



EUROPEAN CENTRAL BANK

EUROSYSTEM



# BRIDGING THE REPORTING REQUIREMENTS REGARDING ESCB BALANCE SHEET AND INTEREST RATE STATISTICS WITH EBA GUIDELINES ON FINREP, COREP AND LARGE EXPOSURES

MARCH 2012

POCKET MANUAL



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## ABBREVIATIONS

BAD	Banking Accounts Directive
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BSI	Balance Sheet Items
CA	Capital Adequacy
CBD	Consolidated Banking Data
CEBS	Committee of European Banking Supervisors [now EBA]
COREP	Common Reporting
CRD	Capital Requirements Directive
EBA	European Banking Authority
ECB	European Central Bank
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
FINREP	Financial Reporting
FSC	Financial Stability Committee [of the ESCB]
FSI	Financial Soundness Indicators
FV	Fair Value
FVC	Financial Vehicle Corporation
GAAPs	Generally Accepted Accounting Principles (US-GAAP)
IAS	International Accounting Standards
IBS	International Banking Statistics [of the BIS]
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRB	Internal Ratings Based
JEGR	Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements
MBS	Money and Banking Statistics
MFI	Monetary Financial Institution
MFM	Monetary, Financial Institutions and Markets
MIR	MFI interest rate statistics
MMF	Money Market Fund
NFC	Non-Financial Corporation
OFI	Other [non-monetary] Financial Intermediary
OPR	Operational Risk
SA	Standardised Approach
SSPEs	Securitisation Special Purpose Entities
STC	Statistics Committee [of the ESCB]

## INTRODUCTION

The Joint Expert Group on a Reconciliation of credit institutions' statistical and supervisory reporting requirements (JEGR) was established in June 2008. Since then, its mandate has been renewed twice, in 2010 and 2012. Its sponsors are the Statistics Committee (STC) and Financial Stability Committee (FSC) of the European System of Central Banks (ESCB), and the European Banking Authority (EBA). Pierre Olivier Cousseran (Banque de France) chaired the JEGR until end-2011. The JEGR's work has been supported by the banking industry. By ensuring that the classification system is maintained on a regular basis, its advantages for the compilers and reporting agents can be fully exploited.

The aim of the JEGR is to bridge elements of the statistical and supervisory reporting frameworks relating to credit institutions (definitions, concepts, valuation rules, reporting templates, etc.) and, where possible, identify reconciliation options between them. The JEGR takes into consideration, on the one hand, the framework established by the EBA for the reporting of financial information compliant with international accounting standards (FINREP), capital adequacy data requirements (COREP) and requirements for data on Large Exposures (LE); and, on the other hand, the European Central Bank's (ECB) statistical reporting framework for credit institutions' balance sheet items (BSI) and interest rates (MIR) based on the European System of Accounts (ESA). The JEGR is aware that the reporting frameworks (in particular FINREP, COREP and LE) will soon be amended again, and in fact the present manual takes into account the latest versions of FINREP, COREP and LE.

The JEGR has developed a classification system comprising the following two elements:

- 1) a methodological bridging manual containing a thorough analysis of the areas of potential overlap between the ECB's statistical reporting requirements and selected supervisory requirements addressed to credit institutions<sup>1</sup>; and
- 2) a relational database which mirrors the bridging manual, aiming to systematically identify possible links (commonalities and differences) between these requirements. The relational database and the accompanying user guide can be downloaded from the following web address: [http://www.ecb.europa.eu/stats/pdf/jegr/JEGR\\_database.zip](http://www.ecb.europa.eu/stats/pdf/jegr/JEGR_database.zip)

The ECB and the EBA published a first version of the classification system in February 2010<sup>2</sup>. The new edition published on 23<sup>rd</sup> March 2012 includes further enhancements and updates. It also includes a series of reconciliation proposals which are in the process of being implemented by the ECB and the EBA. These proposals have a general impact on the BSI, MIR, FINREP, COREP and LE frameworks, bringing closer together important aspects such as instrument definitions and classification, sector classification, and consolidation and accounting rules.

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1 Please see [www.ecb.europa.eu/press/pr/date/2012/html/pr120323.en.html](http://www.ecb.europa.eu/press/pr/date/2012/html/pr120323.en.html)

2 <http://www.ecb.int/press/pr/date/2010/html/pr100217.en.html>

This pocket version of the methodological manual provides a brief overview of the differences and commonalities between the ECB's statistical framework and the EBA's supervisory framework (Chapter 1). It also presents some examples of the bridging work that has been done by the JEGR (Chapter 2) and the main features of the relational database (Chapter 3), including some screenshots in an annex.

