THE
BANK STATEMENT
Q3 2013 NEWSLETTER

cutting through complexity

"With the deadline of 1 January 2014 fast approaching, the implementation of the clarified offsetting requirements in IAS 32 still presents challenges. Banks that have not yet started looking at what these mean for them should do so without delay."

Christian Kusi-Yeboah,
Banking Accounting Advisory,
KPMG in the UK

CLARIFIED OFFSETTING MODEL AND AGENT VS PRINCIPAL ASSESSMENT IN CLEARING ARRANGEMENTS

Welcome to the Q3 2013 issue of our quarterly banking newsletter in which we provide updates on IFRS developments that directly impact banks and consider the potential accounting implications of regulatory requirements.

Highlights

- The IASB makes a call **on the mandatory effective date** for the application of IFRS 9 *Financial Instruments* – see page 2.
- Deliberations continue on some of the key aspects of the IASB's **classification and measurement** and **expected credit losses** models to form part of the future financial instruments standard – see pages 2 and 4.
- The implementation of ***Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*** still presents challenges, despite only a few months to go before the effective date of 1 January 2014. We consider some of them – see page 8.
- Banks continue to see the impact of the **OTC central clearing reforms** on accounting for financial instruments. One such impact relates to the assessment of whether, when acting as an intermediary in a clearing arrangement, a bank acts as a **principal** or as an **agent** for determining whether the criteria for the recognition of a financial instrument have been met – see page 10.

IASB ACTIVITIES AFFECTING YOUR BANK

IASB makes a call on mandatory effective date for IFRS 9

The current mandatory effective date of 1 January 2015 was intended to apply to all phases of IFRS 9 *Financial Instruments*, but the IASB has made slower than expected progress towards finalising the standard.

In response to concerns about insufficient time to implement all phases of IFRS 9, in particular the expected credit losses, the IASB tentatively decided in July 2013 to defer the standard's effective date. The Board has not yet specified a new effective date, but decided to leave it open until the impairment, and classification and measurement phases of the project are finalised.

IASB to allow early application of own credit requirements

The own credit requirements, added to IFRS 9 in 2010, require, generally, the recognition in other comprehensive income (OCI) of the change in fair value that is attributable to changes in a bank's credit risk when a financial liability is designated as at fair value through profit or loss.

In November 2012, the IASB issued an exposure draft on limited amendments to the classification and measurement requirements of IFRS 9 (C&M ED) that proposed allowing entities to early apply the own credit requirements in isolation once the C&M ED is finalised. In July 2013, the IASB tentatively decided that the permission to early apply only the own credit requirements will be included in the hedge accounting chapter of IFRS 9. The necessary amendments to the transition requirements will be made at the same time.

Classification and measurement: IASB continues to shape the model

In their September 2013 meeting, the IASB and the FASB discussed the conceptual basis and application of the 'solely payments of principal and interest' (solely P&I) condition for financial assets.

The tentative decisions that the IASB reached on some fundamental aspects of the model are outlined in the table below.

Topic	Tentative decisions
Meaning of 'principal'	'Principal' is the amount transferred by the current holder for the financial asset.
Meaning of 'interest'	• *De minimis* features should be disregarded for classification. • The underlying conceptual basis for the 'solely P&I' condition is the notion of a basic lending-type return. • Time value of money and credit risk are typically the most significant components of a basic lending-type return; however, they are not the only possible components. • A basic lending-type return also generally includes consideration for liquidity risk, profit margin and costs associated with holding the financial asset over time (such as servicing costs). • An example of a feature that is not a component of a basic lending-type return is indexation to equity prices.

