



Mr. Didier MILLEROT

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E-MAIL

EACB Comments on Accounting Directive in view of Triologue negotiations

Dear Mr. Millerot,

The Members of the European Association of Co-operative Banks (EACB) are following closely the developments regarding the Commission' Proposal on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, the so-called "Accounting Directive".

With regard to the upcoming Triologue meetings on the Commission Proposal for an Accounting Directive starting on 7th November, the EACB would like to share with you our following main concerns:

- The Members of the EACB do not see the necessity of the extension of the requirements to prepare and make public a report on payments made to governments to all public interest entities active in the banking sector (Final JURI Report AM 96 of Article 37 (1)). Moreover, this measure would have particularly far-reaching impact on small banks that could not support such measures and that already have many controls and supervisions which are more adapted. The requirements would be time-consuming and the information value will be too low. Furthermore we do not understand why banks should be required to report while all other financial institutions would be excluded. We rather support the Council's Agreement that does not propose this extension.
- Moreover, we strongly support the Proposal of the European Parliament and the Council's text that suggest exempting specific undertakings to prepare mandatory consolidated financial statements (Final JURI Report AM 78 of Article 23(1)(d)) and a Member State option to apply consolidation rules (Final JURI Report AM 82 of Article 23(1a)). Without these simplifications, smaller banks may have to prepare consolidated accounts solely due to the investment in special funds on the asset side of the balance sheet which would imply administrative burden and associated costs such as the audit services and the disclosure requirements. In some Member States, some exemption of consolidation requirements already exists and do not lead to information disadvantage for users of financial statements because these institutions are required to provide disclosure information. In addition, the Seventh Company Law Directive already allows Member State Option to apply consolidation rules in Article 1 (2).
- We support the Council's text that keeps Articles 6 and 7 of the Commission Proposal which suggest the right of Member States to use alternative measurement basis both of revalued amounts and of fair value. Indeed, in many countries, national standards already allow, if not even oblige, the use of these alternative methods. This deletion would have particularly far-reaching impacts on national accounting and reporting methods of credit institutions which are currently using these approaches. It should also be noted that alternative



valuation approaches under Articles 6 and 7 could improve the information content of financial reporting compared to the historic costs model. Moreover, European accounting rules based on the Accounting Directive would only be competitive if the information, provided in the financial statements during the year-end closing, give a fair and clear view.

- We support the Council's Agreement that maintains some of the major accounting principles in the Accounting Directive such as the principle of substance over form (Commission Proposal Article 5(1)(h)) and the use of the materiality principle to the entire accounting process including presentation, disclosure, recognition and measurement (Commission Proposal Article 5(1)(j)). We also support keeping the principle of the true and fair view in the preparation of financial statements (Commission Proposal Article 5(3)). These globally recognized general principles will help to truly reflect the view of the situation of the undertaking and the economic reality of transactions.

We hope that you will find our comments useful.

Should you have any questions, we would be happy to clarify the issues more precisely.

Yours sincerely,

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