## I THE TWO REPORTING FRAMEWORKS AND THEIR FEATURES

The JEGR aims to identify and promote common elements in the statistical and revised supervisory reporting frameworks relating to credit institutions (e.g. definitions, concepts, valuation rules, reporting templates) and, where possible, to reconcile them. These reporting frameworks are:

- Monetary financial institutions' (MFI) balance sheet and interest rate statistics, designed mainly to provide data for the ECB's monetary policy purposes. Credit institutions form the largest part of the MFI sector. As far as possible, these statistics conform to international and European statistical standards, currently the European System of Accounts (ESA 95, to be replaced by the ESA 2010 in 2014). The MFI balance sheet Regulation was adopted in December 2008 and the interest rate Regulation in December 2001, with major amendments in March 2009.<sup>3</sup> The new requirements were implemented in 2010.
- The FINancial REPorting (FINREP) framework, designed for credit institutions which use the international accounting standards (IAS/IFRS) in their published financial statements and must submit similar information to their supervisory authorities. FINREP was devised by the Committee of European Banking Supervisors (CEBS), now the EBA, in 2005; the current version (Rev 2),<sup>4</sup> published in December 2009, took effect in January 2012.
- The COmmon solvency ratio REPorting (COREP) framework, for use by credit institutions under the Basel framework as implemented with the EU capital adequacy regime. COREP, also devised by the CEBS, dates from 2006; the current version (Rev. 3),<sup>5</sup> published in April 2011, took effect on 31 December 2011. COREP is methodologically consistent with FINREP, at least for credit institutions applying IAS/IFRS. COREP will soon also include the common reporting of Large Exposures (LE), defined in the context of capital adequacy as exposures to connected entities exceeding 10% of a credit institution's capital. The LE templates were published in December 2009.<sup>6</sup>

In seeking to reconcile the reporting frameworks, the JEGR must respect the different purposes which they were designed to serve and the accounting principles underlying them. The exercise also promotes understanding of the links between different data frameworks and creates synergies between datasets originally designed for different purposes.

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3 These are Regulations ECB/2008/32, ECB/2001/18 and ECB/2009/7. See [www.ecb.int/ecb/legal/1005/1021/html/index.en.html](http://www.ecb.int/ecb/legal/1005/1021/html/index.en.html)

4 See <http://www.eba.europa.eu/Publications/Standards-Guidelines/CEBS-Revised-Guidelines-on-Financial-Reporting.aspx>

5 See <http://www.eba.europa.eu/Publications/Standards-Guidelines/The-EBA-publishes-a-revision-of-the-common-reporti.aspx>

6 See <http://www.eba.europa.eu/Supervisory-Reporting/COREP/Common-reporting-of-LE.aspx>



To meet this goal, the JEGR has developed a classification system for the ECB's statistical requirements relating to credit institutions' balance sheets and interest rates, and the relevant supervisory guidelines established by the EBA. This classification system comprises two parts, the methodological manual and a relational database.

It may be useful to explain briefly why statistical and supervisory data are different. The main use of the statistical balance sheet data reported by credit institutions (banks) and other MFIs<sup>7</sup> is to support monetary policy analysis and trace the transmission of monetary policy actions to the economy. For this purpose, the focus of interest is the total amount of their monetary liabilities and credit extended, who holds the money, and who borrows from MFIs.

The emphasis is on the counterparties rather than on the credit institutions because it is their spending and saving decisions which influence economic developments. The monetary and lending data with the vital counterparty information are not viewed in isolation, but are embedded in comprehensive and integrated economic and financial accounts compiled quarterly within a conceptual framework laid out in the world System of National Accounts and the ESA derived from it. These standards define sectors (households, non-financial corporations, financial corporations, government) as groups of entities displaying similar economic behaviour, and make a strict distinction between resident and non-resident entities. The residence distinction matters because the ECB's monetary policy responsibility is confined to the euro area, and neither non-residents' holdings of monetary instruments nor residents' holdings of monetary claims on entities abroad are considered to have the same significance for monetary analysis as residents' holdings of monetary instruments issued by resident credit institutions and other MFIs.

These concepts of sector and residence are standard across the world, to enable economic developments to be easily compared across countries.

The MFI interest rate data provide essential information on the transmission of monetary policy initiatives to the interest rates received and paid by households and non-financial corporations in the euro area. The two reporting schemes are complementary.

