/EC (an undertaking whose business is to receive deposits or other repayable funds from the public[18] and to grant credits for its own account or an electronic money institution within the meaning of Directive 2000/46/EC of the European Parliament and of the Council of 18 September 2000 on the taking up, pursuit of and prudential supervision of the business of electronic money institutions[19]); and (c) other MFIs, i.e. other resident financial institutions which fulfil the MFI definition, irrespective of the nature of their business".*

As regards other financial institutions, Part 1, Section 2, of Annex I to the BSI Regulation presents the particular case of collective investment undertakings (CIUs) which fulfil the MFI definition, the so-called money market funds (MMFs). These are 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".*[20]

One important element in defining the actual reporting population is the concept of residency. In this context, only institutions incorporated and located in the participating Member States (in the euro area), including subsidiaries of parent companies located outside that territory

17 In the European System of Accounts (ESA 95), financial institutions classified as MFIs are categorised into two sub-sectors, namely "central banks" (S.121) and "other MFIs" (S.122).
18 Including the proceeds arising from the sale of bank bonds to the public.
19 OJ L 275, 27.10.2000, p. 39.
20 For a complete definition of MMFs, see Part 1, Section 2, of Annex I to the BSI Regulation.

and branches of institutions that have their head office outside that territory, should be part of the reporting population.[21]

In order to ensure a consistent application of the MFI definition, the ECB, in close cooperation with the national central banks, maintains a list of MFIs resident in each participating Member State for statistical purposes, in accordance with the classification principles outlined above. To keep the reporting burden within reasonable limits, national central banks may grant reporting derogations to small MFIs, provided that their combined contribution to the national MFI balance sheet in terms of stocks does not exceed 5%. The derogations for credit institutions apply without prejudice to the requirements for the calculation of minimum reserves. Moreover, NCBs may grant derogations to 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 8 of the BSI Regulation).

All EU credit institutions whose securities are listed on EU markets are required to use IAS/IFRS for their consolidated financial statements as at 1 January 2005. In addition, Member States may also extend the application of IAS/IFRS to the consolidated financial statements of unlisted credit institutions and to the individual accounts of all credit institutions.[22] Hence, as FINREP defines an IAS/IFRS-compliant supervisory reporting scheme, in theory all EU credit institutions and other supervised financial corporations could be requested to report consolidated supervisory data using the FINREP framework. However, so far the practical aspects of FINREP implementation have remained a matter of national discretion (for example, the date of implementation, the actual reporting population, the use of the core and non-core part and frequency). Annex 3 provides an overview of the scope of application of IAS/IFRS and FINREP, for banks, in each EU country.

Following the request of the Council of the European Union to the EU committees of supervisors, and the European Commission's call for a timetable for introducing EU-wide common reporting formats for single data requirements and reporting dates, CEBS has provided a timeline covering the banking sector. The final implementation date has been set for 2012, taking into account the drafting process and allowing for a consultation phase as well as definitive decision and transposition phases.[23] However, no decision has been taken on the enforceability of the FINREP templates, which remain mere recommendations from CEBS to national supervisory authorities.

Conclusion: Following the Council/Commission initiative, it is expected that the number of credit institutions reporting FINREP information will increase by 2012, and that as a result there will be an increasing overlap with the MFI population, although perhaps not in all euro area countries.

2.3.2 CONSOLIDATION SCOPE

In terms of consolidation scope, MFIs should consolidate the business of all their banking offices (registered or head office, and/or branches) located within the same national territory (the "host" principle). Parent companies classified as banks (MFIs) may also be permitted to consolidate the business of their MFI subsidiaries in their statistical returns, when they are located in the same national territory. No consolidation for statistical purposes is permitted in respect of non-bank subsidiaries, or across national boundaries. If an institution has branches located outside the national territory, the registered or head office in a given participating Member State must report the positions towards all these non-resident branches

21 Subsidiaries are separate incorporated entities in which another entity has a majority or full participation, whereas branches are unincorporated entities (without independent legal status) wholly owned by the parent.

22 See the European Commission publication entitled "Implementation of the IAS Regulation (1606/2002) in the EU and EEA (Published for information purposes only)", of 25 February 2008 and Article 5 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (the IAS Regulation) as amended.

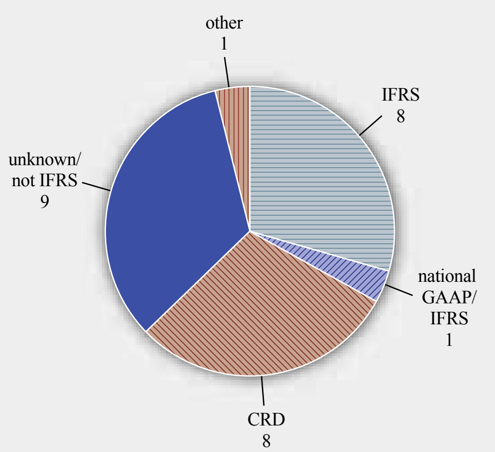
23 The timetable was adopted by ECOFIN in October 2008.

on a gross basis as positions vis-à-vis non-residents (no consolidation allowed). Similarly, all non-resident branches must consider the positions towards the registered or head office, or towards other branches of the same institution located outside the participating Member States, as positions vis-à-vis non-residents.[24]

The choice of consolidation scope for FINREP is a matter of national discretion (see chart below). National supervisory authorities are allowed to choose between the consolidation scope established by the IAS/IFRS and that provided under the new Capital Requirements Directive (CRD – BASEL II).[25] Both are largely different from the "consolidation" scope in the BSI Regulation.

The IAS consolidation scope is defined in IAS 27 and requires parent entities to consolidate the financial statements of all (resident and non-resident) subsidiaries (if after acquisition a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5,[26] it must be accounted in accordance with that standard).[27] 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 other financial institutions – such as insurance, pension funds, other financial intermediaries (OFIs) and financial auxiliaries – and all non-financial subsidiaries (when such subsidiaries are permitted under national law) should also be consolidated.

FINREP – Number of EU countries using different consolidation approaches



Source: CEBS.

The consolidation scope provided in the new CRD is defined in Article 133(1). *"The competent authorities responsible for supervision on a consolidated basis shall, for the purposes of supervision, require full consolidation of all the credit institutions and financial institutions which are subsidiaries of a parent undertaking".* Article 134(2) adds that the business of ancillary services undertakings and asset management companies should also be consolidated. In practice, for capital purposes, parent credit institutions consolidate most financial institutions with the exception of insurance undertakings, investment funds and other less relevant financial institutions as well as non-financial subsidiaries. However, supervisory authorities may require information about these subsidiaries when deemed relevant for the purpose of supervising the credit institution subsidiaries (Article 137(1)), in particular in the context of Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.[28]

The CRD consolidation approach is also recommended for the purpose of compiling Financial Soundness Indicators (under the

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

25 Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast).

26 IFRS 5 deals with "non-current assets held for sale and discontinued operations".

27 The concept of control is crucial to the definition and is explained in detail in paragraphs 13-15 of IAS 27.

28 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.

29 The IMF Compilation Guide on Financial Soundness Indicators, published in 2006, was significantly amended in July 2008 – see "Amendments to the Financial Soundness Indicators (FSIs): Compilation Guide". While initially the Guide recommended a different consolidation method, the amended version is in line with the supervisory approach, i.e. the data should not include the business of banks' subsidiaries in the insurance companies sector or in the non-financial corporations sector.

International Monetary Fund (IMF) framework, as recently amended[29]) and Macro-Prudential Indicators (under the ECB/BSC framework).

Conclusion: the "consolidation" scope defined in the BSI Regulation is different from that of FINREP. The BSI reporting is defined on the basis of the so-called "host" principle, whereas FINREP follows the "home" basis definition. A further major difference is that in some countries FINREP is only used for reporting financial information on a "group" consolidated basis (see Annex 3).

2.3.3 VALUATION CONCEPTS

The accounting rules underlying the collection of MFI statistics for monetary policy purposes are defined in Article 7 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,[30] as well as in any other international standards applicable. (2) Deposit liabilities and loans shall be reported at their principal amount outstanding at the end of the month. 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 and are necessary to maintain continuity in the statistical valuation of loans with the data reported for periods prior to January 2005"*. To ensure, on a monthly basis, that loans and deposits are reported at nominal value, it is clearly stated in the BSI Regulation that accrued interest on loans (deposits) should be reported under remaining assets (liabilities).[31]

With the exception of loans and deposits, the BSI Regulation allows NCBs to require credit institutions to follow other international accounting standards, i.e. IAS/IFRS, when reporting for statistical purposes.[32] In that regard, the introduction of the IAS/IFRS and their use in the EU in replacement of the national GAAPs (Generally Accepted Accounting Principles, see Annex 3) have contributed to the harmonisation of the valuation rules and to increasing the link between the requirements for statistical and financial supervision respectively in terms of valuation (fair value accounting or amortised cost), except for loans and deposits.[33]

The Guidance Notes[34] to the BSI Regulation recommend that MFIs present asset and liability positions at current market values or 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. However, 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

30 OJ L 372, 31.12.1986, p. 1.
31 See Section 2.3.5 for more details on the treatment of accruals.
32 NCBs may allow reporting net of loan provisions under certain conditions.
33 These valuation concepts may however be reconciled, as shown in Annex 4.
34 Guidance Notes to the Regulation ECB/2001/13 on the MFI balance sheet statistics, November 2002. The Guidance Notes will be amended following the update to the BSI Regulation, however no significant changes in respect of the valuation rules are expected. The same applies for all following references to the MFI Guidance Notes, unless otherwise stated.
The ECB is developing a manual on MFI balance sheet statistics with the aim of supporting the compilation of statistics by NCBs through providing a clear and consistent explanation of the statistical requirements contained in the BSI Regulation (including the related Guidance Notes) and through the MFM Guideline (Guideline of the ECB of 1 August 2007 on monetary, financial institutions and markets statistics (recast) (ECB/2007/9) as amended), for the production of harmonised ESCB MFI balance sheet items (BSI) statistics.

national transpositions of the Banking Accounts Directive[35] (national GAAPs), as well as to any other international accounting standards, allows all kinds of possibilities as regards the valuation of balance sheet items (with the exception of loans and deposits, as specified above). Generally, the valuation rules provided under the BAD 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). 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 however value adjustments may be made: financial fixed assets may be valued at the lower figure attributed to them on 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) – In general, they 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) – They should be valued at purchase price without prejudice to any value adjustments applying the principle of prudence.

- Financial liabilities – Under Article 32 of the Fourth Council Directive (BAD), the items shown in the balance sheet must be valued in accordance with the principle of purchase price.[36]

The valuation rules prescribed by the IAS/IFRS are set out in IAS 39 which recognises the following rules for the main five portfolio categories:[37]

- Initial measurement (IAS 39(43)) – When financial assets and liabilities are initially recognised an entity measures 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.

- 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 investment", which are measured at amortised cost using the effective interest method.[38] 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 should 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,

35 Council Directive of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC), as amended.
36 The Banking Accounts Directive, Council Directive 86/635/EEC is silent on the valuation of financial liabilities.
37 See Section 2.2.2 for a description of the various portfolios.
38 To find out more about the effective interest method, see IAS 39 Appendix A (AG5 – AG8).

except for financial liabilities at fair value through profit and loss, which are 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 should 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, and which are neither subsidiaries nor joint ventures), IAS 28.13 requires the use of the so-called equity method[39] 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. IAS 31.30 allows the use of either proportionate consolidation or the equity method when accounting for interests in jointly controlled entities in the consolidated financial statements. 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 chooses either the cost model or the revaluation model as its accounting policy for property, plant and equipment and chooses between the fair value model and the cost model for investment property. According to the cost model, after recognition an asset is 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 is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses (IAS 16.31). On the other hand, investment property is generally measured at fair value, although valuation at cost is also possible when fair value cannot be reliably measured.

Intangible assets should initially be measured at cost with the exception of intangible assets acquired in business combinations (fair value) and goodwill (cost, which is measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities) (IFRS 3.51b).[40] Subsequently, entities may opt between the cost and the revaluation model.[41]

An entity should measure 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).

Share capital repayable on demand (e.g. cooperative shares), which owing to its contractual features (namely the holder's redemption right) is classified as a financial liability, should for initial recognition be measured at fair value, which corresponds to no less than the maximum amount payable under the redemption provisions (IFRIC, International Financial Reporting Interpretations Committee, 2.10).

39 "The *equity method* 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).

40 In the latest version of IFRS 3, pending endorsement by the EU, the way in which goodwill is measured at the acquisition date has changed. According to IFRS 3.32 (January 2008), it shall be measured as the excess of the consideration transferred in the business combination plus the amount of any non-controlling interest over the net fair value of the identifiable assets and liabilities.

41 After initial recognition, goodwill should always be accounted for using the cost model.

Although in BSI statistics deposits should be recorded at nominal value, the treatment of hybrid deposits (deposits with an embedded derivative) represents a borderline case, which could be linked with the IAS 39 approach as followed in FINREP. The link with BSI statistics could be established as follows. Hybrid deposits are economically equivalent to the combination of a derivative contract and the pledging of deposit as collateral. If the evolution of the price of the derivative is unfavourable to the depositor, part of the deposit will be used as a payment to the counterparty when the derivative contract is settled. This implies that the deposit represents cash collateral deposited in the entity and that it 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 of deposits in hybrid contracts is usually well above this price. As "margin deposits" are classified as BSI deposits,[42] 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 (FV 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 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 recent fact-finding exercise, the amounts involved are rather small (although they might be relevant in some categories and countries). Moreover, the implication of bringing the statistical treatment closer into line with the accounting/supervisory treatment is that hybrid deposits could be recorded at fair value, rather than at nominal value, as in principle is required for statistical purposes according to the BSI Regulation. In the event the amounts become significant, they may need to be identified separately in order to avoid any distortion in the statistical aggregates.

Conclusion: with the major exception of loans and deposits, for which nominal value reporting is mandatory under the BSI Regulation (although NCBs may allow reporting net of loan provisions and despite the fact that the treatment of hybrid deposits lacks guidance), the valuation rules for the remaining instruments under the BSI Regulation are flexible. In particular, for (holdings and issues of) securities, the non-binding recommendation for statistical reporting is to use market/fair values, regardless of whether the securities are held for trading or until maturity. However, 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 reporting supervisory information on the basis of FINREP may use the same valuation concepts when reporting for BSI purposes, except for loans and deposits. However, for the latter instruments some kind of reconciliation is possible between fair value or amortised cost and nominal value (see Annex 4).

2.3.4 TIME OF RECORDING

As for most of the other accounting rules, the time of recording principle is generally defined in the BSI Regulation (Article 7) by reference to Council Directive 86/635/EEC (the Banking Accounts Directive) or any other international standards applicable. The Guidance Notes to the BSI Regulation do, however, offer specific guidelines insofar as they suggest that MFIs record transactions at the settlement date (i.e. the date on which the payment is made). This notwithstanding, the ECB accepts that transactions in securities may instead be recorded on the trade date (i.e. the date on which the deal is struck), if this does not create significant distortions in the reported figures.

In line with IAS 39.38, FINREP allows either trading date or settlement date accounting on

42 See the BSI Regulation, Annex II, Part 2, Article 9(c).

condition that the chosen method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. By trading date, the IAS 39 means the date that an entity commits itself to purchase or sell an asset, whereas settlement date is that when an asset is actually delivered or exchanged.

Conclusion: MFIs are recommended to apply the settlement date method according to the Guidance Notes to the BSI Regulation, but this is not a legal obligation. Assuming that respondents will generally follow the accounting treatment in their statistical reporting, the data collected under the BSI and FINREP frameworks should in general be consistent in terms of time of recording. However, the fact that some MFIs follow trading date accounting while others follow the settlement date method may cause discrepancies within BSI data as regards the time of recording transactions.

2.3.5 TREATMENT OF ACCRUED INTEREST

The Guidance Notes to the BSI Regulation recommend that MFIs 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). In terms of presentation, the Guidance Notes recommend 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 deep-discounted and zero coupon bonds, which MFIs may include in the value of the securities (i.e. with the underlying instrument). To ensure that loans and deposits are valued at nominal value, it is clearly stated in Annex II to the BSI Regulation that accrued interest on loans (deposits) should be reported under remaining assets (liabilities). The money and banking statistics (MBS) Guideline[43] also requires NCBs to provide separate data on accrued interest where these data are already available.

Although also 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.[44] In the FINREP framework, it was decided that unpaid accrued interest is included in the category of financial instruments to which it relates (i.e. not in a separate "caption"). On the income statement, interest income and interest expenses from 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"). National supervisory authorities may permit or require credit institutions to report the amounts of interest income and interest expenses separately.

Conclusion: BSI and FINREP requirements are consistent as regards the need to record interest on an accruals basis but differ in their requirements regarding the classification of accrued interest (not yet paid). The BSI Regulation requires accrued interest of loans and deposits to be reported under remaining assets/liabilities (the MBS Guideline requires the separate reporting of accrued interest where available), whereas in FINREP accrued interest is recorded together with the underlying instrument.

2.3.6 RECOGNITION AND DERECOGNITION

The BSI Regulation, for data to be reported until November 2009, does not include specific provisions on the rules governing the (de) recognition of assets and liabilities. Therefore,

43 Guideline of the European Central Bank of 6 February 2003 concerning certain statistical reporting requirements of the European Central Bank and the procedures for reporting by the national central banks of statistical information in the field of money and banking statistics (ECB/2003/2). The Guidance Notes will be amended following the update to the BSI Regulation, however no significant changes in respect of the valuation rules are expected. The same applies for all following references to the MFI Guidance Notes, unless otherwise stated.