Topic	Tentative decisions
Meaning of 'interest' (continued)	• The meaning of the time value of money: – the time value of money represents consideration for just the passage of time, in the absence of a return for other risks and costs associated with holding the financial asset over time; – the factors relevant to providing consideration for the passage of time include the tenor of the interest rate and the currency of the instrument; – both qualitative and quantitative approaches could be used to determine whether the interest rate provides consideration for just the passage of time, if the time value of money component of the interest rate is modified (e.g. by an interest rate tenor mismatch feature); and – a fair value option is not allowed in lieu of the quantitative assessment of the time value of money. • Regulated interest rates to be accepted as a proxy for the consideration for the time value of money if they: – provide consideration that is broadly consistent with consideration for the passage of time; and – do not introduce exposure to risks or volatility in cash flows that are inconsistent with the basic lending-type relationship. • The IASB decided to provide guidance on how the quantitative assessment of a financial asset with a modified time value of money component should be performed – i.e. by considering the contractual (undiscounted) cash flows of the instrument relative to the benchmark instrument. • The 'not more than insignificant' threshold in the C&M ED is to be replaced with the 'not significant' threshold – i.e. a financial asset with the modified time value of money component of the interest rate would meet the 'solely P&I' condition if its contractual cash flows could not be significantly different from the benchmark instrument's cash flows.
Contingent features	• The nature of the contingent trigger event in itself does not determine the classification of the financial asset. • A contingent feature that results in contractual cash flows that are not solely P&I is inconsistent with the 'solely P&I' condition unless the feature is non-genuine.

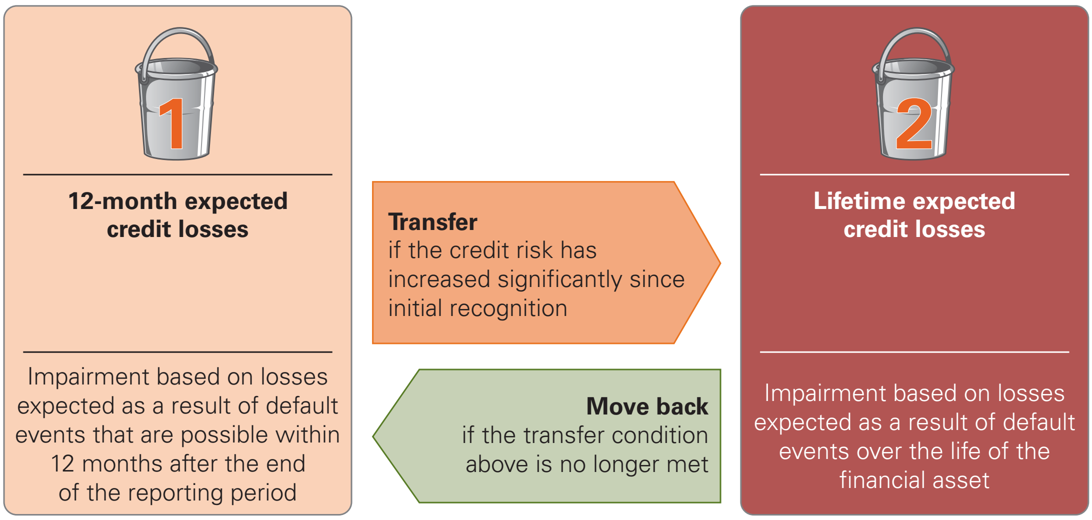
Topic	Tentative decisions
Prepayment and extension features	• No distinction should be made between contingent prepayment and extension features and other types of contingent features. • An exception is to make financial assets with the following features eligible for amortised cost classification: – the financial asset is acquired or originated with a significant premium or discount; – the financial asset is prepayable at the amount that represents par and accrued and unpaid interest (and may include reasonable additional compensation for the early termination of the contract); and – the fair value of the prepayment feature on initial recognition of the financial asset is insignificant.

Next steps

The IASB will continue deliberating the 'solely P&I' condition and will liaise with the FASB on whether it would like to retain that condition or pursue a different approach.

Expected credit losses: Moving forward

In March 2013, the IASB issued the exposure draft *Financial Instruments: Expected Credit Losses* (the impairment ED). In summary, the proposals on expected credit losses in the impairment ED are illustrated below.



In September 2013, the IASB discussed the impairment ED with the FASB. The Boards considered the responses received to their proposals and observations from additional fieldwork. Each Board deliberated its own model, as if they were to finalise their respective exposure drafts. It will be decided at a future meeting whether they will do so.

Responsiveness of the impairment model

The IASB discussed situations in which sole reliance on the delinquency status[1] can cause a delay in identifying a significant increase in credit risk.

