

**Press Release by the Banking section of the Corporate Reporting Users' Forum ("CRUF")**

**30 October 2012**                      **For immediate release**

The CRUF welcomes the Enhanced Disclosure Task Force report "Enhancing the Risk Disclosures of Banks"

Members of the Banking section of the Corporate Reporting Users' Forum today welcomed the publication of the report "Enhancing the Risk Disclosures of Banks" issued on Monday 29 October 2012 by the Enhanced Disclosure Task Force ("EDTF") through the Financial Stability Board ("FSB") in Basel. The EDTF recommendations are designed to improve the clarity, timeliness, usefulness and comparability of information that banks provide to investors.

Rebuilding investors' confidence and trust in the banking industry is vital to the future health of the financial system – and responding to investors' demands for better risk disclosures is an important step in achieving that goal. Buy and sell side analysts from the Banking CRUF played a full part in the development of this report as members of the EDTF.

The EDTF report is principles based, as CRUF has long maintained corporate reporting needs to be. It is aligned with CRUF's own guiding principles that reflect user demands for: useful communication, not just compliance with disclosure rules; transparent and comprehensive disclosure; and information that is clear, understandable, consistent and relevant.

The report is the result of a vision shared by the EDTF bank preparers and investor users of financial information: there is a way to enhance disclosure that does not require, nor need it await, new or revised accounting standards.

Commenting on the report, Crispin Southgate, a Director of Institutional Investment Advisors Limited and a CRUF member who served on the EDTF, said:

"The EDTF recommendations include five key areas where disclosure of risk can and should be enhanced. First, illuminate the business models – what are the key risks that arise and how are they measured? Second, the vital areas of liquidity and funding – including the extent to which assets have been encumbered and therefore are, or are not, available to support liquidity and potential funding needs. Third, more information on risk weighted assets, on capital requirements and their drivers of change. Fourth, the relationship between market risk measures and the balance sheet – and by clear implication, the risks not on the balance sheet. Fifth, in the loan portfolios, the extent of forbearance and modification – what is the impact of these actions on impaired and non performing loans?"

"The discussions at the EDTF between preparers and users were robust, constructive and considerably assisted by members from the audit profession. We set realistic objectives and focussed on achievable results, both for the report and also for the banks. As users, we urge banks to read the report carefully and implement its recommendations as soon as possible. We would expect to see some immediate enhancements in reporting of the 2012 year end with further enhancements in 2013 and thereafter."

"While the recommendations were prepared with large international banks in mind, they are equally applicable to all banks that access the major public equity or debt markets. The prize for the banks that follow the recommendations is clear: user understanding can reduce the uncertainty premium that equity and debt investors currently demand. However, for some smaller banks that are not perceived as having implicit state support, the prize could be greater: a step along the way to breaking what has been an effective buyers' strike affecting their equity and unsecured debt."

**For further information please contact**

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**Notes for Editors**

The EDTF report and the press release from the FSB can be found at

<http://www.financialstabilityboard.org/index.htm>

The press release on the formation of the EDTF and a list of EDTF members can be found here

[http://www.financialstabilityboard.org/press/pr\\_120510.pdf](http://www.financialstabilityboard.org/press/pr_120510.pdf)

**About the Corporate Reporting Users' Forum (CRUF)**

The CRUF was formed in 2005 as a discussion forum to help professional investors and analysts in the debate on current and future corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of the International Accounting Standards Board and Financial Accounting Standards Board.

The CRUF is a discussion forum. Its participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organisations. It does not seek to achieve consensus views, though at times some or all of its participants will agree to make joint representations to standard setters or to the media.

CRUF participants include individuals from both buy and sell-side institutions, and from both equity and fixed income markets. The forum includes individuals with global or regional responsibilities and from around the world. The CRUF meets on a regular basis in Australia, Canada, France, Germany, Hong Kong, Japan, New Zealand, South Africa, UK and USA with facilities for remote participation.