44 Thus implicitly leaving this decision to the credit institution.

the general rules outlined in Article 7 of the BSI Regulation should be taken into account in this regard (i.e. the reference to the national transposition of Council Directive 86/635/EEC, as well as other international standards). As a consequence, depending on national practices, the derecognition of assets may be linked to the transfer of ownership or to the transfer of all the risks and rewards of ownership.

As regards data to be reported from December 2009, the BSI Regulation allows NCBs 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 Regulation mentions 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 8(6)". (Annex I, Part 6, Article 1);*

- *"derogations may be granted 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 8.6);*

- *"loans disposed of during a warehousing phase in a securitisation (when the securitisation is not yet completed because securities or similar instruments have not yet been issued to investors) are treated as if they were already securitised". (Annex I, Part 6, Article 2).*

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

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

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

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

Under IAS/IFRS, the (de)recognition rules are quite complex, as described in the Box below. The IAS/IFRS rules (specifically, IAS 39) provide that in the case of partial transfer of risks/rewards, the securitised loans should not be derecognised. If these rules were to be applied in the statistical framework, a double-counting of securitised loans booked both in the balance sheet of the originating MFI and in that of the purchasing Financial Vehicle Corporation (FVC) might occur. For this reason, the BSI Regulation requires the separate identification of loans securitised via FVCs that have not been derecognised on the MFIs' assets side, and counterpart liability. NCBs 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.

Box

ASSETS/LIABILITIES (DE)RECOGNITION RULES UNDER IAS 39

IAS 39 (paragraphs 14 to 42) describes in detail the conditions that should be fulfilled for the recognition and derecognition of financial assets and liabilities. Owing to the complexity of the conditions for derecognition of financial assets, IAS 39 (AG36) provides a useful flowchart illustrating the evaluation and the FINREP framework contains a specific table (11) 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 (IAS 39.38, see Section 2.3.4), 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.

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 of the financial asset, or b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets certain conditions (IAS 39.19).

The transfer of a financial asset qualifies for derecognition when substantially all the risks and rewards of ownership of that financial asset are also transferred. In such a case, any financial assets or liabilities created or retained because of the transfer should be treated separately. However, if substantially all the risks and rewards of ownership of a financial asset are retained, the entity should continue to recognise the financial asset in its balance sheet.[1] In the event 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 of the asset or keep it in the balance sheet to the extent it has a continuing involvement in the financial asset (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 a group of financial assets) or to its entirety. The rules 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, cancelled or expires (IAS 39.39-42).

1 See IAS 39.21-22 for more details on the risks and rewards analysis.
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.

Conclusion: For BSI data to be reported from December 2009, rules for the (de)recognition of financial assets and liabilities may be based either on the IAS/IFRS approach or on local GAAPs. However, the detailed statistical reporting requirements enable a bridge to be created between the data deriving from the respective accounting approaches.

2.3.7 NETTING (OFFSETTING) ARRANGEMENTS

In terms of netting (offsetting) arrangements, Article 7 of the BSI Regulation states that without prejudice to the netting practices prevailing in the national GAAPs, all financial assets and financial liabilities must be reported on a gross basis for monetary statistics purposes.

The MFI Guidance Notes[45] state that the principle of gross reporting should be applied, in particular, to loans and deposits. As an exception, loans/deposits may be presented in net terms if the credit and debit balances have identical features, i.e. they concern the same customer (resident in the same territory of the reporting MFI), are in the same currency and have the same original maturity, and if the right of set-off is enforceable by law.[46] In any other circumstances the netting of loans/deposits is not permitted. Another exception to the gross recording rule refers to the treatment of holdings of own instruments issued, i.e. reporting entities should treat all holdings of own instruments issued (namely own shares and debt securities) on a net basis.

As prescribed by IAS 32.42[47] and consequently by FINREP, a financial asset and a financial liability must be offset 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. In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity should not offset the transferred asset and the associated liability.

IAS 32.43 elaborates further: financial assets and financial liabilities must be presented on a net basis when doing so 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 consistent 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 financial instrument transactions with a single counterparty may enter into a "master netting arrangement" with that counterparty. Such an agreement would provide for the 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 provides that if an entity reacquires its own equity instruments, those instruments ("treasury shares") must be deducted from equity and separately disclosed in the financial statements. Along the same lines, IAS 39 (AG58) 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 it in the near future.

When an entity securitises a loan through an FVC but does not derecognise the loan for accounting purposes, a new liability is recognised for the consideration received. When the entity buys back securities issued by the FVC, according to BSI rules, it must recognise these securities as an asset; furthermore, in accordance with IAS 39, the entity should offset the liability to avoid duplicating assets. This differs from the accounting treatment applied to the acquisition of own debt instruments explained above.

45 Guidance Notes to the Regulation ECB/2001/13 on the MFI balance sheet statistics, November 2002.

46 Enforceable by law means that the set-off arrangement could be enforced in the relevant national jurisdiction in the event of default, liquidation or bankruptcy of the customer as well as liquidation of the reporting institution.

47 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.

Conclusion: the rules defined in the IAS/IFRS for balance sheet recognition on a net basis are broadly in line with the requirements for monetary statistics reporting, with the exception of cross-border offsetting. FINREP, because of its consolidated nature, allows cross-border offsetting, whereas the (non-binding) MFI Guidance Notes do not.

2.3.8 IMPAIRMENT OF ASSETS (BASIS OF RECORDING)

As mentioned in Section 2.3.3, the BSI Regulation requires loans to be recorded at nominal value gross of all related provisions (impairment losses or amounts recorded in allowance accounts). NCBs may however allow the reporting of loans net of provisions, provided that such reporting practice is applied by all resident reporting agents and is necessary to maintain continuity in the statistical valuation of loans with the data reported for periods prior to January 2005. The Guidance Notes to the BSI Regulation specify that this practice (gross recording of loans) should continue until the loans are written off or written down; at that point, the loans are fully or partly removed from the balance sheet. Reporting agents may fully or partly remove from the balance sheet any doubtful loans that are recognised as having become partly or totally unrecoverable (impaired). As countries may record loans net of specific provisions, and hence as though they have already been written off, some discrepancies arising from the timing of derecognition may arise.

IAS 39.59 specifies the conditions for identifying impaired assets and recognising impairment losses.[48] There must be objective evidence of impairment as a result of one or more (loss) events occurring after the initial recognition of the asset, and that event (or events) must have an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated. Several examples of loss events are provided in the standard: a breach of contract, such as default or delinquency in interest or principal payments, being 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 objective 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 must be reduced either directly or through the use of an allowance account and the amount of the loss recognised in profit and loss (IAS 39.63). In other words, the balance sheet value of the 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.

Conclusion: In the BSI reporting scheme, loans are reported gross of all impairment allowances, whereas in FINREP they are reported in the balance sheet net of the accumulated impairment losses.[49] Hence, the two reporting frameworks may deviate as regards the recording of impaired loans, but reconciliation at a conceptual level is possible (see Section 2.3.3 and Annex 4).

2.3.9 COUNTERPART SECTOR AND RESIDENCY BREAKDOWN

The compilation of monetary aggregates and counterparts for the euro area requires the identification of those counterparties located in the territory of the participating Member States that form the money-holding sector (see Section 2.1.1). In other words, the MFIs resident in the euro area are requested to provide their positions vis-à-vis other residents in the euro area broken down by sector.

48 In this context, an impairment loss is equivalent to the amount of write-downs and write-offs, i.e. it reflects the amount eliminated from the balance sheet and recognised in profit or loss.
49 In Table 6 of FINREP (non-core), loans should be reported in gross amounts, together with allowances.

Table 1 BSI counterpart sector breakdown

Euro area residents (S.1)	
Monetary financial institutions (MFIs) (S.121+S.122) – Money issuing sector	
Non-MFIs (S.1-S.121-S.122)	
General government (S.13)	
Central government (S.1311)	
Other general government (S.1312+ S.1313+ S.1314)	
State government (S.1312)	
Local government (S.1313)	
Social security funds (S.1314)	
Other residents (S.123+S.124+S.125+S.11+S.14+S.15)	
Other financial intermediaries and financial auxiliaries (S.123+S.124)	Money-holding sector
o/w Financial Vehicle Corporations	
o/w Central Counterparties	
Insurance corporations and pension funds (S.125)	
Non-financial corporations (S.11)	
Households and non-profit institutions serving households (S.14+S.15)	
o/w Sole proprietors and unincorporated partnerships	
Residents of the rest of the world (outside the euro area) (S.2)	
Banks	
Non-banks	
General government	
Other resident sectors	
Not allocated	

The residency concept and the classification of institutions into sectors under the BSI Regulation follow, as far as possible, the equivalent ESA 95 concepts. The ESA 95 provides the methodological basis for the compilation of macroeconomic statistical aggregates based on the residency principle. In a nutshell, the residency principle is related to the concepts of economic territory and centre of economic interest. Generally, 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 ordinarily located.

Institutional units resident in an economy (usually a country or a group of countries, e.g. the euro area) are grouped into five mutually exclusive institutional sectors (non-financial corporations, financial corporations, general government, households and non-profit institutions serving households) based on their principal functions, behaviour and objectives. Additionally, the economic relationships between residents and non-residents of that economy are recognised in the rest of the world sector. To illustrate the definition of the money-holding sector, the BSI Regulation displays the ESA 95 sectors and sub-sectors as presented in Table 1 above.

The FINREP framework provides a standardised counterparty breakdown for the information reported in templates 3, 5, 7, 8, 10, 15, 16, 17 and 20. Financial information is broken down into six economic sector allocation classes (see Table 2).

Table 2 The FINREP counterpart sector breakdown

Central banks
General governments
Credit institutions
Other financial institutions
Non-financial corporates
Retail [1]

1) In the revised FINREP, there are two proposed definitions for the category "retail": either following the CRD approach (implying the use of different definitions depending on whether banks follow the standardised approach or the IRB approach) or the definition as "natural persons only".

The FINREP counterparty breakdown is based on the exposure classes defined in the Capital Requirements Directive[50] (CRD). However, since the CRD uses different exposure class breakdowns for the standardised approach (SA) and the internal ratings-based approach (IRB), FINREP provides a reconciliation table between its own counterparty breakdown and that used for the SA and the IRB in order to enable links to be made with the solvency ratio.

Thus, while some methodological differences exist between the counterpart sector breakdowns recommended in the BSI and FINREP reporting schemes, Table 3 provides a "bridging" for counterparty breakdowns which allows some reconciliation between the two reporting schemes. This bridging has become easier under the revised FINREP. Interestingly, it was the analysis of national bridging examples within the JEGR that motivated an NCB to develop the revised FINREP sector classification, in order to reduce inconsistencies in its implementation and bring it more into line with the corresponding statistical breakdown.

The most important methodological difference between the BSI and FINREP breakdowns relates to the different consolidation scope. It should not be overlooked that the BSI sector breakdown applies to the classification of units resident in the euro area (with a separate and less detailed classification being applied to non-euro area residents), whereas the FINREP counterpart breakdown is used in the

50 Comprising 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 and Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast).

Table 3 Counterpart sector classes under ECB statistics, FINREP and CRD

	Counterpart sector classes		
ECB	Revised FINREP	Current FINREP	CRD [1]
MFIs – Central banks	Central banks	Central banks	Central government/banks
Central government Other general government	General governments	Central governments Non-credit institutions	Central government/banks Institutions
MFIs – Credit institutions MFIs – MMFs	Credit institutions Other financial corporations	Credit institutions Non-credit institutions	Institutions
Other res. sectors – OFI	Other financial corporations	Non-credit institutions Corporates Retail	Institutions Corporates Retail
Other res. sectors – Non-financial corporations (NFC)	Non-financial corporations	Corporates	Corporates
Other res. sectors – household (HH) and NPISH [2]	Retail	Retail	Retail

1) The CRD has two approaches. In the IRB approach, the "exposures classes" are classified in one of the categories included in the column. In the standardised approach, in addition to the "classes" included in Table 3, the "exposures classes" can also be classified in the following according to the circumstances of the items: "secured on real estate property", "past due items", "regulatory high-risk categories", "covered bonds", "securitisation positions", "short-term claims on institutions and corporate", "CIU" and "other items". Exposures (or part of one exposure, where appropriate) shall be assigned to only one of the exposure classes.
2) Non-profit institutions serving households.

classification of all institutions with which the credit institution has positions (that is to say, a non-resident counterpart would be classified together with similar resident counterparts). A further difference depends on the definition of "retail" that will be eventually selected by CEBS.[51] If the definition of "retail" is restricted to "natural persons only", a breakdown between natural persons and small and medium-sized enterprises (SMEs) would in principle allow a full reconciliation with the ECB statistical breakdown.

In certain 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. Conversely, in other countries national authorities have created different tools tailored to overcome these difficulties.

The JEGR aims to achieve common agreement at European level on how to bridge the sector classification of counterparties under FINREP and MFI statistics. National solutions may identify useful synergies with a bridging agreed at European level.

Conclusion: with the revised FINREP, many methodological differences between the counterpart sector breakdowns recommended in the two reporting schemes are expected to disappear. In particular, a bridging template for counterparty breakdowns allows some reconciliation between the schemes.

2.3.10 MATURITY BREAKDOWN

The BSI Regulation requires a breakdown of positions according to original maturity. This requirement reflects the legal, institutional and market differences across the euro area: the original maturity cut-off helps to accommodate the lack of instrument comparability and provides a good basis for liquidity analysis. In this context, the BSI Regulation requires some cut-off points for the maturity bands on both sides of the balance sheet. On the liability side of the balance sheet, the cut-offs are one and two years' maturity at issue or three months' notice and apply to certain deposits and debt securities issued. On the asset side of the balance sheet, the cut-offs are one and two years' maturity at issue for holdings of debt securities and one and five years' original maturity for loans. In general, BSI statistics (macroeconomic statistics) require a breakdown by original maturity, i.e. the maturity at inception or at issue, with the exception of deposits redeemable at notice, where the redemption period is the relevant maturity concept.[52] In its latest version, the BSI Regulation also requires new breakdowns by remaining maturity (one, two 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 however IFRS 7 (Appendix B) provides an example (up to one month, between one and three months, between three months and one year, between one and five years, over five years). This breakdown in Appendix B of IFRS 7 is only for guidance purposes and is not replicated in FINREP. It is widely recognised that for financial supervision and financial stability analysis, residual maturity (i.e. remaining maturity at balance sheet date) is the appropriate maturity concept as it provides a better framework for risk assessment. It is also the maturity concept used throughout the CRD for credit risk weighting.

Conclusion: BSI requirements specify the classification of financial assets and liabilities, mainly according to their original maturity, but for some breakdowns also according to residual maturity. FINREP has no requirements in terms of (residual) maturity breakdown,

51 See footnote 1 in Table 2.

52 Part 2 of Annex II to the BSI Regulation provides a definition of the maturity concepts used throughout the Regulation.

although IFRS 7 requires institutions to disclose remaining contractual maturities of liabilities (however time bands are not standardised).

2.3.11 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 various 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. Hence, one of the main BSI requirements is the breakdown of MFI liabilities by instrument, which is collected at the first level of the BSI balance sheet. This is combined with a breakdown of assets which largely form the counterparts to the monetary aggregates.

IAS 39 requires financial assets and liabilities to be grouped by category ("portfolios") for measurement purposes, however it does not prescribe a rigid format for this. In particular, IFRS 7.8 leaves the option to disclose financial instruments by IAS 39 portfolios either in the balance sheet (as it is done in FINREP) or in the notes. Where IAS 39 portfolios are disclosed in the notes, according to IFRS 7.6, disclosures should be made by class of financial instruments and the entity should provide 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 as follows: 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 4 provides in a tabular format the equivalence between the MFIs' main balance sheet items, as defined in the BSI Regulation, and the FINREP requirements.

Moreover, FINREP Table 6 introduces a "breakdown of loans and advances by product" that is currently referenced mainly to IFRS 7.IG 21,[53] but, insofar as IAS/IFRS do not include definitions for all the items used,[54] this breakdown by product could be linked to Annex II of the BSI Regulation (see Table 1 in Annex 4).

Conclusion: it is possible to set up tentative "bridging" 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 it as close to the BSI requirements as is considered appropriate. Moreover, it is possible to reuse some statistical definitions for the FINREP breakdown by loans' product.

2.3.12 COLLATERAL AND GUARANTEES

For each type of loan to non-financial corporations (NFCs) and loans to households (HHs) broken down by purpose (consumer credit, house purchase and other lending), the updated BSI Regulation requires the amount relating to those loans secured by real estate collateral to be identified. Under FINREP, Table 16 D1 provides information on the maximum collateral that can be considered, following the rule that the amount of an individual guarantee and/or collateral cannot exceed the amount of the related loan. In particular, collateralised "loans and advances" are broken down into mortgages, other collateral and guarantees.

Conclusion: the statistical requirements in terms of breakdown by collateral find a corresponding match under FINREP. The BSI item "loans

53 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."

54 In IAS/IFRS only the two items "finance leases" and "reverse repurchase loans" are defined.

secured by real estate" broadly matches the FINREP item "loans and advances backed by mortgages". Moreover, elements of the COREP credit risk mitigation framework have been used for the above-mentioned new breakdowns of the BSI (and MIR) Regulation(s).

2.3.13 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to IFRS 5.38 an entity must present a non-current asset held for sale and the assets of a disposal group 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.

Conclusion: The presentation of non-current assets held for sale and assets of a disposal group in a single line item (financial assets included) together with the presentation of liabilities of a disposal group in another line item (financial liabilities included) create difficulties for bridging the financial instruments in BSI and FINREP.

2.4 FLOWS (TRANSACTIONS) DATA

As previously mentioned, the ECB requirements refer to a balance sheet not only in terms of stocks, but also in terms of flows (transactions). Balance sheet (stocks) information needs to be complemented with financial transactions (flows) in order to provide, in particular, a meaningful compilation of growth rates.

