

Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. Capital Requirements Directive (CRDIV)

2011/0203(COD) - 30/10/2014 - Follow-up document

The Commission presented a report on the general assessment of economic consequences of country-by-country disclosure requirements set out in Article 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD).

The CRD Directive introduces a new country-by-country public reporting (CBCR) obligation for banks and investment firms. Institutions will have to report annually, for each country in which they have an establishment, data on (a) their name(s), activities, geographical location, (b) turnover, (c) staff numbers, (d) profit or loss before tax, (e) tax on profit or loss and (f) public subsidies received.

Institutions are required to report the data under a), b) and c) as from 1 July 2014. In the next phase, i.e. as from 1 January 2015 all institutions that fall within the scope of Article 89 are required to disclose all information set out in Article 89, unless the Commission decides to defer the CBCR obligations.

The Commission consulted EBA, EIOPA and ESMA in order to draft its report. It also directly consulted with stakeholders, including inter alia the 14 of the most important European institutions and several civil society organisations interested in the matter.

Evaluation: since the country-by-country public reporting provisions have not yet fully entered into force, this assessment is essentially a forward looking exercise focussed on determining whether CBCR is expected to have significant negative economic effects.

Most stakeholders expect that CBCR will have some positive impact on the transparency and accountability of, and on public confidence in the European financial sector. Nevertheless, various stakeholder groups consider that additional guidance on the exact contents of the items to be reported would improve transparency and consistency in all the Member States.

Impact on competitiveness, investment and credit availability and the stability of the financial system: the balance of opinions among stakeholders is that CBCR will have no significant impact on competitiveness, investment, credit availability or the stability of the financial system.

Opponents mostly refer to a risk of public misunderstanding of the data and to an increased administrative burden. Supporters of CBCR point to a number of positive effects: (i) investors will be able to make more informed investment decisions and be more able to hold banks to account; (ii) CBCR will lead to better risk management by reporting institutions, thus reducing the risk of scandals and increasing stability in the financial sector; (iii) CBCR will attract investors and customers that value the increased transparency and in general lead to increased trust in the European financial sector.

Improved disclosure quality would lead to a number of positive outcomes:

- reduction of the cost of equity capital which may be passed on to businesses and households in the form of lower lending rates and thus benefit credit availability and investment;
- reduction in the ability of reporting institutions to mask their true performance (earnings management) and an increased accounting quality.

Commissions position: it is the assessment of the Commission, notably based on the results of the study and the views expressed by the stakeholders, that at this stage, the public country-by-country reporting of information under Article 89 of Directive 2013/36/EU is not expected to have significant negative economic impact, in particular on competitiveness, investment, credit availability or the stability of the financial system.

On the contrary, it seems that there could be some limited positive impact; however the beneficial effects of Article 89 could be increased by addressing some elements related to the implementation of that provision.

The Commission considers that, as no significant negative effects have been identified in relation to the public country-by-country reporting of information, the obligations under Article 89 of Directive 2013/36/EU should not be deferred and should apply, as foreseen, in full from 1 January 2015 onwards.