For supervisory purposes, it is the bank which is at the heart of the story. The focus is the individual bank or the banking group, and in particular the various kinds of risk to which it is exposed and the adequacy of its capital in view of these risks. Looking at resident banking offices alone is insufficient: the position of branches and subsidiaries abroad is also relevant,

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7 Credit institutions form by far the largest part of the monetary financial institutions (MFI) sector in Europe. The MFI sector includes, in addition to credit institutions, other institutions with liabilities included in the ECB's definition of broad money (M3): these are central banks, money market funds (quite numerous in some EU countries), and other financial institutions with monetary liabilities, including issuers of electronic money. Only credit institutions are relevant to the links between the ECB's statistical reporting framework and the FINREP/COREP/Large Exposures frameworks, and so to the work of the JEGR and the scope of the methodological manual. ["the" rather than "this", because this booklet isn't the manual]

as may be that of resident and foreign non-banking financial affiliates. The banking group may cross national, euro area and EU boundaries, and may include institutions not classified as credit institutions or MFIs more broadly, in which case consolidated group data will cut across statistical categories. Counterparties are of interest mainly from the perspective of credit risk concentration and diversification. Their residence status is relevant, if at all, in that context. Risks concern also currency and maturity mismatches (with the emphasis on residual maturity, not the original maturity recorded for most statistical purposes), legal matters and operational processes. Hence, they may arise from contracts or operations which do not feature on the statistical balance sheet. It is important to know how all the risks faced by the supervised institutions are interconnected.

The rules concerning the valuation of assets and liabilities, the timing of recording of transactions, and whether or not certain items are recorded on the balance sheet may also differ between supervisory and statistical standards.

Finally, although the development of a bank's business and the related profit and losses over time may be relevant, the supervisory function is less interested in time series and more concerned with a snapshot of the bank's or banking group's current position and in assessing its prospects.

The main differences between these reporting frameworks are summarised in Table 1.

Despite these differences in use and in the focus of the reported information, the statistical and supervisory data have much in common. This is particularly true for the credit institutions' statistical balance sheet and the FINREP supervisory framework. In contrast, links between the statistical balance sheet and the COREP framework, and between MFI interest rate statistics and the FINREP/COREP/Large Exposures frameworks, are weaker.

The reconciliation work proposed so far by the JEGR is reflected in the FINREP and COREP frameworks, the MFI Regulations and a manual on MFI balance sheet statistics (referred to here as the BSI Manual) recently published by the ECB.

It may be worth noting that, while the MFI balance sheet and interest rate statistics (for credit institutions in the euro area) and COREP/Large Exposures reporting are all mandatory, FINREP is not compulsory: on the basis of the draft amendments to the EU Capital Requirements Directive (so-called CRD IV amendments), however, it is expected that the number of credit institutions reporting FINREP information will increase by 2013, bringing an increasing overlap with the MFI population, although perhaps not in all euro area countries.

**Table I Main differences between reporting frameworks**

Common European Reporting Frameworks				
	Statistical		Financial and Supervisory	
	BSI	MIR	FINREP	COREP/LE
<b>Mandatory</b>	Yes	Yes	No, but may be from 2013, for some templates	Yes
<b>Geographical coverage</b>	Euro area	Euro area	EU	EU
<b>Reporters</b>	All resident MFIs = credit institutions, money market funds, central banks and “other” MFIs	All resident credit institutions and “other MFIs” Collection: census or sample	Credit institutions using IAS/IFRS	All credit institutions and investment firms
<b>Group consolidation</b>	No	No	<ul style="list-style-type: none"> <li>• Yes (national vers. at solo level)</li> <li>• CRD approach</li> <li>• Option for IFRS approach (some templates)</li> </ul>	<ul style="list-style-type: none"> <li>• Solo level</li> <li>• CRD approach</li> </ul>
<b>Residency</b>	“Host” principle Foreign branches are excluded	“Host” principle Foreign branches are excluded	“Home” principle <sup>1)</sup> Foreign branches are included	“Home” principle Foreign branches are included
<b>Valuation</b>	Market or fair value except for loans and deposits (nominal value)	Nominal value	IAS/IFRS (mostly at market or fair value, but most loans at amortised cost)	IAS/IFRS or National GAAP
<b>Data definitions</b>	Compliant with ESA and BSI Regulation	Compliant with ESA and BSI Regulation	Compliant with IAS/IFRS, CRD, BSI Regulation	Compliant with CRD
<b>Accrual</b>	Yes, separate from underlying instrument	N/A	Yes, with the underlying instrument	Yes, with the underlying instrument

1) FINREP and COREP could also be on a host country basis, but as a secondary basis of consolidation