The ECB opted to calculate transactions by taking the difference between end-period stocks and then identifying and removing those effects that do not arise from transactions, the so-called "other changes" or "adjustments".[55] To compile transactions in accordance with this approach, the ECB requires extensive "adjustment" information, which is obtained from different sources depending on their type.

"Other changes" are grouped into three main categories, namely "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 new MFIs if the business has been transferred out of/into the MFI sector; 2) reclassification of assets or liabilities (by maturity, sector or instrument) owing to the effect of 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 owing to the impact of exchange rate movements on assets and liabilities denominated in foreign currency.

NCBs compile and send to the ECB data on "reclassifications and other adjustments" on the basis of Guideline ECB/2007/9[56] using various (non-harmonised) data sources, such as supervisory information, ad hoc enquiries and information on joiners and leavers to/from the MFI reporting population. The ECB calculates a standard "exchange rate adjustment" using stock data collected in accordance with the BSI Regulation. This adjustment is calculated using currency proportions derived from a breakdown of assets and liabilities into major currencies that are available separately in the BSI reporting scheme (Table 4) on a quarterly basis. "Revaluation adjustments" are compiled by NCBs on the basis of data reported by MFIs in accordance with the BSI Regulation (Table 1A). This table covers (as a minimum) both the write-offs/write-downs of loans and "price revaluations" in respect of holdings

55 Transactions are defined as the net acquisition of financial assets or the net incurrence of liabilities.

56 Guideline of the ECB of 1 August 2007 on monetary, financial institutions and markets statistics (recast) (ECB/2007/9).

of securities. NCBs may however collect additional data, i.e. those breakdowns contained in Table 1A of the BSI Regulation, beyond the minimum requirements.

The compilation of transactions data following this approach (adjusted changes in stocks) is influenced by some of the methodological aspects discussed in Section 2.3. 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 by NCBs.

Transactions should be measured at the value at which the assets are acquired or disposed and liabilities are created, liquidated or exchanged. However, in BSI statistics, some deviations may occur when applying this concept owing to the underlying valuation concepts (not always market value), particularly for loans. Given that loans should be reported (stocks) at nominal value, when they are sold (transferred), what one obtains in the BSI statistics is in fact merely the difference of stocks and not the actual transaction, since because of its valuation "price revaluations" are null by definition. The same applies to the compilation of transactions on debt securities and shares and other equity held or issued when not recorded at market value.

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. However, as explained above, in BSI statistics, transactions on loans and deposits should exclude accrued 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 intrinsic to the market price.

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 agents and/or are necessary to maintain continuity in the statistical valuation of loans with the data reported for periods prior to January 2005. 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 caused by the application of write-offs/write-downs of loans. This adjustment should also reflect changes in the level of loan loss provisions where an NCB 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 arise.

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

In the case of the income statement, these data relate to income and expenses flows generated on financial and non-financial assets during the accounting year. Depending on the accounting entry, the 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:[57] "gains (losses) on

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

financial assets and liabilities held for trading, net", "gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net", "gains (losses) from hedge accounting, net" and "gains (losses) on derecognition of assets other than held for sale, net", and in the FINREP statement of comprehensive income item (Table 21), "available-for-sale financial assets".[58] The FINREP item "exchange differences, net" should broadly 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 envisages the transmission of flow data in some of the tables detailing balance sheet information. Table 12 on provisions, for example, requires information on "opening balance", "additions", "disposals" and "closing balance".

Conclusion: As outlined above there are substantial similarities between the two reporting schemes with regard to requirements for flows (transactions).

58 The latter item includes "valuation gains (losses) taken to equity" net of amounts "transferred to profit or loss". It may also include a component for exchange rate adjustment.

3 BSI-COREP

This section follows a similar approach as for the BSI-FINREP report, as it aims to identify links between the BSI and COREP reporting requirements. However, since most of the methodological aspects (on the reporting population, accounting rules, counterpart sector breakdown, etc.) are comparable to those discussed in regard to the BSI-FINREP bridging, they have not been repeated in this section (see Annex 2 for an overview). It should however be noted that some of these methodological aspects are less stringent, such as the consolidation approach, as COREP is requested not only at a consolidated level (like FINREP) but also at a solo level (like BSI, although with the inclusion of foreign branches). Moreover, following a recent amendment to the CRD, the implementation of COREP is mandatory in all Member States, unlike FINREP.

The bridging exercise focused on the current version of COREP, since the streamlined version on which CEBS is working will be finalised only later, in 2010. The report is structured by comparing the BSI instrument breakdown with the COREP templates. COREP consists of four sets of templates aiming to provide a reporting format for the Basel II, Pillar 1 capital requirements, based on the Capital Requirements Directive (Basel II).[1] The date of first application started for most countries in 2007 and for a few countries in early 2008.

The following COREP templates can be bridged with the BSI requirements (see details in Annex 5): credit risk including securitisation (CR SA, CR IRB, CR EQU IRB, CR SEC SA, CR SEC IRB and CR SEC Details), market risk (MKR SA TDI, MKR SA EQU, MRK SA FX and MKR SA COM)[2] and own funds (CA).[3] The operational risk (OPR) template could not be bridged; nevertheless, a separate analysis has been carried out (see Annex 6).

3.1 CREDIT RISK (INCLUDING SECURITISATION)

The BSI items on the asset side find an equivalent in the COREP template on credit risk where the assets belong to the "banking book". For securities that belong to the "trading book", capital requirements are expressed in terms of market risk (see Section 3.2). Moreover, those assets that are deducted from own funds (see Section 3.3) are not subject to additional capital requirements.

In the COREP tables, the reporting items are classified in different "exposure classes", which have some links with the counterpart sector breakdown of the BSI items. The link with the BSI items refers to the original exposure pre-conversion factors,[4] as part of one or more exposure classes. The latter vary depending on whether the bank follows the standardised approach or an IRB approach.

For traditional securitisation, the link between BSI items and securitised exposures reported in the securitisation COREP templates (i.e. exposures towards the securitisation schemes) applies only for those transactions

1 Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast).
2 In COREP, there are seven credit risk (CR) templates: (1) CR SA – Credit, counterparty credit and delivery risk: Standardised Approach to Capital Requirements; (2) CR IRB – Credit, counterparty credit, dilution and delivery risk: Internal Ratings-Based Approach to Capital Requirements; (3) CR EQU IRB – Credit Risk: Equity – Internal Ratings-Based Approaches to Capital Requirements; (4) CR SEC SA – Credit Risk: Securitisation – Standardised Approach to Capital Requirements; (5) CR SEC IRB – Securitisations – Internal Ratings-Based Approach to Capital Requirements; (6) CR SEC Details – Credit Risk: Detailed information on securitisation by originators and sponsors; (7) CR TB SETT – Settlement Risk in the Trading Book.
3 The following COREP templates have no links with the BSI report: CR TB SETT, MKR IM and MKR IM Details.
4 For the classification of exposures into the different exposure classes, COREP has adopted a sequential approach fully consistent with the CRD. Firstly, the original exposure pre-conversion factors is classified into the corresponding exposure class. Secondly, the exposures can be redistributed owing 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.

which meet the criterion of significant credit risk transfer under the CRD.

As regards the template on securitisation details (to be compiled only by originators and sponsors/only for the activity of the entities as originators),[5] a link between the BSI items and the securitised exposures originated (Column 1 on the "Total amount of securitisation exposures originated")[6] applies:

- for traditional securitisation, if according to IAS/IFRS or local GAAPs securitised exposures are not derecognised by the BSI (assuming, of course, that the transactions meet the criterion of significant credit risk transfer under the CRD);

- for synthetic securitisation.

These findings facilitate the bridging of BSI items with their COREP equivalents (see Annex 5 for details). The bridging is primarily at an analytical level. For instance, the BSI item "loans" is split in accordance with its statistical definitions in 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.

Conclusion: there is a significant degree of overlap between the BSI requirements and the COREP template for credit risk, in particular in relation to assets belonging to the "banking book". The link refers to the original exposure pre-conversion factors. For securitised assets, there is overlap as regards synthetic securitisation, as well as traditional securitisation transactions which meet the criterion of significant credit risk transfer under the CRD.

3.2 MARKET RISK

With respect to market risk, bridging between the BSI instruments and the COREP items is only possible for the standardised approach to market risk. 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 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 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 the competent authorities should allow positions in derivative instruments to 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 "securities other than shares", "money market fund shares/units" and "shares and other equity".[7] The link with the BSI items refers to the long positions (column 1) associated with the specific risk component (risk associated with the issuer of the security). Details of the bridging can be found in Annex 5.

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

Conclusion: three BSI items could be linked to their COREP equivalents in the market risk template (standard approach only), in particular in relation to assets belonging to the "trading book". The link refers to the long positions associated with the specific risk component. Moreover, another link with BSI items has been identified within the capital requirements regarding position risk.

5 This table also includes the activity of entities as investors and sponsors.
6 An answered implementation question (IQ), published on CEBS' website, changes the title of this column.
7 Financial derivatives are treated in the COREP template on credit risk in the context of counterpart risk.

3.3 OWN FUNDS

The COREP templates regarding own funds also have significant links with the 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 "securities other than shares". In order to compute the relevant supervisory capital aggregates (Tier 1, Tier 2 and Tier 3) and own funds deductions, some of the COREP items should be added, while others should be subtracted. Importantly, the COREP template on own funds is bridged to a certain extent with FINREP Table 1.3 (statement of financial position). Hence this COREP template is also indirectly linked to BSI via FINREP. The detailed results of this bridging exercise can be found in Annex 5.

Conclusion: there is a significant degree of overlap between the BSI requirements and the COREP template 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 present via FINREP.

3.4 OPERATIONAL RISK

A brief scan of the bridging opportunities between BSI and the COREP template on operational risk shows that there are no links between the two frameworks. There are three alternative approaches to the calculation of operational risk requirements incorporating different levels of risk-sensitivity and involving different degrees of complexity. In all cases, it is concluded that there are no direct links between the two frameworks. Under one of the three approaches (the standardised approach), the items included in the COREP template (breakdown by business line) refer to items in the income statement, hence a reconciliation of the business lines with BSI items is not possible. The link between the items in the income statement reported under FINREP/COREP and the MFI statistical requirements is rather weak and applies only for MIR (see Section 4). Annex 6 presents the approaches to operational risk and explains the results obtained from this bridging exercise.

Conclusion: there are no links between the BSI requirements and the COREP template on operational risk. Some weak links exist only with the MIR requirements.

3.5 CONCLUSIONS

The links between the BSI reporting requirements and the COREP templates are fairly significant. In general terms, similar methodological considerations apply both to the BSI-FINREP and BSI-COREP bridging analyses. However, in practice, some of these methodological aspects allow for a larger scope of application of the latter. This is the case, for instance, as regards the consolidation approach, as COREP is requested not only at a consolidated level (like FINREP) but also at a solo level (like BSI, although with the inclusion of foreign branches). Moreover, following a recent amendment to the CRD, the implementation of COREP is mandatory in all Member States, unlike FINREP.

Looking at the specific COREP reporting templates, the links with the BSI requirements are particularly significant with respect to credit risk (banking book), market risk (trading book) – but only for the standardised approach – and own funds. However, no link could be found between the template on operational risk and the BSI requirements. These links have been implemented to a large extent in the relational database, on the basis of the detailed guidance contained in Annex 5.

4 MIR-COREP/FINREP

This section extends the analysis made in Sections 2 and 3 to cover the relation between COREP/FINREP, on one side, and MFI interest rate statistics (MIR), on the other. MIR is used to collect information about MFI interest rates applied to deposits and loans of households and non-financial corporations. The concepts, definitions and valuation rules used for MIR are almost identical to those of the BSI Regulation.

While bridging between FINREP and BSI statistics is a relatively straightforward exercise, since both schemes collect balance sheet information which to a large extent is based on accounting standards such as IAS/IFRS (see Section 2), the situation is more complicated when considering a possible bridging between the MIR schemes and COREP/FINREP. In principle, given that MIR's objective is to collect interest rates, something which is not covered by COREP/FINREP, any possible common features are restricted to definitions and sector/instrument classifications and not directly to the data as such. Since most methodological aspects are comparable to the BSI-FINREP bridging, these aspects have not been repeated in this section. Annex 2 provides a summary of the key differences between COREP/FINREP and MIR.

The following sections provide a description of the MIR framework and its similarities with COREP/FINREP.

4.1 THE BASICS AND STRUCTURE OF MIR

The MIR reporting population is a sub-set of the BSI population since it comprises (within the MFI sector) all resident credit institutions and other institutions which take deposits from and/or grant loans to household and/or non-financial corporation residents in the same area, selected by the NCBs following either a census or sample approach. Hence, the reporting population does not include central banks and money market funds (MMFs). This means that the MIR reporting population substantially overlaps with that of FINREP and COREP while the overlap with BSI statistics is less precise.

MIR statistics are needed to enhance the analysis of the monetary transmission mechanism; they enable structural developments in the banking and financial system to be monitored as well as the analysis of financial stability issues.

MIR statistics cover only two balance sheet instruments: loans and deposits. Moreover, they cover only selected counterpart sectors, as described below. 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. The "new business" concept comprises any new agreement between the household or non-financial corporation and the reporting agent. New agreements are all financial contracts, terms and conditions that specify for the first time the interest rate of the 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) is also collected. As regards rates on outstanding amounts, the BSI Regulation envisages two different calculation methods: a) snapshot of end-period observations; b) implicit rates referring to period averages.

MFI interest rate statistics provide detailed monthly information on 45 indicators of which two-thirds refer to new business and one third to outstanding amounts. All essential categories for deposits and loans faced by households and non-financial corporations are covered.

a) Outstanding amounts:

- deposits to households with agreed maturity up to two years and over two years;

- deposits to non-financial corporations with agreed maturity up to two years and over two years;

- loans to households for house purchases and for consumer credit and other loans (up to one year, one to five years, over five years);
- loans to non-financial corporations only broken down by original maturity (up to one year, one to five years and over five years).

b) New business deposits:

- separate category for repos;
- households: overnight, with agreed maturity, redeemable at notice;
- non-financial corporations: overnight, with agreed maturity;
- different (more detailed) maturity breakdowns compared with outstanding amounts.

c) New business loans:

- households: overdraft, consumer credit, for house purchases, for other purposes;
- non-financial corporations: overdraft, other loans up to EUR 0.25 million, other loans over EUR 0.25 million and up to EUR 1 million, other loans over EUR 1 million;
- concept of "initial period of initial interest rate fixation", with three-quarters of the categories for households and six categories for non-financial corporations.

d) Additionally, the new Regulation offers convenience through extended credit card credit, loans to sole proprietors, collateralised loans (real estate collateral) and more details as regards the sizes of loans.

4.2 THE LINKS BETWEEN COREP AND MIR

As mentioned in Section 3, COREP comprises four sets of templates. The sub-sections below provide an analysis of the links between each set and the MIR requirements.

4.2.1 OWN FUNDS TEMPLATES

This set of templates contains information about the Pillar 1 numerator (own funds) and denominator (capital requirements). Moreover, it provides, for affiliated entities or sub-groups, the capital requirements for each risk category, the own funds for solvency purposes and the resulting surplus or deficit of own funds.

As a consequence there is no link between this set of templates and the MIR requirements, as interest rate statistics do not involve capital and reserves. More detailed breakdowns for the different risk types can be found in the respective templates (see below).

4.2.2 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 ratings-based approach (IRB). In general, small and medium-sized institutions use the SA approach while only bigger institutions have the resources to develop their own models in order to obtain approval as an IRB institution.

SA institutions will at most have to complete templates 1, 4, 6 and 7 while IRB institutions could be asked to fill in templates 2, 3, 5, 6 and 7.[1]

1) *CR SA template.* This template is to be completed for each exposure class according to CRD Article 79 (SA) or, alternatively and discretionally, CRD Article 86 (IRB), in principle for institutions applying the SA to only part of their exposures. The most interesting information regarding this COREP template concerns real estate exposures to the retail sector (in relation to the latest version of the MFI Regulation). Indeed, MIR and COREP contain similar definitions of real estate collateral; bridging those definitions is a simple exercise.

1 In COREP there are seven credit risk templates, for details see footnote 2 of Section 3.

2) *CR IRB.* This template, applicable to IRB institutions, requires aggregated information on the input parameters that are used for calculating the risk-weighted exposure amounts (exposure values, LGD (loss given default), etc.) and on the amount and type of credit risk mitigation techniques used. Similarly to the CR SA template, the most interesting information relates to collateral in the form of real estate.

3) *CR EQU IRB.* There is a specific template for exposure towards the equity class. This template has no links with the MIR requirements.

4) *CR SEC SA.* This template covers aggregated information on securitisation when, if not securitised, securitised exposures would be subject to the standardised approach. It is at the national supervisors' discretion whether the template should be completed for all securitisation types as a total, or separately for traditional and synthetic securitisation. Beyond the observations made in Section 2 regarding the statistical and supervisory concepts of securitisation, there is no further link between this template and the MIR Regulation.[2] In fact, securitised loans are not included in MIR.

5) *CR SEC IRB.* This template follows the same structure as the previous template, but it accommodates the methodology applicable under the IRB approach for securitisation positions. As above, there is no link with the MIR Regulation.

6) *CR 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. Both securitisations originated as well as sponsored by the reporting institution are covered. As above, there is no link with the MIR Regulation.

7) *CR TB SETT.* This template requires information on the unsettled transactions of the trading book and their related capital requirements for settlement risk. There is no link with the MIR Regulation.

4.2.3 MARKET RISK TEMPLATES

The COREP market risk templates are based on the trading portfolio and as such are generally not directly useful for MFI statistics purposes. None of the six market risk templates contains a link with the MIR requirements.

4.2.4 OPERATIONAL RISK TEMPLATES

The COREP operational risk (OPR) templates are based on the information required under Annex X to the CRD. The information is collected by means of three sub-templates.

