



Mr. Wolf Klinz

MEP

European Parliament

Bât. Altiero Spinelli

10G142

60, rue Wiertz / Wiertzstraat 60

B-1047 Bruxelles/Brussel

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wolf.klinz@europarl.europa.eu

E-MAIL

Cash flow statements for banks and financial statements under XBRL - Amendments 2, 4, 10 and 15 ECON Draft Opinion Accounting Directive

Dear Mr. Klinz,

Your draft opinion for the ECON Committee on the Commission Proposal on the annual financial statements, consolidated financial statements and related reports of certain undertakings (revising and replacing the 4th and 7th accounting directives) suggests to require medium-sized and large companies to prepare a mandatory cash flow statements.

The members of the EACB have strong reservations regarding mandatory cash flow statements for banks. A bank is different from an industrial firm with investments in assets, which should generate cash flow over time to generate a net profit. The core business of a bank is financing customers and investing in financial assets which requires a far more elaborated approach to solvency and liquidity.

A cash flow statement shows how changes in balance sheet and income accounts affect cash and cash equivalents. It provides a cash basis report on operating, investing and financing activities. In order to comply with IAS 7 (which deals with cash flow statements) many of our members generate cash flow statements using the indirect method. However they do it only to be compliant with IFRS. This is nothing but a mechanical exercise.

In fact, a cash flow statement does not provide any relevant information regarding a bank's liquidity or solvency, neither for the bank, nor for investors or customers. The cash flow statement replaces neither liquidity planning nor financial planning. It is not even useful as a management tool. Public insight in the overall risk profile is supplied by others means. In this respect we particularly refer to the annual accounts and profit and loss statement, but as well to the specific disclosure requirements according to articles 418 to 440 CRR I. Moreover, article 72 of CRD IV codifies banks' obligation for the implementation of an Internal Capital Adequacy Assessment Process (ICAAP).

Therefore, we think there should be no mandatory cash flow statements for banks. Your amendments 2 and 15 should be modified accordingly (see annex).

Moreover, you propose, in Amendments 4 and 10, a mandatory preparation of financial statements in eXtensible Business Reporting Language (XBRL). The Members of the EACB do not see the necessity of the mandatory preparation of financial statements under an electronic tool. The Commission Proposal should focus on provisions about recognition, measurement, structure and presentation. It should not specify any technical standards that might become out-of date in the coming years.

The voice of 4.200 local and retail banks, 50 million members, 160 million customers

EACB AISBL – Secretariat • Rue de l'Industrie 26-38 • B-1040 Brussels

Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19

www.eurocoopbanks.coop • e-mail : secretariat@eurocoopbanks.coop



In addition, it would be particularly difficult to define an harmonized electronic format for tax purpose as addressed in the ECON Draft Opinion because corporate tax is not designed in a uniform way in the EU.

Therefore, we think that XBRL should be generally considered as an option (see annex).

Should you have any questions, we would gladly explain the issues precisely.

Yours sincerely,

Hervé GUIDER
Secretary General

Volker HEEGEMANN
Head of Unit



ANNEX

**Suggestion for wording –
ECON Draft Opinion
Amendment 2
Article 12a (new)**

Text proposed by the Draft Opinion

Article 15a
Cash-flow statement

(12a) Medium-sized and large undertakings should be required to prepare a cash-flow statement, which would ensure the provision of sufficient and timely information about the situation of companies and better liquidity management for banks funding those companies.

EACB Suggestion for wording

Article 15a
Cash-flow statement

(12a) Medium-sized and large undertakings should be required to prepare a cash-flow statement, which would ensure the provision of sufficient and timely information about the situation of companies and better liquidity management for banks funding those companies.
With regard to the specific requirements of Directive 2006/48/EC, credit institutions should not be subject to such rules.

**Suggestion for wording –
ECON Draft Opinion
Amendment 15
Article 15a (new)**

Text proposed by the Draft Opinion

Article 15a
Cash-flow statement

1. Financial statements shall include the statement of cash flows.
2. The cash-flow statement shall provide information about the changes in cash and cash equivalents of an entity for a reporting period, showing separately changes from operating activities, investment activities and financial activities. The statement shall not be older than six months.
3. Paragraph 1 shall not apply to small undertakings and groups as respectively defined in Article 3(1) and Article 3(4).

EACB Suggestion for wording

Article 15a
Cash-flow statement

1. Financial statements shall include the statement of cash flows.
2. The cash-flow statement shall provide information about the changes in cash and cash equivalents of an entity for a reporting period, showing separately changes from operating activities, investment activities and financial activities. The statement shall not be older than six months.
3. Paragraph 1 shall not apply to small undertakings and groups as respectively defined in Article 3(1) and Article 3(4).

4. Paragraph 1 shall not apply to credit institutions according to Article 4 of Directive 2006/48/EC.



**Suggestion for wording –
ECON Draft Opinion
Amendment 4
Recital 27**

Text proposed by the Draft Opinion

(27) A harmonised electronic format for reporting would be very beneficial for undertakings established in the Union, since it would facilitate the creation of a one-stop-shop reporting system which could also be used in other fields. Therefore, preparation of financial statements in eXtensible Business Reporting Language (XBRL) should be mandatory with effect from 1 January 2018, after an appropriate period has elapsed for preparation and testing. Creation of such a system should not, however, be burdensome to small and medium sized undertakings.

**Suggestion for wording –
ECON Draft Opinion
Amendment 10
Article 4 a (new)**

Text proposed by the Draft Opinion

Article 4a

eXtensible Business Reporting Language

1. With effect from 1 January 2018 all financial statements shall be prepared in eXtensible Business Reporting Language (XBRL).
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 42 in order to specify the XBRL format and the manner in which this provision is to be implemented in the Member States. Prior to the adoption of the delegated act, the European Securities and Markets Authority ("ESMA") shall issue to the Commission an opinion on the specification of the format.
3. Before the adoption of the delegated acts referred to in paragraph 2, the Commission, together with ESMA, shall carry out an adequate assessment of possible XBRL formats and conduct appropriate tests in all Member States.

EACB Suggestion for wording

(27) A harmonised electronic format for reporting would be very beneficial for undertakings established in the Union, since it would facilitate the creation of a one-stop-shop reporting system which could also be used in other fields. Therefore, preparation of financial statements in eXtensible Business Reporting Language (XBRL) ~~should be mandatory~~ *may be optional* with effect from 1 January 2018, after an appropriate period has elapsed for preparation and testing. Creation of such a system should not, however, be burdensome to small and medium sized undertakings.

EACB Suggestion for wording

Article 4a

eXtensible Business Reporting Language

1. With effect from 1 January 2018 all financial statements ~~shall~~ *may* be prepared in eXtensible Business Reporting Language (XBRL).
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 42 in order to specify the XBRL format and the manner in which this provision is to be implemented in the Member States. Prior to the adoption of the delegated act, the European Securities and Markets Authority ("ESMA") shall issue to the Commission an opinion on the specification of the format.
3. Before the adoption of the delegated acts referred to in paragraph 2, the Commission, together with ESMA, shall carry out an adequate assessment of possible XBRL formats and conduct appropriate tests in all Member States