It tentatively decided to clarify that the objective of the model is to recognise lifetime expected credit losses on all financial instruments for which there has been a significant increase in credit risk – whether on an individual or a portfolio basis – and that all reasonable and supportable information, including forward-looking information that is available without undue cost or effort, would need to be considered. The IASB tentatively decided to include examples to illustrate the proposals.

Measurement objective for financial instruments that have not significantly deteriorated since initial recognition

The IASB tentatively decided to retain the proposal in the impairment ED to recognise 12-month expected credit losses for financial instruments for which there has not been a significant increase in credit risk since initial recognition.

Definition of 'default'

The impairment ED does not define the term 'default' and allows entities to use their internal definition of default. Many respondents to the IASB's proposals recommended either that default should be clearly defined or that more guidance on what constitutes a default should be supplied.

The IASB tentatively decided to require an entity to define default consistently with credit risk management practices and to emphasise that qualitative indicators of default should be considered when appropriate (such as for financial instruments that contain covenants). It also tentatively decided to include a rebuttable presumption that would mean that assets past due for more than 90 days would be considered to be in default unless an entity has reasonable and supportable information to support a more lagging default criterion.

Next steps

The IASB will continue its deliberations at its October meeting.

Continued discussions on classification of financial instruments mandatorily convertible into a variable number of shares on a contingent 'non-viability' event

In July 2013, the IFRS Interpretations Committee discussed the classification, from the issuer's perspective, of a financial instrument issued at par with the following terms:

- no stated maturity date;
- mandatorily convertible into a variable number of the issuer's own equity instruments with a value equal to the par amount in the event of a breach of the minimum regulatory capital requirement ('non-viability' event); and
- interest payable at the discretion of the issuer.

Such instruments are currently being issued or considered by banks in many jurisdictions in response to regulators' requirements that they strengthen their capital base.

The Committee published a tentative agenda decision observing that such an instrument is a compound instrument comprising:

- a liability component, which reflects the issuer's obligation to deliver a variable number of its own equity instruments on occurrence of a contingent non-viability event; and
- an equity component, which reflects the issuer's discretion over payment of the interest.

1 The impairment ED contains a rebuttable presumption that the condition for recognising lifetime expected credit losses would be met when payments are 30 days past due if no other borrower-specific information is available without undue cost or effort.

The tentative agenda decision states that the liability would be measured at the full amount that the issuer could be required to pay – i.e. the par amount – leaving a residual equity component measured at zero. However, any interest paid at the issuer's discretion would be presented in equity.

In the light of this analysis, the Committee tentatively decided not to add the issue to its agenda. The deadline for responses to the Committee's tentative decision was 25 September 2013. It is expected that the Committee will discuss feedback received at its November 2013 meeting.

Welcome move on applicability of IFRS 7 offsetting disclosures to condensed interim financial statements

As discussed in the Q1 2013 and Q2 2013 issues of *The Bank Statement*, the IFRS Interpretations Committee and subsequently the IASB have been considering clarifying the applicability to condensed interim financial statements of the new offsetting disclosures required by the amendments to IFRS 7 *Financial Instruments: Disclosures*.

As a result of these discussions, in July 2013 the Committee recommended that the IASB propose an amendment to IFRS 7 to clarify that the new offsetting disclosures are not required in condensed interim financial statements either in the first year of application of the amendments or in subsequent years, unless their inclusion would be required under the general disclosure requirements of IAS 34 *Interim Financial Reporting*. IAS 34 requires the disclosure of information in condensed interim financial statements if its omission would make them misleading.

It is proposed that the amendment to IFRS 7 be made through the annual improvements process.

Triggering of protective rights could lead to change in control

The question submitted to the IFRS Interpretations Committee was whether the assessment of control should be reassessed when rights previously considered to be protective change or whether such rights are never included in the reassessment of control. An example of such protective rights is rights that are triggered on a breach of a loan covenant.

In its September 2013 meeting, the Committee observed that IFRS 10 *Consolidated Financial Statements* requires reassessment of control when facts and circumstances indicate that there are changes to one or more elements of control, and that a breach of a covenant resulting in protective rights becoming exercisable represents such a change. IFRS 10 does not include any exemption from reassessment for protective rights. Consequently, the Committee noted that following the occurrence of a breach, the conclusion about which party controls the investee would need to be reassessed. It further noted that the reassessment, depending on individual facts and circumstances, may or may not result in a change of the control assessment.