The templates are generally not directly useful for MFI statistics purposes. There is no link between the capital requirements related to operational risk and the MIR requirements, although for some business lines under one of the templates, regarding the alternative standardised approach (ASA), the total nominal amount of loans and advances is requested. For the other templates, there are no links with the MIR requirements.

4.3 THE LINKS BETWEEN FINREP AND MIR

The structure of FINREP is presented in Section 2. Here the focus is on links with MIR.

4.3.1 ACTUAL REPORTING POPULATION

As mentioned above, the MIR reporting population substantially overlaps with that of FINREP and COREP, while the overlap with BSI statistics is less precise.

4.3.2 COLLECTED DATA TYPES

The types of data collected within the MIR framework cover both interest rates and business volumes (new business and outstanding

2 Regulation (EC) No 290/2009 of the European Central Bank of 31 March 2009 amending Regulation (EC) No 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2009/7).

amounts). In this respect, it is important to note the following points.

Regarding interest rates, an annualised agreed rate (AAR) and, for housing loans and consumer loans, an annualised percentage rate of charge (APRC) are collected. As concerns rates on outstanding amounts, the MIR Regulation provides for two different calculation methods:

- snapshot of end-period observations;

- implicit rates referring to period averages. The period covered is one month. Interest rates on outstanding amounts and implicit rates referring to the average of the month should be calculated as quotients, with the numerator being the accumulated flow of interest during the reference month, i.e. the accrued interest payable on deposits and receivable on loans, and the denominator being the average month stock. At the end of the reference month, for each instrument category, the reporting agent reports the accrued interest payable or receivable during the month and the stock of deposits and loans on average during the same month. In contrast to end-month observations, the MFI interest rates on outstanding amounts compiled as monthly averages should also include contracts that were outstanding at some time during the month, but are no longer outstanding at the end of the month. The stock of deposits and loans on average during the reference month should ideally be compiled as the average of daily stocks over the month. As a minimum standard, for volatile instrument categories, i.e. at least overnight deposits, deposits redeemable at notice and bank overdrafts, the average monthly stock must be derived from daily balances. For all other instrument categories, the average monthly stock must be derived from weekly or more frequent balances.

The second calculation method implies the use of a profit and loss statement (if at least weekly balance sheets are available).

Regarding business volumes, the MIR Regulation introduces the "new business" concept, which means any new agreement between the household or non-financial corporation and the reporting agent. The MIR Regulation also requires the reporting of outstanding amounts: for overnight deposits, deposits redeemable at notice and bank overdrafts, the new business concept is extended to whole stocks. The volumes of outstanding amounts are collected mainly in the context of BSI statistics, with the exception of overdrafts.

In FINREP, no interest rate information is collected. However, implicit rates could be calculated using profit and loss information, if the second calculation method is used. While the majority of NCBs calculate interest rates on outstanding amounts as end-period snapshots, the MIR Regulation also allows for implicit interest rates, the numerator of which can be extracted from profit and loss accounts. The denominator, average outstanding amount during the period, is calculated as the average of weekly or more frequent balances (for volatile items, daily balances). Using profit and loss data for the calculation of implicit interest essentially requires that the MIR classifications are available in profit and loss data. More specifically, flows of interest payable from deposits and interest receivable from loans should be classified by MIR sector, instrument, period of notice and original maturity.

It remains that the instruments may still not be properly matched with the MIR instruments. For example, the calculation of implicit interest rates would require similar classifications for profit and loss items in FINREP. Similarly, new business-type information cannot be identified in FINREP. Other cost elements included in the APRC – which are only collected for new businesses of housing and consumer loans – cannot be identified in FINREP.

4.3.3 INSTRUMENTS

Instruments applied in MIR statistics are basically the same as in BSI statistics (denominated only in euro, while BSI items include loans and deposits denominated in foreign currencies as well).

There are two exceptions. One concerns overdrafts, as outstanding amounts are currently not collected in BSI for this instrument category. However, as soon as the new BSI Regulation comes into force, separate information for overdrafts will also be collected.

The second exception concerns bad loans and loans for debt restructuring at rates below market conditions, which are excluded in the calculation of MIR interest rates. However, the weights applied in MIR statistics do not exclude bad loans, as they are collected mainly in BSI statistics. No harmonised definitions for bad loans or loans for debt restructuring apply. To the extent possible, NCBs should use existing national definitions. It is recognised that these definitions may differ across countries.

The valuation method of loans and deposits and the treatment of accrued interest are similar to those implemented for BSI statistics.

In FINREP, instruments partly overlap with the corresponding MIR instrument categories. The main instruments "*deposits*" and "*loans and other receivables*" can be found in the core tables. For deposits, FINREP refers directly to the definition in the BSI Regulation. A more detailed breakdown by product can be found in template 6 (Financial liabilities: breakdown by product and by counterparty): current accounts/overnight deposits, deposits with agreed maturity, deposits redeemable at notice, repurchase agreements, other deposits. However, the BSI instrument category "loans" has an imperfect link with the corresponding FINREP category, as loans are not separated from other receivables.

For the differences in valuation method and the treatment of accrued interest, see the findings in Section 2.

As for BSI (see Section 2.3.3), there is a possible link between MIR and FINREP in respect of the treatment of hybrid deposits (deposits with an embedded derivative).[3] The MIR Regulation expressly deals with the treatment of hybrid deposits with a "guaranteed minimum return". Moreover, the treatment of certain hybrid deposits without a guaranteed minimum return is described in the "Manual on MFI interest rate statistics" (dated October 2003).[4] In particular, the manual questions whether hybrid deposits without a guaranteed minimum return should be classified as BSI "deposits". In the absence of further guidance, a link between BSI/MIR and the IAS 39 approach as followed in FINREP could be established.

The link between BSI/MIR and the IAS 39 approach implemented in FINREP could be established as follows. In IAS/IFRS, in order to separate the hybrid contract, the entity estimates the fair value of the embedded derivative and then subtracts it from the amount received or paid (see IAS 39.AG28) to obtain the residual amount, i.e. the initial carrying amount of the host contract.[5]

To accrue interest in the financial instrument, IAS 39 allows an implicit rate to be calculated for the host contract (the discount rate equals the amount to be received or paid at maturity with the initial carrying amount of the host contract). This rate[6] 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.

In the second case, where the hybrid deposit is not segregated and the entity does not calculate an implicit rate for the host contract, interest for the host contract is not accrued

3 MIR Regulation, Article 83 "… a deposit with an agreed maturity to which a fixed interest rate is being applied and an embedded derivative with a return that is linked to the performance of a defined stock exchange index or a bilateral exchange rate…".
4 Regulation ECB/2001/18, ECB.
5 The derivative does not generate interest; its changes in value are reported as gains or losses on re-measurement.
6 If this rate is higher or equal to 0%.

separately (interest is reported together with other gains or losses on re-measurement). In such cases, it is proposed that the rate used in MIR new business is 0%. This convention seems appropriate as segregation of the hybrid instrument could involve drawbacks (e.g. if the contract is complex, separation would not result in reliable information).

Information on the interest rate for each hybrid contract is not separately reported in FINREP but should nevertheless be available as it is necessary for elaborating both IAS/IFRS financial statements and FINREP templates.

4.3.4 SECTOR AND RESIDENCY OF COUNTERPARTIES

As discussed in Section 2, the two similar categories (retail, corporations) may not fully correspond to the ESA 95 definitions. Furthermore, the FINREP counterpart breakdown applies to residents, residents in the euro area and other non-residents, whereas the MIR counterpart breakdown captures only domestic and euro-area resident sectors.

4.3.5 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 the type of instrument and whether the MFI interest rate refers to outstanding amounts or to new business.

In particular, new business comprising loans should be reported with a breakdown of interest rate fixation instead of original maturity. The interest rate fixation period means a predetermined period of time at the start of a contract during which the value of the interest rate cannot change. The initial period of fixation may be shorter or equal to the original maturity of the loan.

The concept of “interest rate fixation” is not present in BSI statistics. Nevertheless, the new BSI Regulation introduces the concept of interest rate reset, which is quite similar to the interest rate fixation concept, but is applied for outstanding amounts instead of new business. No notion similar to this, or the breakdown by period of notice, exists in FINREP.

Finally, the MIR breakdown by original maturity corresponds to the one defined in BSI statistics; however as discussed in Section 2, FINREP uses only residual maturity.

4.3.6 SIZE OF INDIVIDUAL LOANS

For new business of other loans to non-financial corporations, the MIR framework introduces a further breakdown by amount category of loans. The size of the individual loan is a relatively good indicator of the size of the company (the main concept is that larger companies are in a stronger negotiating position and can achieve better conditions than smaller firms). However, no similar concept can be found in FINREP.

4.4 CONCLUSIONS

The links between the MIR reporting requirements and the FINREP/COREP templates are rather weak. Although the reporting population is broadly the same, the different objectives of the two frameworks means that their common features are limited to the definitions and sector/instrument classifications while the respective data requirements as such differ substantially. Nevertheless, links between COREP/FINREP and MIR have been recorded to some extent in the relational database.

Specific links between COREP and MIR are very limited. The most interesting area relates to collateral and guarantees in the credit risk templates. As far as the links between FINREP and MIR are concerned, the two areas with potential synergy are 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 according to IAS 39 could be reused for MIR statistics.

Regarding the link between profit and loss account data and MIR, while the majority of

NCBs calculate interest rates on outstanding amounts as end-period snapshots, the MIR Regulation also allows for implicit interest rates, the numerator of which can be extracted from profit and loss accounts, and hence from FINREP data. Using profit and loss data for the calculation of implicit interest essentially requires that the MIR classifications are available in the FINREP income statement template, i.e. interest payable from deposits and interest receivable from loans should be classified by MIR sector, instrument, period of notice and original maturity.

ANNEXES

LIST OF ANNEXES

I RELEVANT LEGAL ACTS

All the documents listed below are available on the EUR-Lex website at www.eur-lex.europa.eu.

I.I ACCOUNTING

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

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

Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards

Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (ESA 95)

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

Commission Regulation (EC) No 1725/2003 of 29 September 2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council

AMENDMENTS (STARTING WITH THE MOST RECENT):

- Commission Regulation (EC) No 1864/2005 of 15 November 2005 accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards International Financial Reporting Standard No 1 and International Accounting Standards Nos 32 and 39

- Commission Regulation (EC) No 1910/2005 of 8 November 2005 amending Regulation (EC) No 1725/2003 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 and 6, IASs 1, 16, 19, 24, 38, and 39, International Financial Reporting Interpretations Committee's Interpretations 4 and 5

- Commission Regulation (EC) No 1751/2005 of 25 October 2005 amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards IFRS 1, IAS 39 and SIC 12

- Commission Regulation (EC) No 1073/2005 of 7 July 2005 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

- Commission Regulation (EC) 211/2005 of 4 February 2005 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

- Commission Regulation (EC) 2238/2004 of 29 December 2004 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

- Commission Regulation (EC) 2237/2004 of 29 December 2004 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

- Commission Regulation (EC) 2236/2004 of 29 December 2004 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

- Commission Regulation (EC) 2086/2004 of 19 November 2004 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

- Commission Regulation (EC) 707/2004 of 6 April 2004 amending Regulation (EC) 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council

1.2 CAPITAL REQUIREMENTS DIRECTIVES

Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) (CRD – Basel II)

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)

1.3 STATISTICAL

All the documents listed below are available on the ECB's website at www.ecb.europa.eu.

Regulation (EC) No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2008/32)

Regulation (EC) No 24/2009 of the European Central Bank of 19 December 2008 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30)

Regulation (EC) No 290/2009 of the European Central Bank of 31 March 2009 amending Regulation (EC) No 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2009/7)

Decision of the ECB of 6 March 2009 concerning derogations that may be granted under Regulation (EC) No 958/2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8) (ECB/2009/4)

Guideline of the ECB of 19 December 2008 amending Guideline ECB/2007/9 on monetary, financial institutions and markets statistics (recast) (ECB/2008/31)

Guidance Notes to the Regulation ECB/2001/13 on the MFI balance sheet statistics

1.4 REPORTING TEMPLATES

BSI reporting template – available on the EUR-Lex website under statistical legal acts

MIR reporting template – available on the ECB's website under statistical legal acts

FINREP reporting template – available on the CEBS website at www.c-ebs.org

COREP reporting templates – available on the CEBS website at www.c-ebs.org

Issue	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	FINREP (IFRS) approach
Reporting population	All resident credit institutions and all other institutions (within 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 potential reporting population. The potential reporting population does not include money market funds and central banks. Data effectively collected either from a census or most often from a sample of the potential reporting population.	Monetary financial institutions (MFIs), comprising resident credit institutions as defined in Community law 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, to grant credits and/or make investments in securities. It includes, in particular, money market funds (MMFs).	Financial institutions that according to national supervisory rules are required or allowed to use IAS/IFRS in the preparation of their consolidated financial statements. As a minimum, all EU credit institutions whose securities are listed are required to use IAS/IFRS for their consolidated financial statements.
Consolidation scope	MFIs should consolidate the business of all their offices located within the same national territory ("host" principle, i.e. only the business of resident MFIs, excluding foreign branches, is reported).	MFIs should consolidate the business of all their offices (registered or head office and/or branches) located within the same national territory. No consolidation for statistical purposes is permitted across national boundaries. The BSI reporting is defined on the basis of the so-called "host" principle, i.e. only the business of resident MFIs is reported.	The selection of the consolidation scope is a matter of national discretion; national supervisory authorities may choose between the IAS/IFRS consolidation scope (all subsidiaries), that provided in the new CRD (only credit institutions and financial institutions, excluding insurance undertakings) or both. FINREP follows the "home" basis reporting concept, i.e. resident groups should report the business of non-resident branches and subsidiaries.
Main valuation concepts	Nominal amount (value) of loans and deposits; in new business and outstanding amounts.	Market or fair valuation 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.	When a financial asset and liability is recognised initially, it shall be measured 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 shall be measured at fair value, except for some items (e.g. the portfolios "loans and receivables" and "held-to-maturity"), which shall be measured at amortised cost using the effective interest method. In general, all financial liabilities shall subsequently be measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit and loss, which shall be measured at fair value.

COREP (CRD/CAD) approach	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
EU credit institutions, investment firms and financial intermediaries subject to Directives 2006/48 (CRD) and 2006/49 (CAD). As a minimum, all EU credit institutions and investment firms.	Substantial overlap between the populations: credit institutions. MMFs (and some other MFIs) are not obliged to use COREP. Supervisory authorities may request other non-MFI financial institutions and investment firms to use COREP. Non-MIFs such as investment firms and OFIs do not report MIR.	Substantial overlap between the two populations. MMFs and some other MFIs are not obliged to use IAS/IFRS in the preparation of their unconsolidated accounts. Supervisory authorities may request other non-MFI financial institutions to use FINREP.
The application of the framework on a solo or consolidated basis is a matter of national discretion. However, both may become compulsory under the new CRD. In both cases, COREP follows the "home" basis reporting concept, i.e. resident intermediaries or groups should report the business of non-resident branches and subsidiaries.	MIR "host" basis reporting versus COREP "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.
Items are reported at the financial statement value (IAS/IFRS or national GAAPS), gross of value adjustments and provisions and adjusted for the prudential filters (see CEBS guidelines dated Dec. 2004).	No link between FINREP and MIR. No real link between COREP and MIR either, although in COREP for some business lines under ASA approach total nominal amount of loans and advances is needed.	Institutions using IAS/IFRS and reporting supervisory information on the basis of FINREP may use the same valuation concepts when reporting for BSI purposes, 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 can in certain restricted cases be recorded at fair value.

Issue	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	FINREP (IFRS) approach
Time of recording	Contract date for new business. For outstanding amounts the same rules as BSI apply, i.e. settlement date preferred but contract also allowed provided that it does not cause significant distortions.	Transactions should be recorded at the settlement date (i.e. the date on which the payment is made).	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 regardless of whether it is only accrued or also paid.	Accrued interest should be subject to on-balance-sheet recording as it accrues (accrual basis). Accrued interest on loans/deposits should be classified, on a gross basis under "remaining assets"/ "remaining liabilities".	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. to follow "dirty price" accounting.
Recognition and derecognition	Concept has no relevance in MIR new business, in MIR outstanding amounts BSI concept is followed.	Loans (assets) should be derecognised only when all risks and rewards of ownership are transferred. Generally, financial derivatives are recognised on balance sheet at their fair value only if MFIs follow IAS/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. Netting is only applicable to outstanding amounts which are taken from BSI. In BSI, for deposits and loans, net recording is permitted under restrictive conditions (same customer, currency and original maturity, enforceable by law).	Gross reporting should be applied, in particular, to loans and deposits. 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, have the same original maturity, and the right of set-off is enforceable by law.	A financial asset may be offset against a liability and the net amount presented in the balance sheet when, and only when, an entity: (i) currently has a legally enforceable right to set off the recognised amounts; and (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

COREP (CRD/CAD) approach	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
The same method as the one adopted in the financial statement (for intermediaries adopting IAS/IFRS, either trading date or settlement date, 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, in particular if settlement date is applied in FINREP/COREP, or deviate where reporting institutions adopt trading date for FINREP/COREP purposes.	The methods may be consistent, in particular if settlement date is applied in FINREP, or deviate where reporting institutions adopt trading date for FINREP purposes.
The same method as that adopted in the financial statement (for intermediaries adopting IAS/IFRS, accrued interest should be reported with the underlying instrument in the balance sheet).	No direct link as MIR follows the BSI "clean price" principle while COREP follows the "dirty price" principle. In FINREP accrued interest should be reported with the underlying instrument in the balance sheet.	- For both purposes the principle of accruals accounting should be applied. The two reporting schemes differ although as regards the balance sheet allocation of accrued interest: - BSI requires the reporting of accrued interest under remaining assets/liabilities, i.e. following "clean price" accounting for the underlying instrument (mainly loans and deposits); - FINREP requires the transmission of accrued interest with the underlying instrument in the balance sheet ("dirty price" accounting).
The same method as the one adopted in the financial statement (for banks adopting IAS/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 securitisations transactions, specific rules apply for the derecognition of assets (the derecognition applies if a significant part of the credit risk is transferred).	For BSI starting from December 2009, rules for (de)recognition of financial assets and liabilities may be based either on the IAS/IFRS approach or on local GAAP. Separate statistical data will enable bridging between different statistical approaches. Therefore, in the event of adoption of IAS/IFRS, rules for recognition and derecognition of assets will be the same (if all risks and rewards have been fully transferred).	Rules for recognition and derecognition of assets are quite similar for BSI and FINREP, including financial derivatives and securitised loans (if all risks and rewards have been fully transferred). There are some deviations for partial transfer of risks and rewards, which have been addressed when developing MFI and FVC securitisation statistics.
The same offsets as the one considered in the financial statement. For IAS/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: (i) currently has a legally enforceable right to set off the recognised amounts; (ii) 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 securities or commodities lending or borrowing transactions and/or other capital market driven transactions subject to Annex VIII to the CRD are considered.	The netting principles are identical except for cross-border transactions (netted under FINREP/COREP, gross under MIR).	The netting principles are identical except for cross-border transactions.

