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**2018 stress test, FINREP and COREP
Specifically: Reports based on IFRS 9**

17-06-21

Dear Sir or Madam,

At the beginning of December 2016, the European Banking Authority (EBA) published the final Implementing Technical Standard (ITS) on amendments to reporting of financial information (FINREP) due to IFRS 9. The ITS mainly results in changes to IFRS templates but also to nGAAP templates. Commission Implementing Regulation No. 680/2014 ('the Implementing Regulation') was amended in order to reflect these changes, which banks will apply for the first time to FINREP reports with a reporting date of 31 March 2018. Given that IFRS 9 will start to be applied from 1 January 2018, there are timing conflicts in respect of the FINREP reports to be submitted by 12 May 2018.

Furthermore, the EBA is planning a stress test that is due to begin at the start of 2018. On 7 June 2017 the EBA published its 2018 EU-wide stress test draft methodology and templates for discussion with the industry. The German Banking Industry Committee will comment on this draft separately. IFRS 9 figures should be used for the stress test. However, these figures will not be available at the beginning of 2018.

The timing of the transition from accounting under IAS 39 to accounting under IFRS 9 is as follows: The starting point for preparing the IFRS 9-compliant opening balance sheet is the 2017 annual financial statements, which will be routinely audited the following March. The subsequent IFRS 9-compliant opening balance sheet is therefore expected to be audited in mid-May 2018. However, current postings for period-specific financial

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statements based on IFRS 9 cannot be made until the opening balance sheet has been prepared. Moreover, the new systems have to be validated and stabilized before they can be used for current postings. As a result of the necessary time-consuming substeps, the first IFRS 9 quarterly financial statements for the reporting date of 31 March 2018 is expected to be ready at the end of May 2018 at the earliest.

It will therefore be hardly possible to submit the FINREP reports based on the new or significantly amended FINREP templates by the regular deadline (12 May 2018). The same applies to the COREP reports based on financial reporting data and to the calculation of the IFRS 9 transition effects (article 473a in the CRR draft). In view of the challenges in relation to processes and IT systems, we are therefore calling for the submission deadlines for the first FINREP and COREP reports based on IFRS 9 to be postponed by at least four weeks. Accordingly, the daily monitoring of large exposures in accordance with IFRS 9 cannot start until the end of May 2018 at the earliest.

In this context, we also do not believe that it will be possible to provide stable IFRS 9 figures for the first and second quarters of 2018 for the EBA's 2018 stress test. To ensure that IFRS 9 figures are reliable, we are calling for the stress test to be postponed by at least three months.

We would be grateful if you could take the timings described above into account in your planning.

Yours sincerely,
on behalf of the German Banking Industry Committee
National Association of German Cooperative Banks

by proxy



Gerhard Hofmann

by proxy



Bernhard Krob