The Committee did not expect significant diversity in practice and so decided not to add this issue to its agenda.

Applicability of disclosure requirements in IFRS 7 on transferred financial assets to servicing contracts

As discussed in the Q2 2013 issue of *The Bank Statement*, the IASB and the IFRS Interpretations Committee have been considering the application of the IFRS 7 disclosures on transfers of financial assets when continuing involvement is in the form of a servicing contract.

In its previous meetings, the IASB indicated that servicing contracts meet the definition of continuing involvement for the purposes of IFRS 7. In its September meeting, the Committee decided to recommend that the IASB amend the application guidance of IFRS 7 through the annual improvements process. The amendments would clarify how the principle in paragraph 42C of IFRS 7 is applied to a servicing contract.

Insurance and leases projects

The comment period for the revised exposure draft ED/2013/6 *Leases*, issued in May 2013, ended on 13 September 2013. However, the IASB's exposure draft ED/2013/7 *Insurance Contracts*, issued in June 2013, is still open for comments until 25 October 2013.

KPMG has recently released publications on the leases project – with the specific focus on the potential impact on the banking sector – and insurance contracts proposals. See page 14 for further details.

CLARIFIED OFFSETTING MODEL: GETTING THERE

> "As with many other accounting changes, the amendments may require the reassessment of existing contracts. Banks will need to determine whether they should continue to offset financial assets and financial liabilities that were presented net in the past."

Editorial by Christian Kusi-Yeboah, Banking Accounting Advisory, KPMG in the UK

A quick overview

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), which are effective from 1 January 2014, clarify the accounting requirements for offsetting financial instruments and address inconsistencies identified in applying the offsetting criteria in IAS 32 *Financial Instruments: Presentation*.

Under the currently effective IAS 32, financial assets and financial liabilities are offset and a net amount presented in the statement of financial position only when an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

The amendments clarify that, to meet the offsetting criteria, the right of set off:

- must not be contingent on a future event; and
- should be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all of the counterparties.

The amendments are relevant for the presentation of financial instruments in a bank's statement of financial position. The IASB also introduced new disclosure requirements about rights to set off under IFRS 7 which are effective from 1 January 2013. These apply to financial assets and financial liabilities that are:

- offset in the statement of financial position; or
- subject to enforceable master netting arrangements or similar agreements.

The devil is in the detail

Legally enforceable right

In evaluating whether its right to set-off is legally enforceable, a bank would need to evaluate whether it can enforce its right in the normal course of business as well as in the case of its own default, insolvency or bankruptcy and in the case of its counterparty's default, insolvency or bankruptcy. The bank would consider whether its counterparty has any rights that do or might prevent the bank from enforcing its right to set-off. For example, if, in the event of the counterparty's bankruptcy, the counterparty (including a receiver or administrator) could insist on gross settlement of any amounts due to and from the bank, then the bank's right to set-off would not be enforceable in those circumstances and it would not meet the offsetting criteria.

As with many other accounting changes, the amendments may require the reassessment of existing contracts. For example, a bank will need to determine whether it should continue to offset financial assets and financial liabilities that were presented net in the past. The nature and extent of any change may depend on how the existing requirements have been interpreted and applied to date.

A bank would typically consider the following in determining whether it has a legally enforceable right to set off:

- the counterparty(ies) to the contracts – this issue is further discussed in the 'Regulation in Action' section of this edition of *The Bank Statement* (see page 10);
- the terms of the contract; and
- laws in the relevant jurisdictions, including the respective bankruptcy regimes/laws. This would typically include the bank's own jurisdiction, the jurisdictions of other counterparties to the contract and the specific laws governing the contract.

It may be difficult to evaluate whether and when a right to set off is available and legally enforceable, especially if a number of different jurisdictions are involved. Specialist knowledge may be required and the bank may need to obtain a legal opinion in that respect.

For a transaction that is conducted via a clearing counterparty, the rules may allow the clearing counterparty to unilaterally change the settlement arrangements. The impact of this clause will need to be evaluated.

Challenge of retrospective application

Banks are required to apply the clarified offsetting requirements retrospectively. This means that they have to:

- present comparative information on a consistent basis; and
- consider whether a third statement of financial position is required.