Issue	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	FINREP (IFRS) approach
Treatment of impaired assets (basis of recording)	Bad loans, defined 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 definition of default in Directive 2006/48/EC" are excluded from MIR.	BSI Regulation requires loans to be recorded at principal amount gross of all related provisions (impairment losses or amounts recorded in allowance accounts). NCBs may however allow the reporting of loans net of provisions, provided that such reporting practice is applied by all resident reporting agents and is necessary to maintain continuity in the statistical valuation of loans with the data reported for periods prior to January 2005.	Assets should be reported net of impairment losses. Either implicitly in the fair value accounting or, for assets valued at amortised cost, by reducing the balance sheet amount directly or using an allowance account. In the non-core tables of FINREP, there is information on the allowances accounts and partial information on the credit losses implicit in fair value changes.
Counterpart sector and residency breakdown	The classification of institutions into sectors follows the equivalent ESA 95 concepts. MIR covers only households (including NPISH) and non-financial corporations. Residency covers only domestic and euro area (as a whole) residents.	The residency concept and the classification of institutions into sectors follow, as far as possible, the equivalent ESA 95 concepts. Institutional units resident in an economy (usually a country or a group of countries, e.g. the euro area) are grouped into five mutually exclusive institutional sectors, plus a number of sub-sectors, based on their principal functions, behaviour and objectives. Additionally, the economic relationships between residents and non-residents of that economy are recognised in the rest of the world sector. Following the recent BSI update, the separate reporting of certain positions vis-à-vis a central counterparty and sole proprietors has been implemented in BSI.	The counterparty breakdown is based on the Capital Requirements Directive, in particular, Article 86. The article defines the exposure classes to be used in the calculation of risk-weighted exposure amounts and consequently in the calculation of minimum own funds requirements for credit risk, following the internal ratings-based method. FINREP framework provides a standardised counterparty breakdown where financial information is broken down into six economic sector allocation classes.
Original and residual maturity breakdown		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. Following the recent BSI update, new breakdowns by remaining maturity (one, two years) and rate reset interval (12, 24 months) are requested.	FINREP: no reporting requirements, but IFRS 7 requires disclosure by residual maturity.

COREP (CRD/CAD) approach	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
For intermediaries adopting the standardised approach for credit risk, the assets must be reported net of impairment losses. For intermediaries adopting the IRB approach for credit risk, the assets must be reported gross of impairment losses.	The definitions of bad debts/impaired loans in MIR, FINREP and COREP are similar. Nevertheless, there is no information on impaired loans measured at fair value in FINREP.	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. In FINREP they should be reported net of those allowances. Reconciliation would be possible only if provisions were separately reported within the FINREP package. Since for most countries this implies an increase in the reporting burden (i.e. entities would have to provide non-core information), JEGR discarded the possibility of achieving a quick win in this respect.
The counterparty breakdown is based on the Capital Requirements Directive (in particular, Articles 79 and 86). These 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 rather an instrument breakdown for equity and other assets.	In the MIR framework, units resident in an economy are grouped into two institutional sectors. In FINREP, the bridging with MIR will depend on the final definition of "retail" in FINREP. In the COREP counterpart breakdown, units are grouped into exposures classes on the basis of their risk profile, without regard to their residency. This is particularly relevant as concerns the distinction between non-financial corporations and households.	In the BSI (ESA 95) framework, units resident in an economy are grouped into five mutually exclusive institutional sectors based on their principal functions, behaviour and objectives. In the FINREP counterpart breakdown, units are grouped into six exposures classes on the basis of their risk profile, without regard to their residency. In the revised FINREP, many methodological differences between the recommended counterpart sector breakdowns in the two reporting schemes have disappeared. In particular, a bridging template for counterparty breakdowns allows reconciliation between the two reporting schemes.
		BSI original maturity, residual maturity, and rate reset interval breakdowns. FINREP: no reporting requirements.

Issue	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	FINREP (IFRS) approach
Instrument breakdown	Separate identification of deposits (overnight, with agreed maturity, redeemable at notice) and loans (for consumption, for house purchases, for other purposes for households; by size of loan for non-financial corporations). In the BSI/MIR Regulations, loans are broken down both by product and by purpose. In BSI, a given loan can be included in various categories (e.g. it could be reported in both "revolving loans" and "syndicated loans"). In MIR, a given loan can only be included in one category.	Separate identification on the assets side of the following: cash/loans/securities other than shares/MMF shares/units/shares and other equity/fixed assets/remaining assets. Separate identification on the liabilities side of the following: currency/deposits/MMF shares and units/debt securities issued/capital and reserves/remaining liabilities. Following the recent BSI update, new sub-categories are requested: overdrafts, syndicated loans, convenience credit card credit and extended credit card credit, e-money, debt securities issued with nominal capital certainty at redemption in the currency of denomination below 100%, transferable deposits.	FINREP breakdown by type of instruments: Assets: cash/loans and advances/debt securities/equity instruments/derivatives held for trading/derivatives (hedge)/tangible assets/intangible assets/investments in assoc., etc./tax assets/other assets. Liabilities: deposits/debt certificates/other financial liabilities/short positions/derivatives held for trading/derivatives (hedging)/provisions/tax liabilities/other liabilities/share capital repayable on demand, etc. FINREP requires a "breakdown of loans and advances by product" whose definitions are currently referenced mainly to IFRS 7.IG 21[1)], but could be linked to Annex II of the BSI Regulation.
Real estate collateral	For each type of new loans to NFCs and loans to HHs broken down by purpose (consumer credit, house purchase, and for other purposes), the new MIR Regulation will request the identification of the amount and interest rate relating to those secured by real estate collateral. More specifically, the new 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 Article 4(31) and Annex VIII, Part 1, points 6-25 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast), and/or guaranteed using the "unfunded credit protection technique" as defined in Article 4(32) and Annex VIII, Part 1, points 29-26 of Directive 2006/48/EC, 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".		In FINREP, there is a breakdown by type of "loan and advances" which takes into account collateral received in Table 6. Furthermore, FINREP Table 16 D1 provides information on the maximum collateral that can be considered. The links between the concept of real estate collateral used both in BSI/MIR and in COREP and the concept of collateral used in FINREP Tables 6 and 16 D1 have not been explored.

COREP (CRD/CAD) approach	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
For assets, see above "Counterpart sector and residency breakdown". 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 and loans although it could be assumed that these definitions are the same as in FINREP. In COREP, a given item can only be included in one exposure class (e.g. a loan to a household secured by real estate property classified as a "bad loan" should only be included in one of the CRD SA exposure classes).	The definition of deposits and loans is the same in FINREP as in BSI/MIR. For loans the bridging is in Table 6. COREP does not include definitions of deposits and loans although it could be assumed that these definitions are the same as in FINREP. FINREP includes a breakdown of loans by product whose definitions could be bridged to the definitions in the BSI/MIR Regulations (see Appendix III to the BSI-FINREP bridging report). In the BSI/MIR Regulations, loans are broken down both by product and by purpose. In BSI, a given loan can be included in various categories (e.g. it could be reported in both "real estate" and "credit for consumption"). In MIR, a given loan can only be included in one category. In COREP, a given item can only be included in one exposure class (e.g. a loan to a household secured by real estate property classified as a "bad loan" should only be included in one of the CRD SA exposure classes). In FINREP, a "loan" or "advance" should only be reported in one of the categories of the breakdown by product.	Reconciliation at the first level (portfolio approach: held for trading, loans and receivables, etc.) does not seem to be possible. However, at the second level (instrument approach), FINREP contains a breakdown between equity instruments/debt instruments/loans and advances, etc. This breakdown has an obvious equivalence with the MFI first level breakdown loans/securities other than shares /shares and other equity, etc. Among other things, the bridging allows to clarify the statistical classification of certain accounting entries specified in FINREP. Additionally, it is possible to re-use some statistical definitions for the FINREP breakdown by loans' product.
According to the CRD: i) for intermediaries adopting the standardised approach, exposures secured by mortgages on residential property or commercial real estate represent specific asset classes (Annex VI, Part 1, points 45-60 of Directive 2006/48/EC); ii) for intermediaries adopting the FIRB approach, real estate constitutes a specific type of funded credit protection (defined in Annex VIII, Part 1, points 13-19 and subject to the minimum requirements laid down in Annex VIII, Part 2, point 14 of Directive 2006/48/EC); iii) for intermediaries adopting the AIRB approach, specific requirements for the recognition of real estate in estimating own LGDs are determined (Annex VIII, Part 4, points 73-86 of Directive 2006/48/EC).	In general terms, the MIR framework and COREP refer to common definitions of real estate collateral. More specifically, the MIR Regulation states "If an MFI applies a system different from the "standardised approach" as defined in Directive 2006/48/EC 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: i) A divergence could emerge if the real estate was not considered eligible according to Annex VIII, Part 2, point 8 (minimum requirements, e.g. in terms of legal certainty and monitoring of property values). ii) 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 different impacts on the LGD, depending on the value of the ratio C/E (collateral/exposures) with respect to the thresholds C* and C** (Annex VIII, Part 3, points 62-72). The links between the concept of real estate collateral used both in BSI/MIR and in COREP and the concept of collateral used in FINREP Tables 6 and 16 D1 have not been explored.	

Issue	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	FINREP (IFRS) approach
Securitisation	In MIR there are no specific information requirements for securitisations. Derecognition rules are the same as in BSI.		
Bad debt loans	As mentioned above, bad loans, defined 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 definition of default in Directive 2006/48/EC" are excluded from MIR.		

COREP (CRD/CAD) approach	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
According to Article 4, point 36 of the CRD, "securitisation" means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics: (i) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and (ii) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme. According to Article 4, point 37 of the CRD, "traditional securitisation" means a securitisation involving the economic transfer of the exposures being securitised to a securitisation special purpose entity which issues securities. This shall be accomplished by the transfer of ownership of the securitised exposures from the originator credit institution or through sub-participation. According to Article 4, point 38 of the CRD, "synthetic securitisation" means a securitisation where the tranching is achieved by the use of credit derivatives or guarantees, and the pool of exposures is not removed from the balance sheet of the originator credit institution. According to Article 4, point 44 of the CRD, "securitisation special purpose entity (SSPE)" means a corporation trust or other entity, other than a credit institution, organised for carrying on a securitisation or securitisations, the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the SSPE from those of the originator credit institution, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.		
For banks adopting the standardised approach, see definition of past due items (Annex VI, Part 1, points 61-65 of the CRD). For banks adopting the IRB, see the definition of default (Annex VII, Part 4, points 44-48).		

Issue	MFI interest rate requirements (MIR)	MFI balance sheet requirements (BSI)	FINREP (IFRS) approach
Loans to HH and NFC collateralised by real estate (BSI)		New requirement following the recent BSI update: loans (total currency and euro denominated) to non-financial corporations and households, total maturity: new breakdowns by type of collateral (real estate collateral) of secured loans to NFCs and HH, also by purpose (consumer credit, house purchase, and sole proprietors).	In FINREP collateralised "loans and advances" are broken down into mortgages, other collateral, and guarantees.
Non-current assets held for sale and discontinued operations		BSI: no reporting requirements.	In FINREP non-current assets held for sale and the assets of a disposal group are identified separately from other assets in the balance sheet.

1) 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".

COREP (CRD/CAD) approach	Key similarities and differences between COREP, FINREP and MIR	Key similarities and differences between BSI and FINREP
		The BSI item "loans secured by real estate", which broadly matches the FINREP item "loans and advances backed by mortgages".
		The separate identification of non-current assets held for sale and the assets of a disposal group creates difficulties for bridging financial instruments in BSI and FINREP.

3 SCOPE OF APPLICATION OF IAS/IFRS, FINREP AND COREP, FOR BANKS, BY EU COUNTRY

Country	IAS/IFRS for solo b/s of listed corp.? 1)	IAS/IFRS for solo b/s of unlisted corp.? 1)	IAS/IFRS for cons. b/s of unlisted corp.? 1)	Use of FINREP (core/ non-core) 2)	Use of COREP (CA/GS/ CR/MR/OP) 3)	IAS impact the CBD? 4)
AT	No	No	Permitted	●/◖	●/●/◖/◖/◖	No
BE	No	No	Yes, required	●/●	●/●/◖/◖/◖	Yes
BG	Yes, required	Yes, required	Yes, required	●/●	●/●/●/●/●	Yes
CY	Yes, required	Yes, required	Yes, required	❡/❡ 5)	●/●/●/●/●	Yes
CZ	Yes, required	No	Yes, permitted	●/◖	◖/❡/◖/◖/◖	Yes
DK	Yes, permitted	Yes, permitted	Yes, permitted	❡/❡	❡/❡/◖/❡/◖	Yes
EE	Yes, required	Yes, required	Yes, required	●/❡	●/❡/◖/◖/◖	Yes
FI	Yes, permitted	Yes, permitted	Yes, permitted	❡/❡ 6)	◖/❡/◖/◖/●	Yes
FR	No	No	Yes, permitted	●/◖	◖/❡/◖/◖/◖	Yes
DE	No	No	Yes, permitted	❡/❡ 7)	●/❡/◖/◖/◖/	No
GR	Yes, required	Some, permitted	Some, permitted	●/❡	●/❡/●/●/◖	Yes
HU	No	No	No	❡/❡	◖/◖/◖/◖/●	No
IE	Yes, permitted	Yes, permitted	Yes, permitted	●/◖	●/●/●/●/● 8)	Yes
IT	Yes, required	Yes, required	Yes, required	◖/◖	◖/◖/◖/◖/◖	Yes
LV	Yes, required	Yes, required	Yes, required	◖/❡	●/❡/◖/◖/◖	Yes
LT	Yes, required	Yes, required	Yes, required	●/●	●/●/●/●/●	Yes
LU	Yes, required	Yes, required	Yes, required	●/◖	◖/❡◖/◖/◖/◖	No
MT	Yes, required	Yes, required	Yes, required	❡/❡	◖/●/◖/❡/●	Yes
NL	Yes, permitted	Yes, permitted	Yes, permitted	●/◖	●/●/●/●/◖	Yes
PL	Yes, permitted	Some, permitted	Yes, required	●/◖	●/●/●/●/●	Yes
PT	Yes, required	Some, permitted	Yes, required	❡/❡	●/❡/◖/◖/●	Yes
RO	No	No	Yes, required	●/❡	◖/●/◖/◖/●	Yes
SK	Yes, required	Yes, required	Yes, required	●/◖	◖/❡/◖/◖/◖	Yes
SI	Yes, permitted	Yes, required	Yes, required	◖/❡	◖/❡/●/●/◖	Yes
ES	Yes, required 9)	Yes, required 9)	Yes, required 9)	●/◖ 9)	●/●/●/●/●	Yes
SE	No	No	Yes, permitted	●/?	●/❡/◖/◖/◖	No
UK	Yes, permitted	Yes, permitted	Yes, permitted	❡/❡	●/ ❡/◖/◖/◖	No

1) Source: European Commission, updated as at 25/02/2008. Available on the Europa website at www.europa.eu.

2) Sources: CEBS (www.c-ebs.org) and JEGR members ● = fully used; ◖ = partially used; ❡ = not applied.

3) Source: CEBS (www.c-ebs.org). CA = Capital Adequacy; GS = Group Solvency; CR = Credit Risk; MR = Market Risk; OR = Operational Risk.

4) This shows the impact of the different use of IAS on consolidated banking data (CBD). Source: ECB, EU Banking Sector Stability Report, November 2007 (http://www.ecb.int/pub/pdf/other/eubankingsectorstability2007en.pdf). As at end-2006 the total assets of the sample of domestic credit institutions of "IFRS reporting countries" in the Consolidated Banking Data (CBD) was €15.6 trillion, while the total assets for "non-IFRS reporting countries" was €14.6 trillion.

5) The CEBS tables are silent on the Cypriot situation for FINREP. Information was obtained by the WGMFS member from the Banking Supervision Division of the Central Bank of Cyprus.

6) Finland plans to implement core FINREP in the future, but the timetable is still open.

7) While the CEBS tables indicate that Germany is using the core part of FINREP, the JEGR member has indicated that this is currently not the case.

8) For Irish COREP, detailed data may be requested on an ad hoc basis.

9) In Spain, IAS/IFRS are not directly applied but the legal text regulating banks' accounting (issued by Banco de España) is in line with IAS/IFRS, although with some concrete differences.

