Overview

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments bringing together all three phases of the financial instruments project – classification and measurement, impairment, and hedge accounting.

IFRS 9 is expected to result in amendments to existing regulatory reporting requirements applicable to financial institutions, including significant amendments to Financial Reporting (FINREP). The European Banking Authority (EBA) released a consultation paper and revised FINREP templates on 8 December 2015. The EBA is also expected to issue a consultation paper on amendments to Common Reporting (COREP).

The proposed amendments in the FINREP consultation paper follow the finalization of IFRS 9 by the IASB and were aimed at collecting early industry views on changes that IFRS 9 would trigger to FINREP. The Implementing Technical Standards (ITS) are expected to be finalized by the end of Q3 2016, and will be effective as of 1 January 2018 following adoption in the EU Official Journal and assuming EU endorsement of IFRS 9.

IFRS 9 is likely to impact various elements of your regulatory reporting including:

- Definitions and interpretations
- Reports, data points and data dimensions
- Data sourcing and source systems
- Business/ transformation rules and mappings
- Reconciliations, controls and associated rules
- Vendor solutions
Why is this important to you?

IFRS 9 and its impact on regulatory reporting should be considered in relation to your operating model and business needs in order to adequately prepare your business for future change with minimal upset.

We recommend that you perform an impact assessment to understand how the current reporting processes, data flows, systems and control frameworks will be affected before the IFRS 9 design and build phases are advanced, to allow for additional requirements to be embedded.

Key considerations for FINREP

Definitions and interpretations
► Revised rules, guidance and templates to be understood
► Redefine reporting solutions

Data
► Forty-six FINREP templates are proposed to be amended; potentially 4,372 data points will be impacted
► Granular breakdown of IFRS 9 classification and measurement, impairment and hedge accounting information, beyond IFRS 9 disclosure requirements
► Provision of data for each impairment stage required to be broken down by counterparty of instrument, collateral and product level and rationale for movement between stages
► Significant changes to existing transformation and mapping rules across the majority of templates

Systems
► Interfaces between finance, risk and treasury systems and your regulatory reporting solution
► Expected credit loss calculator for impairment must have the ability to deliver appropriate data feeds to regulatory reporting systems
► Classification and measurement will require changes in source systems through to the General Ledger (Chart of Accounts)

Operating model
► Alignment of finance, risk and treasury functions to support an integrated operating model
► Report IFRS 9 figures within the FINREP timeframes (30 working days post quarter end)

Control framework
► Align and reconcile multiple data sources at differing levels of granularity throughout the dataflow
► Report to source traceability, supported by an end-to-end control framework to ensure data integrity and enable analysis of data

How can EY help?

EY can support financial institutions with all aspects of the IFRS 9 and regulatory reporting – from an initial impact assessment with data and requirements analysis, to an end-to-end implementation of your solution, to a managed service where we complete your returns for you. We offer the right technology, services and experienced advisors to provide a simple and repeatable solution for regulatory reporting which can be tailored to suit your needs.

We are currently working with a number of banks in the development of IFRS 9 reporting services, and have performed an assessment of the proposed amendments on regulatory returns and data points. This allows you to accelerate your implementation by focusing on key issues such as:

► Areas of interpretation
► Data sourcing and dataflows
► Current processes
► Systems
► Business transformation rules
► Control framework

Assessing the reporting requirements and design implications specific to your business will support a smooth integration of the revised regulatory taxonomies.

Our requirements analysis, data design and data management capabilities will drive:

1. Improved data transparency
2. Lower cost and time to change
3. Lower operational cost

We also offer a full managed service offering, to improve data transparency, report quality and lower your development and maintenance costs. This service consists of:

1. Regulatory Reporting Management
2. Requirement Analysis and Maintenance
3. EY Service Desk with on-call access to EY advisors

Our simplified reporting solution is designed to help you meet not only IFRS 9, but all of your banking regulatory reporting demands. For more information on IFRS 9, its impact on FINREP and any other regulatory reporting requirements, and how we can help you, contact the EY team.

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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