Presenting information on a comparative basis may be challenging, particularly if a number of years are presented. Transactions in comparative periods may have been conducted under different contractual terms and may have involved different legal jurisdictions. In addition, there may have been changes to relevant laws during the periods presented. Legal opinions obtained in the past may no longer be relevant because they may not have considered the issues clarified by the *Amendments to IAS 32*. For example, banks might not previously have considered whether their right to set off is enforceable following their own default or bankruptcy.

If an accounting change is applied retrospectively, then IAS 1 *Presentation of Financial Statements* requires the presentation of a third statement of financial position at the beginning of the earliest comparative period if the application has a material effect on the information presented in the statement of financial position. In our view, when interpreting the requirement to present a third statement of financial position, banks should consider materiality based on their particular facts and circumstances. An assessment of materiality requires consideration of the effect of retrospective application on the information in the statement of financial position as at the beginning of the preceding period. If, based on an assessment of materiality, a bank concludes that a third statement of financial position is not required to be presented, then it considers whether this fact should be disclosed. Therefore, a bank needs to apply judgement to conclude whether a third statement of financial position is required.

Going forward

Going forward, a bank may wish to consider replacing the contractual party or changing contractual terms or the governing law of existing contracts so as to achieve offsetting under the clarified offsetting requirements.

The road ahead may still need clearing

With the deadline of 1 January 2014 fast approaching, the implementation of the *Amendments to IAS 32* still faces challenges. Banks that have not yet started looking at what these mean for them should do so without delay.

REGULATION IN ACTION: CENTRAL CLEARING OF OTC DERIVATIVES – AGENT OR PRINCIPAL?

Derivative central clearing reforms: The impact

In the wake of the financial crisis, the lightly regulated global over-the-counter (OTC) derivatives market received widespread criticism for its complexity and opacity. In response, the regulatory authorities in many countries have initiated a series of measures to improve transparency and to reduce the credit risk from counterparty failures.

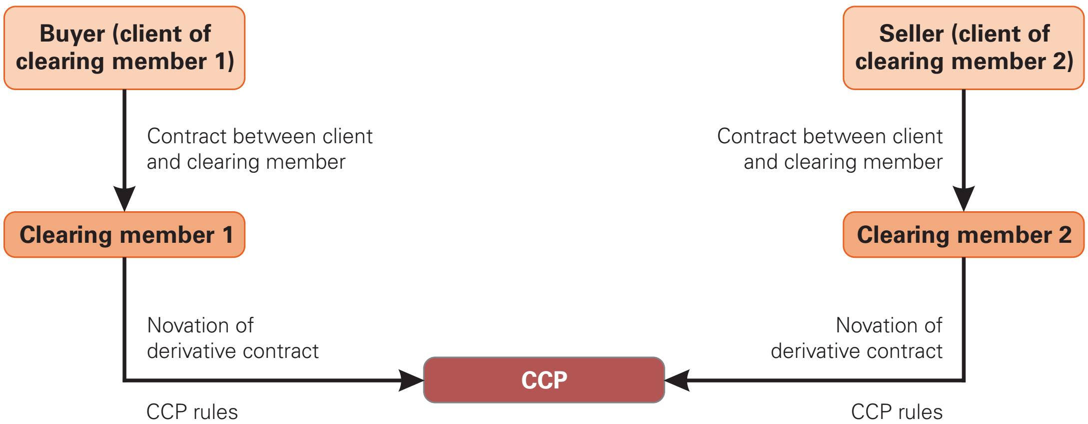
One of the key initiatives in this area is the introduction in many countries of a requirement to clear certain OTC derivatives though central counterparties (CCPs). Clearing through CCPs can take different forms but it often involves an intermediary – e.g. a clearing member. Such arrangements raise a potential accounting question sometimes characterised as whether the intermediary acts as a 'principal' or as an 'agent' of its client.

If a clearing member acts as the 'principal', then it becomes a party to the contractual provisions of financial instruments and has to record those instruments on its statement of financial position. If a clearing member acts as an 'agent', then it may not become a party to the contractual provisions of any financial instruments and, if so, would not record them on its statement of financial position. This may be a significant issue for some clearing members – e.g. banks that have to comply with the recently introduced leverage ratio.

