

Improving risk disclosures for banks

Enhanced Disclosure Task Force reports on progress

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“Restoring trust and enhancing transparency are key issues for the banking sector. Many banks have made big steps forward in improving disclosures but there is still room for improvement.”

– Caron Hughes, partner, Financial Services, KPMG in China; leader, Capital Adequacy and Risk-Weighted Assets workstream, EDTF

The banking sector continues to take steps to improve investor confidence in financial reports. The Enhanced Disclosure Taskforce (EDTF) has issued its second progress report on implementation of the recommendations it made in 2012.¹ The report looks at disclosures in the 2013 annual reports of 41 systemically important banks, including 29 global systemically important banks. The level and quality of disclosures was analysed from two perspectives:

- a self assessment by the banks; and
- a review of disclosures by members of the EDTF who are active users of financial information published by banks (the user group).

Increased levels of implementation

The participating banks assessed that they have disclosed 73 percent of the information in the EDTF's 32 recommendations, 27 percentage points more than in the previous year.

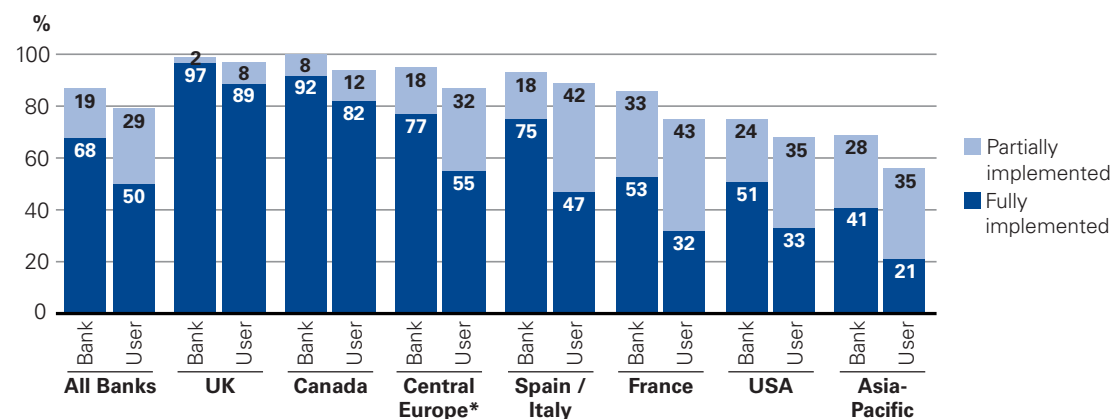
1. The Financial Stability Board's (FSB) EDTF issued its report *Enhancing Risk Disclosures of Banks* in October 2012. See our publication [In the Headlines – Issue 2012/14](#).

Disclosures about capital, market risk, liquidity and funding were among those which showed the largest increase from the previous year.

The user group reviewed the implementation of 18 of the recommendations included in the EDTF's 2012 report and concluded that 50 percent had been fully implemented and 29 percent partially implemented – compared with 68 percent and 19 percent respectively as assessed by banks themselves. Although both banks and the user group have concluded that the level of implementation of the recommendations has increased compared with the previous review, a gap persists between the banks' self assessments and the assessments of the user group.

Implementation varies by region

The progress report notes that banks in the UK and Canada have fully implemented almost all of the recommendations. However, implementation rates were lower, and differences between the self assessment and the user group assessment wider, in the US and parts of Europe. The report notes that support from local regulators enhances the extent of implementation.



* Central Europe includes Germany, the Netherlands, Sweden and Switzerland.

Next steps

Although banks have made significant progress in implementing the EDTF's recommendations – and implementation is nearly complete in some jurisdictions – the FSB and the EDTF both believe that there is still work to be done in supporting this initiative and exploring new ways to refine and update its recommendations in the future. In line with this approach, the progress report includes a summary of lessons learned that banks can consider in improving their disclosures.

Going forward, the EDTF also plans to:

- play a role in keeping the sector alert to risks and issues that may benefit from enhanced disclosure;
- monitor the Basel Committee on Banking Supervision's review of Pillar 3 disclosure requirements; and
- follow developments in the implementation of the new standards from the IASB and the FASB on financial instruments and the new credit risk disclosures which may result.

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