**Table I Main differences between reporting frameworks (cont'd)**

Common European Reporting Frameworks				
	Statistical		Financial and Supervisory	
	BSI	MIR	FINREP	COREP/LE
<b>Netting</b>	No	N/A	No (de facto)	No
<b>Loan provisioning</b>	Gross	Gross	Net	Net
<b>Securitisation</b>	<ul style="list-style-type: none"> <li>• Traditional only</li> <li>• IFRS/nat'l GAAP</li> <li>• With vehicle</li> <li>• Tranching or not</li> </ul>	N/A	<ul style="list-style-type: none"> <li>• Traditional and synthetic</li> <li>• IFRS</li> <li>• With/without vehicle</li> <li>• Tranching or not</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional and synthetic</li> <li>• CRD</li> <li>• With/without vehicle</li> <li>• Tranching only</li> </ul>
<b>Main breakdowns</b>	Sector, geographical, instrument, original maturity, currency	Sector, instrument, original maturity (MIR relates to euro business only)	Sector, geographical, instrument, IAS portfolio	Asset class (sector/instrument), currency, type of risk

## 2 SOME EXAMPLES OF JEGR BRIDGING WORK

### 2.1 THE CONSOLIDATION APPROACH

One of the main differences between the statistical and supervisory reporting systems concerns the degree of *consolidation* of the reported data. The scope of consolidation of banks' branches and subsidiaries defined in the MFI balance sheet and interest rate Regulations is different from that of FINREP, COREP and Large Exposures. While statistical reporting must make residence and sector distinctions, it is not as important to do so in the supervisory framework. The statistical balance sheet reporting is defined on the basis of the "host" residency principle and on an individual institution basis, whereas the reporting under COREP/Large Exposures and FINREP (where applicable) on an individual basis – which, unlike the MFI balance sheet statistics, includes foreign banking branches – follows the "home" residency basis. In addition, the FINREP and COREP/Large Exposures frameworks are also applied on a consolidated group basis using the consolidation approach in the Capital Requirements Directive (for FINREP, the IFRS consolidation approach is also an option). These different practices make a large difference to the data for credit institutions with foreign branches/subsidiaries. Chart 1 shows how different types of subsidiaries are accounted for under the IFRS and supervisory consolidation approaches, and summarises the different approaches. For instance, if a bank owns 100% of an insurance company (pink case), in the accounting report the bank fully consolidates the assets and liabilities of its subsidiaries, while in the supervisory report it records only the holdings of shares issued by the subsidiary. On the other hand, if a bank owns a smaller percentage of an insurance company, e.g. 51% (light blue case), in the accounting reports the bank still fully consolidates assets and liabilities (as if it owned 100% of the insurer), but also records a liability vs. other shareholders for the remaining 49%. The supervisory report follows the same approach as in the case above.

In conclusion, the scope of consolidation<sup>8</sup> of banks' branches and subsidiaries defined in the BSI and MIR Regulations differs from that of FINREP. In the case of financial conglomerates, the provisions of the related directive are applied for regulatory purposes, while the applicable accounting standards are used for financial reporting.