Moving to central clearance: How does it work?

Before the introduction of CCPs, OTC derivative transactions were carried out directly between the seller and the buyer, as illustrated below.

The introduction of CCPs means that OTC derivative transactions may involve intermediaries – e.g. clearing members – in addition to the ultimate buyer and seller of a derivative. The resulting process may be as follows.



Agent or principal – Don't judge the book by its cover

IAS 39 *Financial Instruments: Recognition and Measurement* does not provide guidance on assessing whether an entity acts as a principal or as an agent in relation to entering into a financial instrument contract. Accordingly, the general requirements of the standard on when a financial instrument is recognised apply. Under IAS 39, an entity recognises a financial instrument in its statement of financial position when it becomes a party to the provisions of the instrument.

A clearing member's role is similar to that of a securities broker. Although brokers usually act on behalf of their clients, many enter into two separate transactions when conducting business for their clients: one with the central counterparty or exchange and one with the client. Each client transaction usually results in a financial instrument with the client and a matching financial instrument transaction with the exchange and is therefore recognised separately in the broker's statement of financial position.

The terms of the agreements between the clearing member, its client and the CCP – including the CCP's rules and regulations – have to be examined to determine whether the clearing member is becoming a party to one or more financial instruments that it should recognise. The following questions may be relevant in this analysis.

- Is the clearing member responsible for performance under the contract(s)?
- What are the limitations to the clearing member's liability?
- What are the collateral arrangements, including any segregation of assets?
- What are the arrangements for making/receiving contractual cash flows?
- What happens in the case of default or bankruptcy?
- What happens if a transaction is not accepted for clearing?
- What are the fee arrangements?

Sometimes, the rules and regulations under which a particular CCP operates refer to its members acting as a principal or as an agent. However, such descriptions – or similar characterisations based on the applicable legal framework – may not align with the relevant accounting concepts. So, even if an entity is acting in the capacity of an agent, as defined in the CCP's rules, it would still be required to recognise a financial instrument if the IAS 39 recognition criteria are met. Determining whether an entity becomes a party to the contractual provisions of one or more financial instruments that it should recognise, and what the terms of those financial instruments are, may require careful analysis.

Arrangements involving clearing members and CCPs may also give rise to complex related issues about the ownership and recognition of client monies and collateral, and the offsetting of financial assets and liabilities recognised in the statement of financial position (see page 8).

BCBS consults on disclosures relating to liquidity coverage ratio

The Basel Committee on Banking Supervision (BCBS) has issued a consultative document, *Liquidity coverage ratio (LCR) disclosure standards*, for comment by 14 October 2013. The disclosure requirements would apply to internationally active banks, but national authorities may also apply them to other banks to create greater consistency and a level playing field.

The proposals would require qualitative and quantitative disclosures, as follows.

- The qualitative disclosures would include a description of the main drivers behind LCR and discussions of any concentration of funding; derivatives and potential collateral calls; currency mismatches; and aspects of liquidity management.
- The quantitative disclosures would include weighted and unweighted amounts of high-quality liquid assets and analysis of cash outflows and inflows.

The proposed disclosures would either be included in banks' published financial reports, or these reports would contain a 'direct and prominent' link to the website or a publicly available regulatory report that provides them. The frequency and timing of the publication of proposed LCR disclosures would be aligned to financial statements (irrespective of whether these financial statements are audited).

Banks would have to consider how the BCBS proposals relate to the existing disclosures in their financial statements. Liquidity disclosures are required by IFRS 7. Also, the Enhanced Disclosures Task Force's October 2012 report *Enhancing the Risk Disclosures of Banks* contains recommendations on the disclosure of liquidity and many banks have incorporated aspects of these recommendations in their 2012 financial statements. The proposed BCBS disclosures may therefore overlap with the existing ones, and there may be subtle differences in definitions and/or presentation requirements.

Furthermore, the BCBS proposals contain specific guidance on which assets can be regarded as high-quality liquid assets. This includes:

- a requirement that such assets are unencumbered. 'Unencumbered' in the Basel framework is defined as 'free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign the asset'; and
- a requirement that the bank has the operational capability to monetise the assets.

