



Ms. Isabelle Vaillant
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18 February 2014

Ref.: BAN/AKI/PKR/JPL

Dear Ms. Vaillant,

Re: FEE letter on country-by-country reporting requirements under Article 89 of the Capital Requirements Directive IV (2013/36/EU)

FEE (the Federation of European Accountants, www.fee.be) has taken good note of the key provisions including the country-by-country reporting requirements as stated in Article 89 of the Capital Requirements Directive IV (CRD IV Directive) of 26 June 2013.

Article 89 of the CRD IV Directive stipulates that from 1 January 2015 European Union Member States shall require institutions to disclose by Member State and by third country where they have an establishment, on a consolidated basis for the financial years:

- a. Name(s), nature of activities and geographical location;
- b. Turnover;
- c. Number of employees on a full time equivalent basis;
- d. Profit or loss before tax;
- e. Tax on profit or loss;
- f. Public subsidies received.

Institutions must disclose the information referred to under paragraphs (a), (b) and (c) for the first time on 1 July 2014. By 1 July 2014, all global systemically important institutions authorised within the EU shall submit to the European Commission the information referred to in paragraphs (d), (e) and (f) on a confidential basis.

Furthermore, it is stated that the information referred to above under Article 89 (items a-f) will be audited in accordance with the EU's Accounting Directive (2013/34/EU) and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the institution concerned.

FEE is therefore particularly concerned about these new requirements and would like to request the European Banking Authority to clarify certain outstanding points which stem from these requirements, as indicated below.

Definitions of reportable items

The disclosure requirements use terms which need to be defined to ensure consistency of disclosures provided by banks and audited by their auditors. We would like to highlight that the definition of turnover in the banking context, as opposed to the standard corporate world, is unclear and subject to various interpretations. The definition thus requires clarification, as well as its encompassed scope.

We have the same interrogations concerning income tax. Does it contain only current tax expense or also deferred tax? If deferred tax is included, does it comprise only the profit or loss element, or also changes in deferred tax recognised in other comprehensive income? Alternatively, should it include only the tax cash-flows made in the relevant period?

Location of disclosures and audit consequences

Should or could the country-by-country reporting requirements be included in the notes to the financial statements, which represent an inherent part of these statements, or does the requirement asks to design a new separate annex to the financial statements?

Country of transaction, scope of disclosures and intragroup transactions

It is expected that transactions will be attributed to the country of the unit of the group that is party to the transaction. How should intra-group cross-border transactions and consolidation adjustments be treated? How should the impact of associates and joint-ventures on the reported figures be dealt with?

Timing of disclosures and period covered – implementation

The legislation refers to the following deadlines: “*on 1 July 2014*” and “*from 1 January 2015*”. It is not clear whether these dates define the reporting deadline or the period covered by the reporting. We would assume that the disclosures need to cover a predefined period and that the legislation requires to present them as an annex to financial statements. Since financial statements are issued on an annual basis, the period covered should ideally cover one year. Therefore, a clarification if the “*on 1 July 2014*” deadline refers to a reporting deadline, and that the period reported is expected to be the year 2013, would be greatly appreciated.

If it is indeed the case, we would also need an explanation on how these would be annexed to a set of financial statements, since the latter will have normally been issued. We would also need clarification whether the term “*from 1 January 2015*” means that the full disclosures should cover the year 2015 and be presented as an annex to the 2015 financial statements or, alternatively, whether it means that 2014 disclosures are mandated and should be disclosed as an annex to the 2014 financial statements published after 1 January 2015.

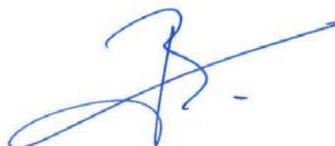
We thank you very much in advance for the clarifications you will be providing us.

For further information on this matter, please contact Ms. Hilde Blomme, FEE Deputy CEO, on +32 2 285 40 77 or via e-mail at hilde.blomme@fee.be.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'AK', written in a cursive style.

André Killesse
President

A handwritten signature in blue ink, appearing to be 'OBT', written in a cursive style.

Olivier Boutellis-Taft
Chief Executive