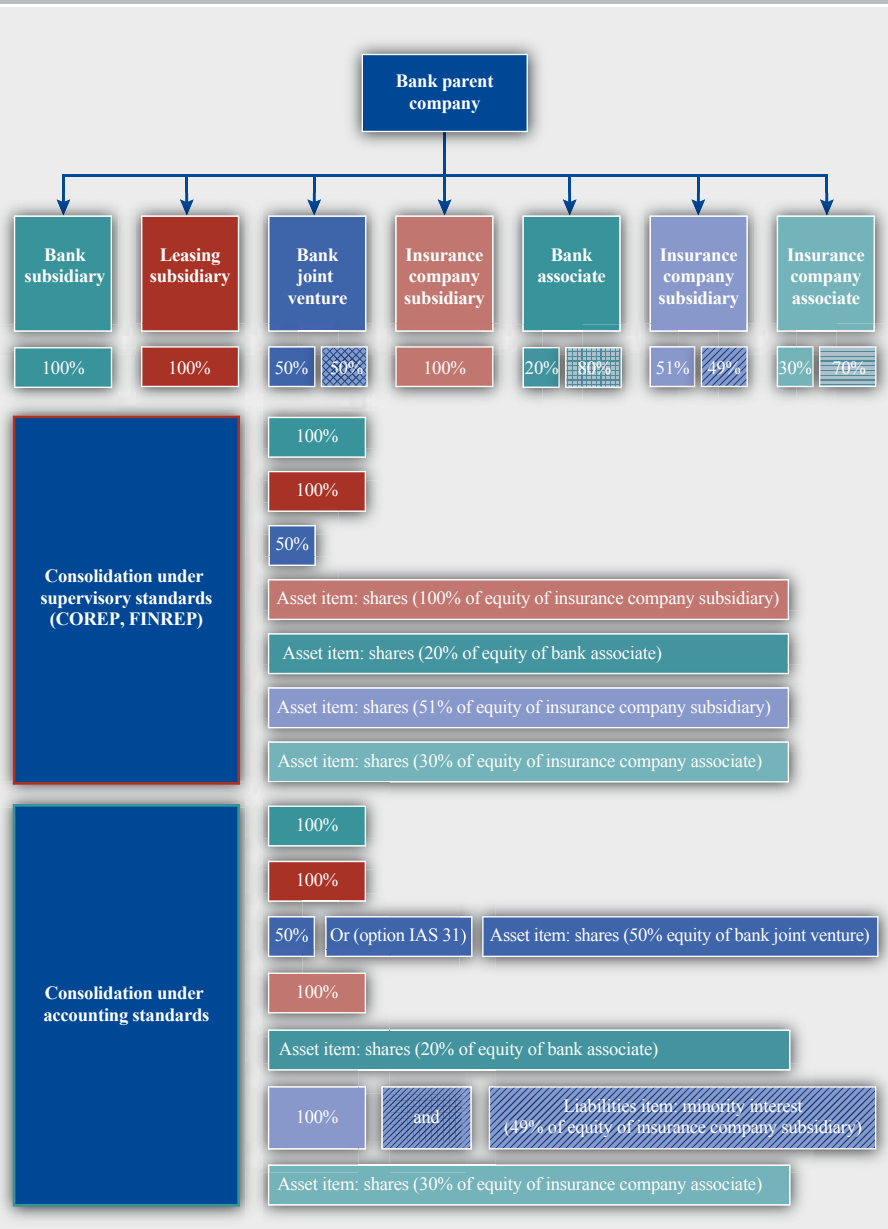
### 2.2 RECONCILIATION OF THE SECTOR OF COUNTERPARTIES

The JEGR has managed to bridge the sectorisation of counterparties adopted in the supervisory and statistical frameworks.

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<sup>8</sup> Different consolidation approaches are also used in various macroprudential datasets, depending on the risk perspective, for instance in the ESCB's Consolidated Banking Statistics, the BIS's International Banking Statistics, or the IMF's Financial Soundness Indicators.

**Chart | The scope of consolidation under the CRD and IFRS**



In the statistical framework, the ESA 95 groups institutional units resident in an economy (usually a country or a group of countries, e.g. the euro area) into five mutually exclusive institutional sectors (non-financial corporations, financial corporations, general government, households and non-profit institutions serving households) based on their principal functions, behaviour and objectives. Financial corporations and general government are divided into sub-sectors. Non-residents of the economy comprise the rest of the world, and transactions and positions of residents with them are recorded in the rest of the world column. The BSI Regulation follows this sectorisation, except that households and non-profit institutions

**Table 2 BSI counterpart sector breakdown<sup>1)</sup>**

Euro area residents (S.1)	
Monetary financial institutions (MFIs) (incl. money market funds) (S.121+S.122) – the money-issuing sector	
Non-MFIs (S.1, other than S.121+S.122)	
General government (S.13)	
Central government (S.1311)	
Other general government (S.1312+ S.1313+ S.1314)	
State government (S.1312)	
Local government (S.1313)	
Social security funds (S.1314)	
Other residents (S.123+S.124+S.125+S.11+S.14+ S.15)	
Other financial intermediaries and financial auxiliaries (S.123+S.124)	The money holding sectors
o/w Investment funds other than money market funds	
o/w Financial vehicle corporations	
o/w Central counterparties <sup>2)</sup>	
Insurance corporations and pension funds (S.125)	
Non-financial corporations (S.11)	
Households and non-profit institutions serving households (S.14+S.15)	
o/w Sole proprietors and unincorporated partnerships	
Residents of the rest of the world (outside the euro area) (S.2)	
Banks	
Non-banks	
General government	
Other resident sectors	
Not allocated	

1) The distinction between money-issuing and money-holding sectors is not quite exact. In some countries, post office giro institutions classified as non-financial corporations (S.11) and central government (S.1311) have monetary liabilities, which are reported separately and added into the monetary aggregates. This point apart, central government is “money-neutral” – neither money-issuing nor money-holding – like the rest of the world.