IFRS 7 contains disclosure requirements in relation to assets that are pledged, but does not define 'pledged assets'. Banks may need to assess to what extent the principles underlying these two sets of disclosures overlap. They may also need to develop a mechanism to keep 'the whole package' of disclosures under review, such that the quality of disclosures is enhanced as opposed to creating an amalgam of an increasing number of disclosures that would clutter reports and make assessment of the reported information difficult.

The consultative document proposes that national regulators give effect to these new disclosure requirements no later than 1 January 2015.

EDTF issues progress report on implementation of its risk disclosure recommendations

As discussed in the Q4 2012 issue of *The Bank Statement*, in October 2012 the FSB's[2] Enhanced Disclosure Taskforce (EDTF) issued a report, *Enhancing Risk Disclosures of Banks*, in which it set out principles and recommendations for enhancing risk disclosures by banks. Less than a year later, in August 2013 the EDTF published a progress report on the level and quality of implementation of its recommendations. It noted that the recommendations are beginning to have a positive impact on the reporting practices of global banks. Investors and analysts in the EDTF noted that the improvements in transparency and comparability of risk disclosures that are being seen as a result of implementation of the report's recommendations are fostering greater confidence in banks' reporting by investors and other stakeholders.

2 FSB: Financial Stability Board.

The progress report is based on banks' self-assessment and a review by investors and analysts. The banks' self-assessment is that they have implemented 50 percent of the recommended disclosures in 2012 and will increase this to 72 percent in 2013. Interestingly, the report notes that the review by users and analysts indicated a lower degree of implementation than the banks' self-assessment, particularly for recommendations for which users expected granular, quantitative or tabular disclosures.

The progress report contains examples of leading practice for each EDTF recommendation (sourced from banks' 2012 annual reports and Pillar 3 disclosures) and observations on how further improvements can be made.

ESMA consults on application of EMIR provisions on central clearing of OTC derivatives to non-EU counterparties

On 17 July 2013, the European Securities and Markets Authority (ESMA) issued a consultation paper, *Draft Regulatory Technical Standards on contracts having a direct, substantial and foreseeable effect within the Union and non-evasion of provisions of EMIR*.[3] The consultation paper provides clarifications in relation to circumstances in which EMIR's provisions on the central clearing of OTC derivatives would apply to derivative transactions between two non-EU counterparties. These circumstances are defined as:

- when the OTC contract is considered to have a direct, substantial and foreseeable effect within the EU; and
- when it is necessary or appropriate to prevent the evasion of any provision of EMIR.

The consultation period closed on 16 September, and following the receipt of responses from constituents ESMA will finalise the draft technical standards for endorsement by the European Commission.

The consultation paper may impact the scope of the accounting implications of the central clearing of certain OTC derivatives. The move to central clearing OTC derivatives was discussed in the Q4 2011 and Q1 2013 issues of *The Bank Statement*. In summary, examples of the potential accounting impact from the central clearing rules, which form part of EMIR, include:

- changes to the fair value of derivative contracts, due to the potential impact of any changes in collateralisation requirements and counterparty credit valuation adjustments (CVA);
- offsetting analysis under IAS 32 (due to a potential change of counterparty) and respective disclosures under IFRS 7;
- principal vs agent assessment for the purposes of financial instruments recognition (see page 10); and
- hedge accounting – e.g. due to a change in hedge effectiveness or inability to use the limited exception to IAS 39 to continue hedge accounting on novation of derivative contracts.

3 EMIR: European Market Infrastructure Regulation.

YOU MAY ALSO BE INTERESTED TO READ …

IFRS Newsletter: Financial Instruments – Issues 14 and 15

Highlights the recent discussions and tentative decisions of the IASB on the financial instruments project.

July 2013 and September 2013

IFRS Newsletter: Revenue – Issue 10

Outlines the current thinking on the revenue project, and what the proposals could mean for entities.

July 2013

New on the Horizon: Insurance contracts

Considers the IASB and FASB proposals in their exposure drafts on insurance contracts and provides KPMG insight into what is seen by many as a major step forward towards implementing a common insurance framework across much of the world.

