



Country-by-Country reporting for the financial services industry Capital Requirements Directive IV

On 16 April 2013, the European Parliament has reached agreement on the final text of the Capital Requirements Directive IV (hereafter: “CRD IV”). CRD IV aims at implementing the requirements of Basel III into EU law and to stabilize and strengthen the banking system by making banks set aside more and higher quality capital as a cushion against crises. Banks that are better able to withstand future crises should be more capable of financing investment and growth.

CRD IV is expected to be formally approved by the Council of Ministers in June 2013, after which it will be published in the Official Journal and enter into force. The new rules will apply from 1 January 2014 in case of publication in the Official Journal by 30 June 2013, otherwise from 1 July 2014.

Amongst the measures included in CRD IV are the new transparency rules. Each credit institution and investment firm is required to disclose financial information on a country-by-country basis. This

newsletter aims at informing you about Country-by-Country Reporting for the financial services industry as included in CRD IV.

Country-by-Country Reporting introduction

The interest in the fiscal behavior of multinational companies has grown exponentially over the last decade. Companies are expected to act responsibly with regard to the environment in which they are active. Transparency is seen as essential to monitor the behavior of companies, especially when it comes to taxes. Civil society has been successful in adding the concept of country-by-country reporting in one form or another on the international agenda. Next to the development of the voluntary transparency guidelines and the fact that some companies already disclose specific information per country in their Sustainability Reports, there are several countries around the world that are introducing and/or implementing Country-by-Country Reporting. All these initiatives have in common that disclosure of specific financial information is required on a country-by-country basis.

Country-by-Country Reporting in CRD IV

As indicated in the introduction, the CRD IV package includes Country-by-Country Reporting

requirements. These requirements will apply to credit institutions and investment firms with their residence in one or more of the EU Member States. The institutions mentioned above should disclose annually, by Member State and by third country in which it has an establishment, the following information on a consolidated basis:

1. Name(s), nature of activities and geographical location
2. Turnover
3. Number of employees on a full time equivalent basis
4. Profit before tax
5. Tax on profit or loss
6. Public subsidies received

Ultimately on 1 July 2014, the information for 2013 mentioned under 1, 2 and 3 should be disclosed publicly, while 4, 5 and 6 should be disclosed to the European Commission on a confidential basis. The Commission will conduct an assessment on these disclosures with regard to the potential negative economic consequences of the public disclosure of this type of information. The European Commission will thereafter submit a report with the results of the assessment to the Council and the European Parliament before 31 December 2014.

In principle, as from 1 January 2015, all the aforementioned information should be disclosed publicly, as an annex to the consolidated financial statements. This annex should, as the financial statements, be audited by an external auditor. Please note that if CRD IV is not published in the Official Journal before 1 July 2013, the abovementioned dates will be postponed with six months.

Next steps

In case your company is subject to the Country-by-Country Reporting requirements as from 2014, it is important to analyse the ability of your company to disclose this information before 1 July 2014. For any questions about the Country-by-Country requirements in CRD IV or assistance in the process of retrieving or collecting the required information, please do not hesitate to contact us.

We will keep you up-to-date if any significant updates on Country-by-Country Reporting in the CRD IV package occur.

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