2) These are non-monetary financial intermediaries (S.123) active in the interbank market.

serving households are merged. For purposes of monetary statistics, the distinction between money-issuing and money-holding sectors is critical – see table 2.

The FINREP framework provides a standardised counterparty breakdown for the information reported in Tables 3, 4, 5, 6, 7, 9, 10, 17 and 20 and can be summarised in table 3.

It should be noted that the revised FINREP counterparty breakdown is based fundamentally on the nature of the direct counterparty, with an additional breakdown in the case of loans and advances to non-financial corporations and households of “corporate” and “retail” when they meet the CRD definition of this type of exposure class. The revised FINREP Guidelines clearly define the standard counterparty breakdown, with two correspondence tables to map economic sector allocations in FINREP to exposures classes in the CRD/COREP framework.

While some methodological differences exist between the counterpart sector breakdowns in the BSI and FINREP reporting schemes, Table 4 reconciles them. This bridging has become easier under the revised FINREP, and past JEGR recommendations related to counterpart breakdown have allowed almost full reconciliation (the exception is the FINREP sector “Other financial corporations”, which may include some MFIs along with entities that meet the BSI definition of OFIs).

Table 4 also provides a reconciliation with the CRD exposure classes. It may be useful to explain that the CRD has two approaches to classifying exposure classes. In the Internal Ratings Based (IRB) approach, the banking exposures are classified in one of the “exposure classes” included in the last column of table 4. In the standardised approach, in addition to these “classes”, the exposures can also be assigned to the following items depending on the circumstances of the book entries: “secured on real estate property”, “past due items”, “regulatory high-risk categories”, “covered bonds”, “securitisation positions”, “short-term claims on institutions and corporate”, “CIU” and “other items”. Each exposure (or part of them, where appropriate) must be assigned to only one of the exposure classes. This poses

**Table 3 The FINREP counterparty sector breakdown for loans and advances in selected templates**

Central banks
General governments
Credit institutions
Other financial corporations
Non-financial corporations. Corporates
Non-financial corporations. Retail
Households. Corporates
Households. Retail



a difficulty for aggregations at the sector level, e.g. for macroprudential analysis purposes, because if, for instance, there is a need to assess the total amount of banks' exposures to the retail sector, the COREP data on exposures would exclude those that are recorded as "securitised on real estate property", "past due" and "securitisation positions", etc. A reconciliation is therefore necessary.

Whereas the BSI sector breakdown applies to the classification of units resident in the euro area (with a separate, less detailed, classification for non-euro area residents), the FINREP

**Table 4 Counterpart sector classes in BSI statistics, FINREP and CRD**

<b>Counterpart sector classes</b>			
<b>BSI</b>	<b>Revised FINREP</b>	<b>Current FINREP</b>	<b>CRD exposure classes</b>
MFIs – central banks	Central banks	Central banks	Central governments/ central banks
Central government	General governments	Central governments	Central governments/ central banks
Other general government		Non-credit institutions	Institutions
MFIs – credit institutions	Credit institutions	Credit institutions	
MFIs – MMFs	Other financial corporations	Non-credit institutions	Institutions
Other resident sectors – OFIs	Other financial corporations	Non-credit institutions	Institutions
		Corporates	Corporates
		Retail	Retail
Other resident sectors – NFCs	Non-financial corporations. Corporates	Corporates	Corporates
	Non-financial corporations. Retail	Retail	Retail
Other resident	Households. Corporates	Corporates	Corporates
Sectors – households and NPISH <sup>1)</sup>	Households. Retail	Retail	Retail

1) Non-profit institutions serving households.

counterpart breakdown is used in the classification of all institutions with which the credit institution has positions (that is to say, a non-resident counterpart would be classified indistinguishably with similar resident counterparts).

In some countries, bridging the different counterpart sector breakdowns is important for the banking industry, since the management of these different datasets is considered costly for banks. In such countries, reconciling these different datasets is a significant element in reducing credit institutions' reporting burden. Conversely, in other countries, national authorities have developed different tools to overcome these difficulties.

In conclusion, the revised FINREP has removed most differences from the BSI in the definition of counterpart sectors. In particular, a bridging template for counterparty breakdowns allows reconciliation between the two reporting schemes for loans and for advances and deposits in selected templates. The CRD exposure classes have also been linked, but in practice, a numerical reconciliation may be difficult to achieve, except for IRB banks. A reconciliation is therefore necessary, as this is needed for the purposes of the consistent macroprudential analysis.