August 2013

New on the Horizon: Leases for banks

Considers the potential impact of the revised proposals in exposure draft ED/2013/6 *Leases* on banks and highlights issues relevant to the sector.

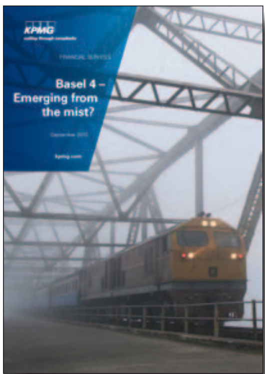
July 2013

In the Headlines: Reminder: Effective dates of IFRS – Issue 2013/15

A reminder of newly effective standards and standards issued but not yet effective for annual reporting periods ending on or after 30 September 2013, and interim periods within these annual reporting periods.

September 2013

Basel 4 – Emerging from the mist?



Focuses on the 'more and more of everything' approach to regulation and possible implications for banks.

September 2013

Click on the images above to access the publications.

BANKING CONTACTS

Global Head of Banking
David Sayer
KPMG in the UK
T: +44 20 7311 5404
E: david.sayer@kpmg.co.uk

Global Head of Capital Markets
Michael J Conover
KPMG in the US
T: +1 212 872 6402
E: mconover@kpmg.com

Argentina
Mauricio Eidelstein
T: + 54 11 43165793
E: geidelstein@kpmg.com.ar

Australia
Adrian Fisk
T: +61 2 9335 7923
E: adrianfisk@kpmg.com.au

Brazil
Fernando Alfredo
T: +55 11 21833379
E: falfredo@kpmg.com.br

Canada
Mahesh Narayanasami
T: +1 416 777 8567
E: mnarayanasami@kpmg.ca

China
Caron Hughes
T: +85 22 913 2983
E: caron.hughes@kpmg.com

France
Jean-François Dandé
T: +33 1 5568 6812
E: jeanfrancoisdande@kpmg.fr

Germany
Andreas Wolsiffer
T: +49 69 9587 3864
E: awolsiffer@kpmg.com

India
Manoj Kumar Vijai
T: +91 22 3090 2493
E: mkumar@kpmg.com

Ireland
Jonathan Lew
T: +353 1 410 1483
E: Jonathan.lew@kpmg.ie

Israel
Danny Vitan
T: +972 3 684 8000
E: dvitan@kpmg.com

Italy
Roberto Spiller
T: +39 026 7631
E: rspiller@kpmg.it

Japan
Tomomi Mase
T: +81 3 3548 5102
E: Tomomi.Mase@jp.kpmg.com

Korea
Michael Kwon
T: +82 2 2112 0217
E: ykwon@kr.kpmg.com

Mexico
Ricardo Delfin
T: +52 55 5246 8453
E: delfin.ricardo@kpmg.com.mx

Netherlands
Peti De Wit
T: +31 206 567382
E: dewit.peti@kpmg.nl

Portugal
Ines Viegas
T: +35 121 011 0002
E: iviegas@kpmg.com

Singapore
Reinhard Klemmer
T: +65 6213 2333
E: rklemmer2@kpmg.com.sg

South Africa
Vanessa Yuill
T: +27 11 647 8339
E: vanessa.yuill@kpmg.co.za

Spain
Ana Cortez
T: +34 91 451 3233
E: acortez@kpmg.es

Sweden
Anders Torgander
T: +46 8 7239266
E: anders.torgander@kpmg.se

Switzerland
Patricia Bielmann
T: +41 58 249 4188
E: pbielmann@kpmg.com

UK
Colin Martin
T: +44 20 73115184
E: colin.martin@kpmg.co.uk

US
Michael Hall
T: +1 212 872 5665
E: mhhall@kpmg.com

Acknowledgements

We would like to acknowledge the efforts of the principal authors of this publication:
Ewa Bialkowska, Colin Martin and Arevhat Tsaturyan.

KPMG International Standards Group is part of KPMG IFRG Limited.

Publication name: *The Bank Statement*

Publication number: Issue 11

Publication date: October 2013

kpmg.com/ifrs

***The Bank Statement* is KPMG's update on accounting and reporting developments in the banking sector.**

If you would like further information on any of the matters discussed in this Newsletter, please talk to your usual local KPMG contact or call any of KPMG firms' offices.