4 BRIDGING THE BSI REQUIREMENTS WITH FINREP EQUIVALENT

4.1 RECONCILIATION BETWEEN LOAN/DEPOSITS VALUATION METHODS

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

Nominal value	=	fair value
	+	impairment losses[2]
	-	accrued interest
	+/-	fair value measurement (included embedded derivatives[3])
	-/+	premiums/discounts in the acquisition or origination
	+	origination fees[4]
	-	transaction costs

Nominal value	=	amortised cost
	+	impairment losses
	-	accrued interest
	+/-	fair value hedge accounting in hedge items[5]
	-/+	premiums/discounts in the acquisition or origination
	+	origination fees[6]
	-	transaction costs

Regarding items needed to reconcile the nominal amount of loans and deposits with their carrying amount in IAS/IFRS, Regulation ECB/2008/32 establishes that "accrued interest" is included in "remaining assets" ("remaining liabilities") and "impairment losses" in "capital and reserves". The Regulation does not specify how the other items (fair value measurements, premiums/discounts in the acquisition or origination, etc.) should be classified in the BSI scheme. For the purpose of its classification system, the JEGR assumes that these balances are recorded under "capital and reserves". The JEGR also recommends that the forthcoming update of the MFI Guidance Notes clarifies this matter.

1 The signs are valid for items on the asset side.
2 Only applicable to loans included in the available-for-sale category.
3 Only applicable in the case of hybrid instruments included in the category of financial instruments at fair value through profit and loss. Other embedded derivatives are separated from the host contracts (IAS39.11) and separately presented in FINREP in the items "derivatives held for trading" or "derivatives – hedge accounting".
4 When they are an integral part of the effective interest rate of the financial instrument, according to IAS 18 (Appendix 14.a (i)).
5 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).
6 When they are an integral part of the effective interest rate of the financial instrument, according to IAS 18 (Appendix 14.a (i)).

4.2 BRIDGING THE BREAKDOWN OF LOANS BY PRODUCT

The bridging table below indicates which BSI Regulation definitions could be reused in the FINREP breakdown of loans and advances by product. In FINREP, the sum of all the items included in this breakdown shall be equal to the total of loans and advances in all IAS 39 portfolios plus on demand deposits included in the item "cash". Meanwhile, the definitions taken from the BSI Regulation belong to both the breakdown by instrument and to the breakdown by purpose; thus, for BSI purposes, a given loan could be included in various BSI items used for the bridging (e.g. it could be reported in both real estate collateral and credit for consumption). Furthermore, some BSI Regulation definitions are not relevant for this FINREP breakdown (loans granted to households and non-profit institutions serving households (when they are not consumer credit), syndicated loans, holdings of non-negotiable securities, and traded loans and loans granted on a trust basis). As a result, this bridging does not necessarily indicate which BSI items should be computed to calculate a given FINREP type of loans and advances (reconciliation) nor in which FINREP type of loans and advances should each BSI type of loan be reported (classification system).

Table 1 FINREP Loans and advances by product and BSI definitions of instrument categories

Revised FINREP Table 6 Loans and advances by product	BSI Regulation Annex II Part 2 Definitions of instrument categories
On demand (call) and short notice (current account)	Loans *that are* overnight deposits (*for the borrower*) Overdrafts
Other term loans	Revolving loans [1] Loans *that are* deposits with agreed maturity *and* deposits redeemable at notice (*for the borrower*) [1] Subordinated debt in the form of deposits or loans [1] *N/A*
Mortgage loans	Loans *with* real estate collateral *N/A*
Other secured loans	*N/A*
Factoring	*N/A*
Finance leases	Financial leases granted to third parties
Reverse repurchase loans	Claims under reverse repos or securities borrowing against cash collateral
Consumer credit	Credit for consumption [2] Credit card debt [3]
Other	*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)

1) 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 (in particular "mortgage loans", "other secured loans" or "consumer credit").
2) In FINREP, "credit for consumption" does not include those loans that qualify to be classified as FINREP "mortgage loans" or "other secured loans". In the BSI Regulation, "credit for consumption" includes all the loans granted for this purpose.
3) In FINREP, "credit card debt" includes credit granted to "retail", "non-financial corporates" and "other financial corporations". In the BSI Regulation, "credit card debt" comprises credit granted to "households" or "non-financial corporations".

Table 1 FINREP Loans and advances by product and BSI definitions of instrument categories (cont'd)

Revised FINREP. Table 6 Loans and advances by product		BSI Regulation. Annex II Part 2. Instrument categories. Loans	
Breakdown	Guidelines for implementation: definitions	Breakdown	Definitions
On demand (call) and short notice (current account)	Includes balances receivable on demand, at short notice, and similar balances, regardless of their legal form.	Loans *that are* overnight deposits *(for the borrower)*	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 and loans. … ESA 95 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). 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. This item includes: - balances (interest-bearing or not) which are immediately convertible into currency on demand or by close of business on the day following that on which the demand was made, without any significant penalty or restriction, but which are not transferable. - balances (interest-bearing or not) representing prepaid amounts in the context of "hardware-based" or "software-based" e-money (e.g. prepaid cards). - loans to be repaid by close of business on the day following that on which the loan was granted.
	This item also includes "overdrafts" that are debit balances on current account balances.	Overdrafts	Overdrafts are debit balances on current accounts. … exclude loans provided through credit cards.
Other term loans	Includes debit balances under unsecured or partially secured transactions 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 must not qualify to be classified in other items (in particular "mortgage loans", "other secured loans" or "consumer credit").
	This category includes "revolving loans" in which: i) the borrower may use or withdraw funds to a pre-approved credit limit without giving prior notice to the lender; ii) the amount of available credit can increase and decrease as funds are borrowed and repaid; iii) the credit may be used repeatedly; and iv) there is no obligation for regular repayment of funds. For this purpose, the amount to be reported is the total amount owed by the borrower, regardless of whether it is within or beyond any limit agreed beforehand between the lender and the borrower regarding the size or maximum period of the loan.	Revolving loans	Revolving loans are loans that have all the following features: i) the borrower may use or withdraw funds to a pre-approved credit limit without giving prior notice to the lender; ii) the amount of available credit can increase and decrease as funds are borrowed and repaid; iii) the credit may be used repeatedly; iv) 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.

Table 1 FINREP Loans and advances by product and BSI definitions of instrument categories (cont'd)

Revised FINREP. Table 6 Loans and advances by product		BSI Regulation. Annex II Part 2. Instrument categories. Loans	
Breakdown	Guidelines for implementation: definitions	Breakdown	Definitions
	This category also includes interbank deposits, whether transferable or not, and other fixed-term financial support, even if overnight.	Loans *that are* deposits with agreed maturity and deposits redeemable at notice *(for the borrower)*	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. 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.
	It also includes "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	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 "shares and other equity". For statistical purposes, subordinated debt is to be classified as either "loans" or "securities other than shares" according to the nature of the financial instrument.
	"project finance" (loans that are recovered solely from the income of the projects financed by them);	*N/A*	
	and "commercial paper" (single-payment bills and notes which serve as the instrument of loans to other debtors).	*N/A*	
Mortgage loans	Includes loans formally backed by real estate collateral in an amount sufficient to ensure total repayment.	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 Annex VIII, Part 1, points 13-19 of Directive 2006/48/EC, 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.
		N/A	Note: FINREP does not refer directly to Directive 2006/48/EC. Thus, "mortgage loans" could include loans whose collateral is not eligible for capital requirements purposes.

Table 1 FINREP Loans and advances by product and BSI definitions of instrument categories (cont'd)

Revised FINREP. Table 6 Loans and advances by product		BSI Regulation. Annex II Part 2. Instrument categories. Loans	
Breakdown	Guidelines for implementation: definitions	Breakdown	Definitions
Other secured loans	Includes loans formally backed by collateral other than mortgages (pledges of securities, cash, or other collateral) in an amount sufficient to ensure total repayment.	*N/A*	
Factoring	Includes loans to other debtors granted on the basis of bills or other documents created to transfer the right to receive the proceeds of transactions for the sale of goods or provision of services. This item includes all transfers (both with and without recourse) in which the transferor derecognises the financial asset transferred, or continues recognising it to the extent of its continuing involvement.	*N/A*	
Finance leases	Includes the carrying amount of finance lease receivables as defined in IAS 17.	Financial leases granted to third parties	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, or securities borrowing against cash collateral, see liability item 9.4.
Consumer credit	Includes "credit for consumption" (loans granted mainly for the personal consumption of goods and services) that are not classified as "mortgages" or "other secured loans",	Credit for consumption	Note: In FINREP, "credit for consumption" does not include those loans that qualify to be classified as FINREP "mortgage loans" or "other secured loans". In the BSI Regulation, "credit for consumption" includes all the loans granted for this purpose. Credit for consumption (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 comprised in this category, if the reporting MFI knows that the loan is predominantly used for personal consumption purposes.
	as well as credit granted to "retail", "non-financial corporates", and "other financial corporations" using delayed debit cards or credit cards (ECB/2008/32).	Credit card debt	Note: In FINREP, "credit card debt" includes credit granted to "retail", "non-financial corporates", and "other financial corporations". In the BSI Regulation, "credit card debt" comprises credit granted to "households" or "non-financial corporations".

Table 1 FINREP Loans and advances by product and BSI definitions of instrument categories (cont'd)

Revised FINREP. Table 6 Loans and advances by product		BSI Regulation. Annex II Part 2. Instrument categories. Loans	
Breakdown	**Guidelines for implementation: definitions**	**Breakdown**	**Definitions**
			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 is 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.
Other	Includes advances that cannot be classified as "loans" according to ECB/2008/32, such as gross amounts receivable in respect of suspense items (e.g. funds that are awaiting investment, transfer, or settlement) and transit items (e.g. 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 amount 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. […] f) amounts receivable not related to the main MFI business.

4.3 BRIDGING THE BSI AND FINREP INSTRUMENT BREAKDOWNS

This table describes the coverage of the instrument from the BSI side and lists the best matching FINREP items (from Tables 1.1 to 1.3). 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 existing in the FINREP balance sheet. The JEGR is currently developing a relational database in MS Access in order to formalise this bridging.

Table 2 Assets

BSI requirement	FINREP "equivalent"
Cash	
Holdings of euro and foreign banknotes and coins in circulation that are commonly used to make payments.	The following item of Table 1.1 should be considered: • "Cash". The following item of Table 6 should be subtracted: • Demand deposits held included in "Type of loans and advances – On demand [call] and short notice [current account]". Note: The definition of "cash" in IAS 7 "statement of cash flows" includes not only cash on hand (as in the BSI Regulation) but also demand deposits.
Loans	
Funds lent by reporting agents to borrowers, which are not evidenced by documents or are represented by a single document (even if it has become negotiable). It also includes assets in the form of deposits. It particularly includes the following: • Loans to households for all purposes (e.g. house purchase, consumer, etc.); • Credit card debt; • Revolving loans and overdrafts; • Syndicated loans; • Deposits with credit institutions; • Financial leases, which are lease contracts where the lessee incurs the costs and risks associated with the ownership of the good. The durable goods which have 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 debt loans in respect of which repayment is overdue or identified as being impaired; • 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 reserve repos, i.e. the counterpart paid out in exchange for securities purchased by reporting agents.	The following items of Table 1.1 should be added: • "Financial assets held for trading – loans and advances". The amount of losses for credit risk is available in Table 5.C. • "Financial assets designated at fair value through profit or loss – loans and advances". For this portfolio the amount of losses for credit risk is available in Table 4. • "Available-for-sale financial assets – loans and advances". For this portfolio, the amount of loans and advances gross of impairment is available in Table 5.B. • "Loans and receivables", excluding debt securities which can be traded in secondary markets (even only sporadically). For this portfolio, the amount of loans and receivables gross of impairment is available in Table 5.A. Notes: Currently, FINREP does not include a recommendation to separate "loans and advances" from "debt securities". IAS/IFRS does not solve this question as this distinction is not relevant for this accounting framework. If the BSI definitions of "debt securities" is adopted in FINREP (as proposed by JEGR), FINREP "loans and receivables – loans and advances" would not include BSI "securities other than shares" because debt securities which can be traded in secondary markets (even only sporadically) would be classified as "debt securities" (and never as "loans and advances"). • "Held-to-maturity investments – loans and advances". For this portfolio, the amount of loans and advances gross of impairment is available in Table 5.A. • Loans and deposits included in "non-current assets and disposal groups classified as held for sale". The following item of Table 6 should be subtracted: • "Type of loans and advances – other". This item includes advances that cannot be classified as "loans" according to ECB/2008/32 (without regarding the IAS 39 portfolio in which they are classified).

Table 2 Assets (cont'd)

BSI requirement	FINREP "equivalent"
	The following amount should be subtracted: • The difference between the carrying amount of the loans and their principal amount outstanding. Notes: 1) When available, accrued interest on loans and assets in the form of deposits should be removed from this category and classified on a "gross basis" under the category "remaining assets" in the BSI Regulation. However, in FINREP, accrued interest is recorded together with the underlying instrument. 2) "Loans and advances" include financial assets that do not meet the definition of loans in the BSI 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). These financial assets should be classified under the category "remaining assets". "Advances" are those "loans and advances" generally not included in the BSI definition of loans. 3) The definition of "cash" in IAS 7 "statement of cash flows" includes not only cash on hand (as in the BSI Regulation) but also demand deposits. 4) FINREP Table 5.C includes the amount of losses for credit risk for all "loans and advances" at fair value through profit or loss. The amount related to "loans and advances" classified as held for trading could be obtained (by differences) using the information available in this template and in Table 4. 5) Regarding items needed to reconcile the principal amount of loans and deposits with their carrying amount in IAS/IFRS, Regulation ECB/2008/32 establishes that "accrued interest" is included in "remaining assets" ("remaining liabilities") and "impairment losses" in "capital and reserves". The Regulation does not specify how the other items (fair value measurements, premiums/discounts in the acquisition or origination, etc.) should be classified in the BSI scheme. For the purpose of its classification system, the JEGR assumes that these balances are recorded under "capital and reserves". The JEGR also recommends that the forthcoming update of the MFI Guidance Notes clarifies this matter.
Securities other than shares	
Holdings of securities other than shares or other equity (debt securities), which are negotiable 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. It particularly includes the following: • 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; • Negotiable loans that have been restructured into a large number of identical documents and can be traded on secondary markets; • 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 separated 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 Table 1.1 should be added: • "Financial assets held for trading – debt securities"; • "Financial assets designated at fair value through profit or loss – debt securities"; • "Available-for-sale financial assets – debt securities"; • Debt securities classified as "loans and receivables – debt securities", which can be traded in secondary markets (even only sporadically). Notes: Currently, FINREP does not include guidelines to separate "loans and advances" from "debt securities". IAS/IFRS does not solve this question as this distinction is not relevant for this accounting framework. If the BSI definitions of "debt securities" is adopted in FINREP (as proposed by JEGR), FINREP "loans and receivables – debt securities" would only include BSI "securities other than shares". • "Held-to-maturity investments – debt securities"; • Debt securities included in "non-current assets and disposal groups classified as held for sale". The following items of Table 1.2 should be subtracted: • Debt securities included in "financial liabilities held for trading – short positions". Table 10 includes a distinction (not included in Table 1.2) between "short positions – in equity instruments" and "short positions – in fixed income instruments".

Table 2 Assets (cont'd)

BSI requirement	FINREP "equivalent"
	Notes: When an entity securitises a loan through a 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 with IAS 39, it should offset the liability to avoid the duplication of assets. Thus, the treatment in the BSI rules is different from the treatment applied in FINREP, where these securities are not recognised in the asset side but subtracted in the liability side previously recognised for the consideration received.
Money market fund shares/units	
Holdings of shares/units issued by MMFs. MMFs are CIU 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.	Parts of the following items of Table 1.1 should be added (only those parts issued by MMFs): • "Financial assets held for trading – equity instruments" issued by MMFs; • "Financial assets designated at fair value through profit or loss – equity instruments" issued by MMFs; • "Available-for-sale financial assets – equity instruments" issued by MMFs; • "Investments in associates, subsidiaries and joint ventures" issued by MMFs; • Equity instruments issued by MMFs included in "non-current assets and disposal groups classified as held for sale". The following items of Table 1.2 should be subtracted: • Equity instruments issued by MMFs included in "financial liabilities held for trading – short positions". Table 10 includes a distinction (not included in Table 1.2) between "short positions – in equity instruments" and "short positions – in fixed income instruments". Note: Those parts of "equity instruments" issued by MMFs are not separately available in FINREP.
Shares and other equity	
Holdings of securities which represent property rights in corporations or quasi-corporations. These securities generally entitle the holders to a share in the profits of corporations or quasi-corporations and to a share in their own funds in the event of liquidation. Mutual fund shares (other than MMF shares/units) are included here. "Short selling" positions in shares and other equity should be subtracted.	Parts of the following items of Table 1.1 should be added (except parts regarding MMFs): • "Financial assets held for trading – equity instruments", excluding shares/units issued by MMFs; • "Financial assets designated at fair value through profit or loss – equity instruments", excluding shares/units issued by MMFs; • "Available-for-sale financial assets – equity instruments", excluding shares/units issued by MMFs; • "Investments in associates, subsidiaries and joint ventures", excluding shares/units issued by MMFs; • Equity instruments included in "non-current assets and disposal groups classified as held for sale". The following items of Table 1.2 should be subtracted: • Shares and other equity (excluding shares/units issued by MMFs) included in "financial liabilities held for trading – short positions". Table 10 includes a distinction (not included in Table 1.2) between "short positions – in equity instruments" and "short positions – in fixed income instruments".