### 2.3 SECURITISATION

As recommended by the JEGR, the BSI Manual explains the relationship between the concepts of loan securitisation in the statistical and supervisory frameworks in the expectation that they will be applied consistently by reporting agents.<sup>9</sup> The MFI statistical data requirements seek to identify securitisation transactions undertaken by credit institutions involving the sale of loans to financial vehicle corporations (FVCs).<sup>10</sup> In other words, credit institutions are required to report for statistical purposes only amounts relating to traditional securitisations. This is because the main interest for monetary analysis is to correct for loans removed from MFIs' balance sheets.<sup>11</sup> Conversely, in the supervisory framework, credit

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9 The aim is to reconcile the concepts of securitisation, not the actual figures reported under the two frameworks. The figures may also differ due to the scope of consolidation and valuation rules.

10 In defining securitisation transactions, the BSI Regulation refers to Article 4 of the Directive 2006/48/EC (the basis for COREP) as well as to the FVC Regulation: “securitisation’ means a transaction which is either: (a) a traditional securitisation as defined in Article 4 of Directive 2006/48/EC; and/or (b) a securitisation as defined in Article 1 of Regulation (EC) No. 24/2009 (ECB/2008/30), which involves the disposal of the loans being securitised to an FVC”. FVCs are not the same as securitisation special purpose entities (SSPEs). SSPE is the term used in the context of the Capital Requirements Directive (2006/48/EC), which is the EU transposition of the Basel II Accord, while FVCs are defined in the ECB Regulation addressed to them (ECB/2008/30). Essentially, EU credit institutions will apply the FVC definition only for entities resident in the European Union/euro area, while they apply the SSPE definition to any securitisation entities, regardless of their residence. Moreover, while FVCs may perform securitisation as a secondary activity (e.g. as in Portugal), SSPEs are required to limit their activity to securitisation. Some entities in Portugal may meet the FVC definition but not the SSPE definition.

11 Under the Regulation on MFI balance sheet statistics, MFIs also report deposit liabilities to FVCs and holdings of securities issued by FVCs, so that all aspects of securitisation operations are covered.

institutions are required, in accordance with the Capital Requirements Directive (CRD), to disclose both traditional and synthetic securitisations involving loans originated by them, as the focus is on the credit risk transfer, and they must disclose synthetic securitisations even if undertaken without a securitisation vehicle. Although supervisory requirements cover all securitisation transactions, while the MFI data cover only those with SSPEs or FVCs, the difference between the two may be captured under “other loan transfers”, which are also reported under the MFI data. If such is the case, the coverage would be consistent.

A further difference between the two approaches is that, under the supervisory securitisation approach, certain conditions should be met in order for securitisation exposures to be eligible for exemption from capital requirements. In particular, a “significant” transfer of risk must take place. Moreover, in the CRD, the tranching of the exposures is an essential eligibility criterion. Such eligibility conditions are not considered in the statistical reporting, with the implication that MFI balance sheet statistics may include securitisation transactions that are not tranching and/or where risk is not significantly transferred, and thus not covered under the supervisory requirements. Table 5 summarises the links between the concepts of loan securitisation applied in the MFI statistical framework and in the CRD, which the JEGR has verified for a representative sample of banks.

<b>Table 5 Coverage of loan securitisation in Regulation ECB/2008/32 and Directive 2006/48/EC</b>				
<b>Requirements</b>	<b>Coverage</b>	<b>Use of SSPE/FVC</b>	<b>Tranching</b>	<b>Credit risk transfer</b>
Regulation ECB/2008/32 – insofar as it affects credit institutions	Traditional securitisations	Securitisations undertaken with an SSPE/FVC <sup>1)</sup>	Tranching <b>and non-tranching</b> securitisations	Not a criterion
Directive 2006/48/EC – credit institutions	Traditional <b>and synthetic</b> securitisations	Securitisations undertaken with <b>or without</b> an SSPE	Tranching securitisations	Securitisation exposures with significant credit risk transfer are excluded
Relative scope (greater than or equal to)	ECB/2008/32 < Directive 2006/48/EC	ECB/2008/32 < Directive 2006/48/EC	ECB/2008/32 > Directive 2006/48/EC	ECB/2008/32 > Directive 2006/48/EC

1) In addition to loan securitisation, the ECB regulation also covers other loan transfers.

Setting out the requirements like this may help credit institutions to report consistently in the two frameworks, which may reduce compliance costs and help central banks and supervisors to investigate discrepancies and rectify mistakes.<sup>12</sup>

In conclusion, the links between the BSI reporting requirements and the COREP templates are fairly important. This is all the more true because COREP is requested not only at the consolidated level (like FINREP), but also at the solo level (like BSI, although with the inclusion of foreign branches). Moreover, following a recent amendment of the CRD, the implementation of COREP is mandatory in all EU countries, as the BSI is in the euro area, and unlike FINREP.

