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European Commission
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19 November 2010

Ref.: BAN/HvD/LF/ID

Dear Sir or Madam,

Re: FEE Comments on EC Consultation Document *Countercyclical Capital Buffer*

- (1) FEE (the Federation of European Accountants) is pleased to provide you with its comments on the European Commission Consultation Document *Countercyclical Capital Buffer* (the “consultation document”).
- (2) We acknowledge that the Commission’s February 2010 Consultative Document on Possible Further Changes to the Capital Requirements Directive (CRD) already included a proposal for a capital conservation buffer and that as a result of the work carried out by the Basel Committee on Banking Supervision (BCBS) also in this area, it has been considered necessary to put out a second consultation on capital buffers. We commend the alignment of the EC and the BCBS to progress in this field which is fundamental to enhancing the well functioning of the banks system.
- (3) FEE provided comments to the EC in April 2010 on specific sections and aspects of the CRD IV proposals most relevant to our professional area of expertise, and to the earlier EC consultation on amendments to the CRD that was conducted during July – September 2009. The comments of our present letter are limited to a brief reiteration of key points provided to the EC in the context of their review of the CRD and in particular most relevant to the specific topic of the current consultation.

Level-playing-field

- (4) We welcome the step undertaken by the EC to launch a second public consultation on the proposal for a capital buffer. In order to avoid regulatory arbitrage and ensure a level-playing-field for the banks within EU in the highly competitive and globalised banking sector, it is indeed vitally important to ensure that any significant changes to the CRD are closely aligned with the initiatives of the Basel Committee on Banking Supervision and their implementation in key economies.

- (5) Furthermore, we believe that the CRD measures should be considered and assessed in the context of the comprehensive financial reform since the combined effects of all implemented proposals would exceed their simple addition.

Countercyclical measures

- (6) On the proposal for countercyclical measures in general, we refer to our previous comments on the specific proposal for a Through-the-cycle provisioning for expected credit losses, on which FEE presented the strong view that the proposals set out in relation to Through-the-cycle provisioning (“TTC provisioning”) should remain in the prudential reporting domain and should not be reflected in the income statements or statements of other comprehensive income prepared on the basis of IFRS or local GAAP, as the TTC provisioning does not allow to properly present the underlying performance of financial institutions to investors. If the proposed information is needed for the purpose of achieving financial stability, this should be ensured in regulatory reporting outside financial statements (prudential filters) or in the notes to the financial statements.
- (7) We would like to stress the importance to retain transparency of financial reporting and level-playing-field for financial institutions competing on global financial markets. We also refer to the FEE Policy Statement of March 2009 “Dynamic Provisioning for Financial Instruments”.

General purpose financial reporting and regulatory reporting

- (8) FEE supports the use of general purpose financial reporting for regulatory reporting purposes where it allows regulators to achieve their objective of ensuring financial stability. In our view, the primary role of financial reporting in financial stability is to restore market confidence with requirements aimed at providing transparency and a true and fair view on financial position at a particular date and performance within individual reporting periods. If additional requirements in significant areas are needed for the purpose of achieving financial stability, this should be ensured through divergent requirements in regulatory reporting outside of the general purpose financial statements (prudential filters) or alternatively in the notes to financial statements.

For further information on this letter, please contact Leyre Fuertes, Project Manager, at the FEE Secretariat on +32 2 285 40 76 or via email at leyre.fuertes@fee.be.

Yours sincerely,



Hans van Damme
President