Table 2 Assets (cont'd)

BSI requirement	FINREP "equivalent"
Fixed assets	
It consists of non-financial assets, tangible or intangible, which are intended to be used repeatedly for more than one year by reporting agents. They include land and buildings occupied by the MFIs, as well as equipment, software and other infrastructure.	The following items of Table 1.1 should be added: • "Tangible assets"; • "Intangible assets". Note: Tangible and intangible assets classified under "non-current assets and disposal groups classified as held for sale" should not be classified as fixed assets, but instead as remaining assets, due to its non-current nature (i.e. to be sold within one year).
Remaining assets	
This item is regarded as 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; • 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 in the balance sheet, but instead off-balance sheet. They are for example guarantees, commitments, administered and trust loans.	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; • "Tax assets"; • "Other assets". All non-financial "non-current assets and disposal groups classified as held for sale", as they are intended to be sold within one year, as well as 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, deposit assets, debt securities and equity). The following item of Table 6 should be added: • "Type of loans and advances – other". This item includes advances that cannot be classified as "loans" according to ECB/2008/32 (without regarding the IAS 39 portfolio in which they are classified). Note: Financial assets included under "loans and advances" that do not meet the definition of loans in the BSI 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".
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 positive market values should be recorded on the asset side. Note: 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.
Of which: accrued interest	
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.

Table 3 Liabilities

BSI requirement	FINREP "equivalent"
Deposits	
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 meaning 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. 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. On the basis of current market practice, it is also suggested that 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 those margins that 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 deposits, according to national practice "earmarked balances related to e.g. leasing contracts" are classified as deposits, under "deposits with agreed maturity" or "deposits redeemable at notice" depending on the maturity/provisions of the underlying contract. 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.	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". • Part of "share capital repayable on demand" (if no significant penalties apply). 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 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/2008/32, Table 10. Notes: 1) When available, accrued interest on deposits and loans taken should be removed from this category and classified on a "gross basis" under the category "remaining liabilities" in the BSI Regulation. However, in FINREP, accrued interest is recorded together with the underlying instrument. 2) When an entity securitises a loan through a 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 from the treatment applied in FINREP, where these securities are not recognised in the asset side but subtracted in the liability side previously recognised for the consideration received. 3) Regarding items needed to reconcile the principal amount of loans and deposits with their carrying amount in IAS/IFRS, Regulation ECB/2008/32 establishes that "accrued interest" is included in "remaining assets" ("remaining liabilities") and "impairment losses" in "capital and reserves". The Regulation does not specify how the other items (fair value measurements, premiums/discounts in the acquisition or origination, etc.) should be classified in the BSI scheme. For the purpose of its classification system, the JEGR assumes that these balances are recorded under "capital and reserves". The JEGR also recommends that the forthcoming update of the MFI Guidance Notes clarifies this matter. 4) In FINREP, embedded derivatives in hybrid instruments are generally segregated from the host contracts (IAS 39.11) and separately presented in the 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.

Table 3 Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
• 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 agreements). 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.	
Money market fund shares/units	
Shares/units issued by MMFs. MMFs are CIU 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.	• N/A (MMFs are beyond the scope of FINREP)
Debt securities issued	
Securities other than shares (debt securities) issued by reporting agents, which are negotiable 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. It particularly includes the following: • 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;	The following items of Table 1.2 should be added: • "Financial liabilities held for trading – debt certificates"; • "Financial liabilities designated at fair value through profit or loss – debt certificates"; • "Financial liabilities measured at amortised cost – debt certificates". Debt securities included in "liabilities included in disposal groups classified as held for sale".

Table 3 Liabilities (cont'd)

<table>
<tr><th>BSI requirement</th><th>FINREP "equivalent"</th></tr>
<tr><td>• Non-negotiable (debt) instruments that have subsequently become negotiable should be reclassified as "debt securities";
• Subordinated debt 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 (combined instruments that contain embedded derivatives when their non-derivative host contract, from which the derivative is inseparable, has the form of a 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.</td><td>The following items of Table 1.2 should be subtracted:
• 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.
Notes: 1) According to IAS 39.42-AG58, when an entity repurchases a part of an issue of debt securities, this part is subtracted from the related financial liability (it is not recognised as a financial asset) in any case without regarding the intention of the issuer (e.g. 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).
2) In FINREP, embedded derivatives in hybrid instruments are generally segregated from the host contracts (IAS 39.11) and separately presented in the 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.</td></tr>
<tr><td colspan="2">Capital and reserves</td></tr>
<tr><td>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. Funds arising from non-distributed benefits or funds set aside by reporting agents in anticipation of likely future payments and obligations are also included. It particularly includes:
• Equity capital;
• Non-distributed benefits or funds;
• Specific and general provisions against loans, securities and other types of assets (may be recorded according to the accounting rules).</td><td>The following items of Table 1.1 should be subtracted:
• "Fair value changes of the hedged items in portfolio hedge of interest rate risk". It 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;
• "Fair value changes of the hedged items in portfolio hedge of interest rate risk". It 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).
The following items of Table 1.3 should be added:
• "Issued capital";
• "Share premium";
• "Other equity";
• "Revaluation reserves and other valuation differences";
• "Reserves";
• "Profit (loss) attributable to equity holders 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.
Note: 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).
• "Interim dividends".</td></tr>
</table>

Table 3 Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
	Parts of the following items of Table 7 should be added: • "Loans and advances – specific allowances for individually assessed financial assets" (excluding those "loans and advances" that do not meet the ECB definition of loans); • "Loans and advances – specific allowances for individually assessed financial assets" (excluding those "loans and advances" that do not meet the ECB definition of loans); • "Allowances for incurred but not reported losses on financial assets" (excluding those financial assets that do not meet the ECB definition of loans). The following item of Table 5.C: • "Loans and advances – amount of cumulative change in the fair values attributable to changes in 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 and their principal amount outstanding (excluding accrued interest receivable or payable). Notes: 1) 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 5.A, 5.B and 7. Table 5.C includes the amount of accumulated losses due to credit risk (a "proxy" for impairment losses) for "loans and advances" at fair value through profit or loss (including "held for trading" and "designated at fair value through profit or loss"). 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 the IAS 39 categories at fair value through profit or loss. FINREP does not include information to separate "loans and advances" that would be impaired (if not included in this category) from those that would not. Information about impairment (or accumulated losses due to credit risk) is not included for "loans and advances" classified as "non current assets and disposal groups classified as held for sale". 2) Regarding items needed to reconcile the principal amount of loans and deposits with their carrying amount in IAS/IFRS, Regulation ECB/2008/32 establishes that "accrued interest" is included in "remaining assets" ("remaining liabilities") and "impairment losses" in "capital and reserves". The Regulation does not specify how the other items (fair value measurements, premiums/discounts in the acquisition or origination, etc.) should be classified in the BSI scheme. For the purpose of its classification system, the JEGR assumes that these balances are recorded under "capital and reserves". The JEGR also recommends that the forthcoming update of the MFI Guidance Notes clarifies this matter.

Table 3 Liabilities (cont'd)

BSI requirement	FINREP "equivalent"
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; • Dividends to be paid; • Provisions representing liabilities against third parties (pensions, restructuring, etc.); • Net positions arising from securities lending without cash collateral; • Amounts payable not related to the core business. Notes: Contingent liabilities (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 are for example guarantees, commitments, administered and trust loans. Notes: Under IAS/IFRS, financial guarantees given and certain loan commitments given are recorded on balance sheet (IAS 39.47.(c)-(d)). In FINREP Table 1.2, these financial liabilities are included in "other financial liabilities" or, when in doubt, in "provisions – loan commitments and guarantees". The treatment in BSI statistics, in accordance with ESA 95, 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 held for trading"; • "Financial liabilities held for trading – other financial liabilities held for trading"; • "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"; • "Derivatives", "other financial liabilities" and "financial liabilities associated with transferred financial assets" included in "liabilities included in disposal groups classified as held for sale". This amount is not separately available in FINREP; • Other liabilities included in "liabilities included in disposal groups classified as held for sale".
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. Note: 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 held for trading"; • "Derivatives – hedge accounting"; • Derivatives included in "liabilities included in disposal groups classified as held for sale". This amount is not separately available in FINREP.
Of which: accrued interest	
Accrued interest on the category "deposits", i.e. interest that is payable on the balance sheet reporting date, but which is not due to be paid until a future date, is to 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 on the reporting date.	In FINREP, accrued interest is recorded together with the underlying instrument.

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK)

CASH

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
Holdings of euro and foreign banknotes and coins in circulation that are commonly used to make payments.	- Column 1 "original exposure pre conversion factors" - Rows: "on-balance-sheet items" - Exposure classes: "other items" for the part referring to cash in hand. (CRD Annex VI, Part I, point 84)	- Template: CR IRB - Column 2 "original exposure pre conversion factors" - Rows: "on-balance-sheet items"	- 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 approaches 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 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 percentage 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.

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.

LOANS

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
• Funds lent by reporting agents to borrowers, which are not evidenced by documents or are represented by a single document (even if it has become negotiable). It also includes assets in the form of deposits. It particularly includes:	- Column 1 "original exposure pre conversion factors" - Rows: a) "on-balance-sheet items"; b) "SFT and LST transactions" (for the part referring to reverse repos); c) part of the row "cross product netting" (for reverse repos, even if they cannot 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 17 "real estate". In the case of netting agreements the reported amount in column 2 conforms to the net value. - Rows: a) "on-balance-sheet items"; b) "SFT and LST transactions" (for the part referring to reverse repos); c) part of the row "cross product netting" (for reverse repos, even if they cannot 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 7 "securitisation exposures originated – total amount" - Traditional (for those securitisations for which, according to IAS/IFRS or local Gaaps, securitised exposures are not derecognised by the BSI, but that meet the criterion of significant credit risk transfer according to CRD) and synthetic securitisations. - Only for originators Note: In BSI the financial assets are derecognised when all risks and rewards of ownership are transferred. The reconciliation of BSI requirements with this template of COREP arises when loans not derecognised in BSI meet the securitisation criteria of the CRD. Note: In BSI, Tables 5a) and 5b) require data on securitisations and other loan transfers. The data relate to outstanding amounts of securitised loans not derecognised, outstanding amounts of loans serviced in securitisations and 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. 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.	1.3.2. Subordinated claims and other items in other credit and financial institutions in which holdings exceed 10% of their capital (for the part referring to loans). 1.3.3. Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings are up to 10% of their capital (for the part referring to loans). 1.3.5. Other instruments held in respect of insurance undertakings, reinsurance undertakings and insurance holding companies in which a participation is maintained (for the part referring to loans). 1.3.7. Certain securitisation exposures not included in risk-weighted assets (for the part referring to loans).

LOANS (cont'd)

	COREP "equivalent"		
	Credit risk		Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
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 only can 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" (included "short-term claims"), "retail" and "past due". **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 loan.	• N.A.
• Revolving loans and overdrafts;	• Rows: "on-balance-sheet items" (part). Exposure classes: all exposures, excluding "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 "other non credit-obligation assets". **Note:** COREP does not require specific data on this type of loan.	• Traditional securitisation (liquidity facilities)
• Syndicated loans;	• Rows: "on-balance-sheet items" (part). Exposure classes: all exposures, excluding "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: "real-estate" (when the loan-to-value is equal or lower than that established for inclusion as "real estate") and "corporate" and "retail" (when the loan-to-value is higher than that established for inclusion as "real estate"). **Note:** In BSI, the definition of "real estate" is the same as in COREP, but the loan-to-value can be up to 1.	• Rows: "on-balance-sheet items" (part). Exposure classes: "retail" (for the part referring to real estate that meets the CRD criteria to be included in this class).	• 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)	Solvency ratio overview (CA)
IRB approach (CR SEC IRB)	Detailed information (CR SEC details)		
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 in second stage of EMU 2. Currencies subject to intergovernmental agreements 3. Currencies closely correlated 4. All other currencies 5. Gold	
• N.A.	• Traditional and synthetic securitisation		
• Traditional securitisation (liquidity facilities)	• Traditional and synthetic securitisation		
• N.A.	• Traditional and synthetic securitisation		
• N.A.	• Traditional and synthetic securitisation		

LOANS (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
• 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 Directive 2006/48/EC. 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: "past due items", for the part referring to loans (see Annex 1 for more detailed comments). Note: The BSI definition of bad loans is the same as the CRD definition.	• Rows: "on-balance-sheet items". Exposure classes: all exposures, for the part referring to defaulted loans (PD in column 1 = 100%).	• Traditional securitisation
• 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 referring to subordinated loans (excluded, "covered bonds", "CIUs" and "other items"). For those claims towards credit and financial institutions and insurances which are deducted by own funds, see CA template (cells 1.3.2, 1.3.3, 1.3.5) for the part referring to loans.	• Rows: "on-balance-sheet items" (part). Exposure classes: all exposure classes, for the part referring to subordinated loans (excluded, "other non credit-obligation assets"). For those claims towards credit and financial institutions and insurances which are deducted by own funds, see CA template (cells 1.3.2, 1.3.3, 1.3.5) for the part referring to loans.	• Traditional securitisation
• Claims under reverse repos, i.e. the counterpart paid out in exchange for securities purchased by reporting agents.	• Rows: "SFT and LST" (for the part referring to reverse repos), part of the row "cross product netting" (for reverse repos, even if they cannot be separately identified). Exposure classes: all exposure classes (excluded, "real-estate", "covered bonds", "CIUs", "other items"). Note: COREP does not require specific data on this type of loan.	• Rows: "SFT and LST" (for the part referring to reverse repos), part of the row "cross product netting" (for reverse repos, even if they cannot be separately identified). Exposure classes: all exposure classes (excluded, "retail-real estate", "retail-qualifying revolving", "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)	Solvency ratio overview (CA)
IRB approach (CR SEC IRB)	Detailed information (CR SEC details)		
• Traditional securitisation	• Traditional and synthetic securitisation		
• Traditional securitisation	• Traditional and synthetic securitisation		
• N.A.	• N.A.		

SECURITIES OTHER THAN 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
Holdings of securities other than shares or other equity (debt securities), which are negotiable 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 referring to negotiable securities (excluded, "retail", "real estate", "other items"). - For those securities belonging to the trading book, see 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 referring to negotiable securities (excluded, "retail", "other non credit-obligation assets"). - For those securities belonging to the trading book, see 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
Detailed bridging with BSI items:	**Detailed bridging with BSI items:**	**Detailed bridging with BSI items:**	**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.	• As above. For those securities issued by credit and financial institutions and insurances which are deducted by own funds, see CA template (cells 1.3.2, 1.3.3, 1.3.5) - for the part referring to securities.	• As above. For those securities issued by credit and financial institutions and insurances which are deducted by own funds, see CA template (cells 1.3.2, 1.3.3, 1.3.5) - for the part referring to securities.	• Traditional and synthetic securitisation
• "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.	• N.A.

<table>
<tr><th colspan="4">COREP "equivalent"</th></tr>
<tr><th colspan="2">Credit risk</th><th>Market risk</th><th>Own funds</th></tr>
<tr><th colspan="2">Securitisation</th><th rowspan="2">Standard approach (MKR SA TDI, MKR SA EQU, MKR SA FX and MKR SA COM)</th><th rowspan="2">Solvency ratio overview (CA)</th></tr>
<tr><th>IRB approach (CR SEC IRB)</th><th>Detailed information (CR SEC details)</th></tr>
<tr><td>- Column 5 "original exposure pre conversion factors".
- Rows: "on-balance-sheet items" (part).
- Traditional and synthetic securitisations.</td><td>- Column 7 "securitisation exposures originated – total amount".
- Traditional (for those securitisations for which, according to IAS/IFRS or local Gaaps, securitised exposures are not derecognised by the BSI, but that meet the criterion of significant credit risk transfer according to CRD) and synthetic securitisations.
- Only for originators.</td><td>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.</td><td>1.3.2. Subordinated claims and other items in other credit and financial institutions in which holdings exceed 10% of their capital (for the part referring to securities).
1.3.3. Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings are up to 10% of their capital (for the part referring to securities).
1.3.5. Other instruments held in respect of insurance undertakings, reinsurance undertakings and insurance holding companies in which a participation is maintained (for the part referring to securities).
1.3.7. Certain securitisation exposures not included in risk-weighted assets (for the part referring to securities).</td></tr>
<tr><td>Detailed bridging with BSI items:
• Traditional and synthetic securitisation

• N.A.</td><td>Detailed bridging with BSI items:
• Traditional and synthetic securitisation

• N.A.</td><td>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)
1. General risk. Maturity-based approach
2. General risk. Duration-based approach
3. Specific risk
4. Particular alternative approach for position risk in CIUs</td><td></td></tr>
</table>

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

SECURITIES OTHER THAN SHARES (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach

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)		
		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 for 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	

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

SECURITIES OTHER THAN SHARES (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach

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)
		shall be the unmatched weighted position for the same band. The total of the matched weighted positions in all bands shall then be calculated. **General risk: Duration-based approach** The competent authorities may allow institutions in general or on an individual basis to use a system for calculating the capital requirement for the general risk on traded debt instruments which reflects duration. **Specific risk** This risk is calculated on a different basis for each issuer and therefore it 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, incl. MMF shares/units, 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, it 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.	

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

SECURITIES OTHER THAN SHARES (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach

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)
		Note: Under the BSI requirements, the positions in CIU are included in the items money market fund shares/units or shares and other equity. In addition to the above-mentioned capital requirements regarding the position risk, the positions in securities other than shares and money market fund shares/units 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 TB SETT should be added: 1. TOTAL UNSETTLED TRANSACTIONS IN THE TRADING BOOK (balance sheet values) 1.1 Transactions unsettled up to four days 1.2 Transactions unsettled between five and 15 days 1.3 Transactions unsettled between 16 and 30 days 1.4 Transactions unsettled between 31 and 45 days 1.5 Transactions unsettled for 46 days or more (*) Note: In accordance with the BSI Regulation, "where this may reduce the reporting burden on credit institutions and support the development of enhanced statistics, NCBs are encouraged to promote security-by-security reporting arrangements for the collection of the statistical information on MFIs' securities portfolios required by this Regulation".	