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<sup>12</sup> The statistical concept of securitisation is also reflected in the FVC Regulation. The following definition of FVC is currently applied for statistical purposes. “FVC” means an undertaking:

- (a) which is organised to carry out one or more securitisation transactions; and
- (b) which issues, or may issue, securities and/or which holds, or may hold, assets underlying the issue of securities that are offered for sale to the public or sold on the basis of private placements; and
- (c) which is constituted pursuant to national or Community law under:
  - (i) contract law (as a common fund managed by management companies);
  - (ii) trust law;
  - (iii) company law (as a public limited company); or
  - (iv) any other similar mechanism.

The following are not included in the definition of FVC:

- MFIs within the meaning of Annex I to Regulation (EC) No 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13); and
- IFs within the meaning of Article 1 to Regulation (EC) No 958/2007 of the European Central Bank of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).

### 3 RELATIONAL DATABASE

The JEGR relational database is designed and implemented in MS Access. It consists of two interfaces, which facilitate browsing for inexperienced users. The database makes it possible to present the structure of the tables that make up the database and to easily explain the relationships among the respective reporting schemes (BSI and MIR on the statistical side, FINREP and COREP/Large Exposures on the supervisory side).<sup>19</sup>

The two interfaces have the following features (see the Annex for examples that illustrate the following description).

- The first interface shows all the possible outputs that can be generated for a certain balance sheet instrument (loans, deposits, etc.). Selecting an instrument in the scroll-down menu and clicking on ‘Show Results’ displays all the possible equivalents to that instrument in the four reporting templates. For example, the BSI instruments “Loans” and “Securities other than shares” have various potential equivalents in the other templates.
- The second interface determines which of these possible equivalents provides the most exact match for the selected instrument. This interface can be entered by pressing the button “Selection data” at the bottom of the first interface. It allows for an accurate description of the instrument by offering the possibility of selecting its characteristics. In the example provided in the Annex, the second interface offers the user the choice of twelve instrument characteristics for the instrument “Loans”. Thus, a loan denominated in euro to a domestic household, for house purchase and with an original maturity of between two and five years, that is not eligible for own funds under the Capital Requirements Directive (CRD), etc., has no equivalents in MIR, one in BSI, one in FINREP and ten in the COREP reporting schemes considered. This output is considerably more precise than the output in the first interface. For example, in the case of the instrument “Securities other than shares”, the second interface also provides a choice of twelve relevant instrument characteristics. An investment in euro in an issuance of a domestic financial vehicle corporation (FVC) that is held for sale has two equivalents in BSI, one in COREP and seven in FINREP. There are no equivalents in the MIR reporting.


Both interfaces have a print facility for recording and comparing each simulation. The relational database is fed by nine tables. Each table is composed of several elements (or rows of a reporting scheme/template) and each element comprises an identification key followed by a series of attributes.

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<sup>19</sup> The definitions of these relationships reflect the work carried out by national experts participating in the JEGR.



## EXAMPLE 2: “LOANS” OUTPUT SECOND INTERFACE



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

**ASSETS / LIABILITIES**

Loans

PRINT REPORT

SHOW RESULTS

Sector of Counterparties:  Central banks;  Other participating member states

Residency of Counterparties:  Other participating member states

Is Portfolio:  Designated at fair value through pro

Type of Loans:  Other loans;  No

Eligible for Own Funds:  No

Currency:  Euro

Residual Maturity:  1 ≤ 1 month;  None

Position on Credit Institution (Securitisation):  None;  None

Type of Calculate for Maturity (Market Risk):  Maturity based approach;  Standard

Type of Calculate for Credit Risk:  Standard;  For house purchase

Purpose of loan:  For house purchase

Original maturity:  4 ≤ 2 ≤ 5 years;  4 ≤ Fair value - first level;  6 = Nominal value

Amount for BSF:  None

Statistical:  BSF;  MIR

Financial:  COREP;  FINREP

OUTPUT BSF:

Loans - Other participating Member States- to MFIs

OUTPUT COREP:

On balance sheet items CR SA column 1 "original exposure pre conversion factors"

OUTPUT FINREP:

Financial assets designated at fair value through profit or loss - Loans and advances

Loans and advances - Central banks

Loans and advances - Credit institutions

Loans and advances - Other financial corporations

Loans and advances - Non-financial corporations, Corporates

Loans and advances - Non-financial corporations, Retail

Loans and advances - Households, Retail