MONEY MARKET FUND SHARES/UNITS

	COREP "equivalent"		
	Credit risk		Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
Holdings of shares/units issued by MMFs (see Section 4.1). MMFs are CIU 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.	- Column 1 "original exposure pre conversion factors" - Rows: "on-balance-sheet items" - Exposure classes: collective investment undertakings (CIUs), for the part referring to MMFs. - For those MMFs belonging to the trading book, see 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 referring to MMFs (excluded, "retail", "other non credit-obligation assets"). - For those MMFs belonging to the trading book, see 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 COM)	Solvency ratio overview (CA)
IRB approach (CR SEC IRB)	Detailed information (CR SEC details)		
- N.A.	- N.A.	As above for securities other than shares.	1.3.1 Holdings in other credit and financial institutions amounting to more than 10% of their capital (for the part referring to MMF).

SHARES AND OTHER EQUITY

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
Holdings of securities which represent property rights in corporations or quasi-corporations. These securities generally entitle the holders to a share in the profits of corporations or quasi-corporations and to a share in their own funds in the event of liquidation. Mutual fund shares (other than MMF shares/units) are included here.	- Column 1 "original exposure pre conversion factors" - Rows: "on-balance-sheet items" - Exposure classes: "institutions" and "other items" (both for the part referring to shares) - For those shares belonging to the trading book, see MKR template. - For those shares issued by credit and financial institutions and insurances which are deducted by own funds, see CA template (cells 1.3.1, 1.3.3, 1.3.4, 1.3.5), for the part referring to shares. Note: COREP does not include a definition of equity 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 EQU IRB - Column 2 "original exposure pre conversion factors" - Rows: "on-balance-sheet items" - For those shares belonging to the trading book, see MKR template. - For those shares issued by credit and financial institutions and insurances which are deducted by own funds, see CA template (cells 1.3.1, 1.3.3, 1.3.4, 1.3.5), for the part referring to shares. Note: COREP does not include a definition of equity 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. In COREP, the short selling of securities is not deducted from the securities held by the entity.	- N.A.
"Short selling" positions in shares and other 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)	Solvency ratio overview (CA)
IRB approach (CR SEC IRB)	Detailed information (CR SEC details)		
- N.A.	- N.A.	The position risk on equity (or equity derivatives) 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 owing 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 owing (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. **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.	1.3.1 Holdings in other credit and financial institutions amounting to more than 10% of their capital (for the part not referring to MMF). 1.3.4 Participations held in insurance undertakings, reinsurance undertakings and insurance holding companies. 1.3. 9 Qualified participating interest in non-financial institutions. 1.7.2 Participations in insurance undertakings.

SHARES AND OTHER EQUITY (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach

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)		
		By derogation, 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. **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) 1. General risk 2. Specific risk 3. 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.	

SHARES AND OTHER EQUITY (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

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)
		In addition to the above-mentioned capital requirements regarding the position risk, the positions in securities other than shares and money market fund shares/units 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 value.** The following items of table CR TB SETT should be added (balance sheet values): 1. TOTAL UNSETTLED TRANSACTIONS IN THE TRADING BOOK 1.1. Transactions unsettled up to four days 1.2. Transactions unsettled between five and 15 days 1.3. Transactions unsettled between 16 and 30 days 1.4. Transactions unsettled between 31 and 45 days 1.5. Transactions unsettled for 46 days or more.	

FIXED ASSETS

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
It consists of non-financial assets, tangible or intangible, which are intended to be used repeatedly for more than one year by reporting agents. They include land and buildings occupied by the MFIs, as well as equipment, software and other infrastructure.	- Column 1 "original exposure pre conversion factors" - Rows: "on-balance-sheet items" - Exposure classes: "other items" for the part referring to tangible assets. For intangible assets which are deducted from own funds, see CA template cells 1.1.5.1	- 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 referring to tangible assets For intangible assets which are deducted from own funds, see CA template cells 1.1.5.1	- 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)	Solvency ratio overview (CA)
IRB approach (CR SEC IRB)	Detailed information (CR SEC details)		
- N.A.	- N.A.	- N.A.	1.1.5.1. Intangible assets

REMAINING ASSETS

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
This item is regarded as 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; • 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 in the balance sheet, but instead off balance sheet. They are for example guarantees, commitments, administered and trust loans.	- Column 1 "original exposure pre conversion factors" - Rows: a) "on-balance-sheet items" (part). b) "SFT and LST" (for the part other than the one referring to reverse repos). c) derivatives (if netting agreements are applied, only the net value is reported in column 1). d) part of the row "cross product netting" (other than the one referring to reverse repos, even if they cannot be separately identified) (exposures are reported after netting in column 1). - Exposure classes: all exposures, excluding "real estate", "covered bonds", "CIUs", "past due".	- Template: CR IRB - Column 2 "original exposure pre conversion factors" - Rows: a) "on-balance-sheet items" (part). b) "SFT and LST" (for the part other than the one referring to reverse repos). c) derivatives (if netting agreements are applied, only the net value is reported in column 1). d) part of the row "cross product netting" (other than the one referring to reverse repos, even if they cannot be separately identified) (exposures are reported after netting in column 1). - Exposure classes: all exposures, excluding "retail-real estate".	- Column 5 "original exposure pre conversion factors" - Rows: "off balance sheet and derivatives" (for the part referring to derivatives) - Traditional securitisation

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)
- Column 5 "original exposure pre conversion factors" - Rows: "off balance sheet and derivatives" (for the part referring to derivatives) - Traditional securitisation	- N.A.	Each position in **commodities or commodity derivatives** shall be expressed in terms of the standard unit of measurement. The spot price in 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 instrument 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** 1. Maturity ladder approach 2. Extended maturity ladder approach 3. 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.	1.3.2. Subordinated claims and other items in other credit and financial institutions in which holdings exceed 10% of their capital (for the part referring to accrued interest of loans). 1.3.3. Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings are up to 10% of their capital (for the part referring to accrued interest of loans). 1.3.5. Other instruments held in respect of insurance undertakings, reinsurance undertakings and insurance holding companies in which a participation is maintained (for the part referring to accrued interest of loans). 1.3.7. Certain securitisation exposures not included in risk-weighted assets (for the part referring to accrued interest of loans).

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

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)
		Competent authorities may allow positions in the same commodity to 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 ten 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** Competent authorities may authorise institutions to use the minimum spread when they: • undertake significant commodities business; • have a diversified commodities portfolio. **In addition to the above-mentioned capital requirements regarding the position risk, positions in commodities and financial derivatives shall be subject to two further capital requirements:**		

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

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

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)		
		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 TB SETT should be added (balance sheet values): 1. TOTAL UNSETTLED TRANSACTIONS IN THE TRADING BOOK 1.1. Transactions unsettled up to 4 days 1.2. Transactions unsettled between 5 and 15 days 1.3. Transactions unsettled between 16 and 30 days 1.4. Transactions unsettled between 31 and 45 days 1.5. Transactions unsettled for 46 days or more	

OF WHICH: FINANCIAL DERIVATIVES

	COREP "equivalent"		
	Credit risk		Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	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: a) derivatives (if netting agreements are applied, only the net value is reported in column 1). b) part of the row "cross product netting" (for the part referring to derivatives, even if they cannot be separately identified); exposures are reported after netting in column 1. - Exposure classes: all exposures, excluding "real estate", "covered bonds", "CIUs", "past due". Note: In COREP, the relevant amount for derivatives is the notional amount; meanwhile for BSI the relevant amount is the fair value.	- Template: CR IRB - Rows: a) derivatives (if netting agreements are applied, only the net value is reported in column 1). b) part of the row "cross product netting" (for the part referring to derivatives, even if they cannot be separately identified); exposures are reported after netting in column 1. - Exposure classes: all exposures, excluding "retail-real estate", "other non credit-obligation assets". Note: In COREP, the relevant amount for derivatives is the notional amount; meanwhile 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 referring to derivatives).

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)		
- Column 5 "original exposure pre conversion factors" - Rows: "off balance sheet and derivatives" (for the part referring to derivatives).	- N.A.	As above for remaining assets Note: In COREP, the relevant amount for derivatives is the notional amount; meanwhile for BSI the relevant amount is the fair value.	

OF WHICH: ACCRUED INTEREST

	COREP "equivalent"		
	Credit risk		Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	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 COM)	
IRB approach (CR SEC IRB)	Detailed information (CR SEC details)		Solvency ratio overview (CA)
N.A. In COREP accrued interests are reported together with the principal.	N.A. In COREP accrued interests are reported together with the principal.		As above for remaining assets.

DEPOSITS

BSI requirement	COREP "equivalent"		
	Credit risk		
			Securitisation
	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
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 meaning 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. This category includes subordinated debt issued by the entity in the form of deposits or loans.			

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)
			• 1.1.4.1 Non-innovative instruments subject to limit (for the part referring to deposits). • 1.1.4.2 Innovative instruments subject to limit (for the part referring to deposits). • 1.2.2.3 Subordinated loan capital (for the part referring to deposits). • 1.2.2.4 Country-specific supplementary additional own funds (for the part referring to deposits). • 1.6.3 Short-term subordinated loan capital (for the part referring to deposits). Note: COREP does not include a definition of deposits 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.

DEBT SECURITIES ISSUED

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
Securities other than shares (debt securities) issued by reporting agents, which are negotiable 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. It particularly includes the following. • 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).			

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)
			• 1.1.4.1 Non-innovative instruments subject to limit (for the part referring to debt securities issued). • 1.1.4.2 Innovative instruments subject to limit (for the part referring to debt securities issued). • 1.1.1.4 Other instruments eligible as capital (for the part referring to debt securities issued, e.g "share capital repayable on demand", if significant penalties apply). • 1.1.4.4 Other country-specific original own funds: other (when its nature is not capital). • 1.2.1.6 Securities of indeterminate duration and other instruments • 1.2.2.2. Fixed-term cumulative preferential shares. • 1.2.2.3 Subordinated loan capital (for the part referring to debt securities issued). • 1.2.2.4 Country-specific supplementary additional own funds (for the part referring to debt securities issued). • 1.6.3. Short-term subordinated loan capital (for the part referring to debt securities issued). 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.

DEBT SECURITIES ISSUED (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
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.			

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)		

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

CAPITAL AND RESERVES

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach
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. Funds arising from non-distributed benefits or funds set aside by reporting agents in anticipation of likely future payments and obligations are also included. It particularly includes: • Equity capital; • Non-distributed benefits or funds. Specific and general provisions against loans, securities and other types of assets may be recorded according to the accounting rules.			

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)
			The following items of Table CA should be added: • 1.1.1.1 Paid up capital; • 1.1.1.3. Share premium; • 1.1.1.4 Other instruments eligible as capital (for the part referring to instruments classified as capital and reserves, e.g "share capital repayable on demand", if not significant penalties apply); • 1.1.2.1 Reserves; • 1.1.2.6 Valuation differences eligible as original own funds + 1.1.2.6.02, 1.1.2.6.04, 1.1.2.6.06, 1.1.2.6.08, 1.1.2.6.10, 1.1.2.6.12, 1.1.2.6.14, 1.1.2.6.16, adjustments made to valuation differences; • 1.1.2.3.01 income (positive) from current year + 1.1.2.4a.01 income from current year when it is unaudited +1.1.2.4b.01 (-) income (negative) from current year; • 1.1.3 Funds for general banking risks; • 1.1.4.1. Other country-specific original own funds: non-innovative instruments subject to limit (when its nature is capital); • 1.1.4.2. Other country-specific original own funds: innovative instruments subject to limit (when its nature is capital); • 1.1.4.4 Other country-specific original own funds: other (when its nature is capital); • 1.2.1.3. Revaluation reserves; • 1.2.1.4 Value adjustments for credit risk positions in standardised approach (for the part referring to loans);

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

CAPITAL AND RESERVES (cont'd)

	COREP "equivalent"		
	Credit risk		
			Securitisation
BSI requirement	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach

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)		
			• 1.2.1.5 Other items; • 1.2.1.7 IRB provision excess. The following items of Table CA should be subtracted: • 1.1.1.2 Own shares. 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.

5 BRIDGING THE BSI REQUIREMENTS WITH COREP EQUIVALENT (EXCEPT OPERATIONAL RISK) (cont'd)

CAPITAL AND RESERVES (cont'd)

BSI requirement	COREP "equivalent"		
	Credit risk		
			Securitisation
	Standard approach (CR SA)	IRB approach (CR IRB and CR EQU IRB)	Standard approach

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)
			The BSI Regulation does not specify how should be classified valuation adjustments made in loan/deposits other than "accrued interest" and "impairment losses" (fair value measurements, premiums/discounts in the acquisition or origination, etc.). For the purpose of its classification system, the JEGR assumes that these amounts are also recorded under "capital and reserves". These amounts are not available in COREP.

6 ASSESSMENT OF THE LINKS BETWEEN BSI REQUIREMENTS AND COREP EQUIVALENT (OPERATIONAL RISK)

According to Basel II, operational risk is a significant risk faced by credit institutions requiring coverage by own funds. Operational risk 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 preliminary conclusion is that there are no direct links between the two frameworks.

	COREP		
	Operational risk		
BSI	Basic Indicator Approach	Standardised Approach	Advanced Measurement Approaches
	The capital 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, credit institutions shall divide their activities into a number of business lines. The business lines 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 For each business line, credit institutions shall calculate a capital requirement for operational risk as a certain percentage of a relevant indicator, expressed in terms of gross income. (Table 2 Consolidated Income Statement – continuing operations.) The capital requirement for operational risk under the standardised approach shall be the sum of the capital requirements for operational risk across all individual business lines. 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 practice this may occur very rarely. In order to obtain approval, credit institutions must have in place regular reporting procedures of 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 include the use of i) internal data, ii) external data, iii) scenario analysis, and iv) factors reflecting the business environment and internal control systems. A credit institution must have a well documented approach for weighting the use of these four elements in its overall operational risk measurement system. External data (the second factor), i.e. operational risk data produced by other credit institutions, are hardly comparable – for this reason, a bank should use scaling techniques in order to adapt its own data frequency distribution with the external data.

BSI	COREP Operational risk: Basic Indicator Approach	COREP Operational risk: Standardised Approach	COREP Operational risk: Advanced Measurement Approaches
			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. Credit institutions must 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 on operational risk for the basic approach does not have a corresponding item in BSI reporting. **NOT APPLICABLE**	The items included in the COREP template on operational risk for the standardised approach (breakdown by business line) do not have corresponding items in BSI reporting (breakdown by instruments). **Note:** Since business lines refer to items of the income statement (rather than to balance sheet items), there is no possibility of reconciling certain business lines with BSI items. **NOT APPLICABLE**	The item included in the COREP template on operational risk for the advanced approaches does not have a corresponding item in BSI reporting. **NOT APPLICABLE**

LIST OF PARTICIPANTS AND CONTRIBUTORS

Country	Sponsor	Name
BE	BSC	Mr Jean-Michel Delaval
BE	STC	Ms Claudine Gouyette
BG	STC	Ms Rumyana Ruseva
BG	BSC/CEBS	Ms Margarita Angelova
CZ	STC	Mr Vlastimil Vojacek
CZ	BSC	Ms Jarmila Musilova
DK	STC	Ms Carina Moselund Jensen
DE	BSC	Mr Raoul Nägele, Mr Benno Wink and Mr Ulrich Hemminghaus
DE	STC	Mr Ingo Techet
EE	STC	Mrs Kristel Leo
IE	STC	Mr Rory McElligott
GR	STC	Mr Nicos Kamberoglou
GR	BSC/CEBS	Ms Dionysia Liakou
ES	STC	Ms Pilar Pérez
ES	BSC	Mr Carlos Rodriguez
FR	STC	Mr Pierre Olivier Cousseran (Chair)
FR	BSC	Mr Jean-Luc Menda
IT	STC	Ms Laura Mellone
IT	BSC	Mr Luca Serafini
LV	CEBS	Ms Marina Milancevica
LT	STC	Ms Jurgita Maslauskaite and Mr Zilvinas Kalinauskas
LU	STC	Mr Philippe Arondel and Mr Yann Wicky
HU	STC	Ms Zsuzsa K. Schäffer, Mr Istvan Valyi and Ms Brigitta Simonné Sulyok
HU	BSC	Mr Róbert Szegedi, Mr Ákos Bakonyi and Mr László Tompits
HU	CEBS	Ms Ferencne Bakacs and Ms Judit Gelegonya
MT	CEBS	Ms Sharon Marya Tortell and Ms Annelise Borg Chircop
NL	STC	Mr Ed Vergeer and Mr Micha Keijer
AT	STC	Mr Michael Strommer
PL	BSC	Mr Krzysztof Burlaga and Ms Ewa Andrzejuk
PL	STC	Ms Malgorzata Lichota
PL	CEBS	Mr Jaroslaw Orlik and Ms Barbara Piaskowska
PT	STC	Ms Carla Marques and Mr Filipe Morais
PT	BSC	Ms Fátima Silva
SI	BSC	Ms Damjana Iglic and Ms Karmen Kuncic
SI	STC	Mr Janez Fabijan and Mr Dusan Murn
SK	STC	Ms Miroslava Kadarová and Ms Andrea Bernathova
FI	STC	Mr Eero Savolainen
SE	STC	Mr Kristian Tegbring

UK	CEBS	Mr John Thorp and Ms Faridah Pullara
	ECB	Ms Caroline Willeke
	ECB	Mr Paolo Poloni (Secretary)
	CEBS	Mr Ludger Hanenberg and Mr Wolfgang Strohbach

Other attendees/contributors

	ECB	Mr Alexander Cho
	ECB	Mr Patrick Sandars
	ECB	Mr Jani Matilainen
	ECB	Ms Kamila Karmand
	ECB	Ms Anna Maria Agresti
	ECB	Mr Almiro Moreira
	Banca d'Italia	Mr Vincenzo Capone