Questions & answers to EBA data collection exercise

4 November 2015

All questions to EBA data collection exercise on the proposed regulatory changes of the Definition of Default received by the EBA during the consultation period* and provided responses

Email	No	Question	Answer
Q1			
1	1	In relation to policy option on Specific Credit Risk Adjustments (SCRA), could you confirm that it is only applicable to counterparty risk (trading book)?	This policy option is based on the specification of the specific and general credit risk adjustments in accordance with Commission Delegated Regulation (EU) No 183/2014. The provisions of this Regulation and of CP on Guidelines on definition of default apply to banking book exposures. Only banking book exposures are subject to the QIS. Therefore this policy option does not apply to the trading book. For the purpose identification of default in accordance with Article 178(3)(b)CRR it is proposed that all SCRA as specified in Article 1(5)(a) and (b) of Regulation (EU) No 183/2014, i.e.: (a) losses recognised in the profit or loss account for instruments measured at fair value that represent credit risk impairment under the applicable accounting framework, and (b) losses as a result of current or past events affecting a significant individual exposure or exposures that are not individually significant which are individually or collectively assessed, should be considered to be a result of a significant perceived decline in credit quality of an obligation and hence should be treated as an indication of unlikeliness to pay.

Email	No	Question	Answer
1	2	In the calculation of Default Rate, could you confirm that exposures that are in probation period on 31/12/2012 should not be considered in the denominator?	Exposures that are in the probation period are still in default status, therefore these exposures should not be considered in the denominator. The default rate is defined in the template (sheet "Acronyms and glossary") as one-year-default rate observed for the selected representative sample of portfolio for the year 2013, where: i. the denominator includes the obligors or exposures which are not in default at the 31st of December of 2012; ii. the numerator includes the obligors or exposures referred in point (i) that have defaulted during a period of one year, i.e. until the 31st of December of 2013;
Q2			
2	1	Regarding Distressed restructuring - paragraph 43 (Consultation Paper), is it intended that, in line with FINREP guidance (Annex V) that all obligors who are classified as "non performing forborne" be flagged as defaults? This would include, for example, obligors who have been extended a second forbearance measure, or who are classified as >30 days past due while in forbearance, but have never reached 90 days past due or been allocated a specific provision.	Yes, according to the proposed provision of par. 43 of the Consultation Paper all exposures classified as forborne non-performing should be treated as defaulted. However, this policy option is not subject to the QIS. If you want to raise specific comments with regard to this policy option please submit them in the consultation process through the EBA website: https://www.eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-the-application-of-the-definition-of-default
2	2	Regarding the pulling effect – paragraph 80 (Consultation Paper), is it a requirement that this be applied to Retail exposures for the purposes of the QIS?	Pulling effect is only applicable to retail exposures where default definition is applied at the level of individual credit facility. According to proposed provision of par. 80 of the Consultation Paper application of pulling effect is not obligatory for institutions for the purpose of default identification but may be considered as an additional indication of unlikeliness to pay. For the purposes of Qualitative Questionnaire, please provide information on your current practices and views on impact of proposed pulling effect in default identification process. In the quantitative part of the QIS this policy option is not tested.

Email	No	Question	Answer
2	3	Regarding the Materiality Thresholds set out in Section 3.3.1, what exchange rate should be used to convert this to Sterling Pounds £stg.	Since all data should be reported as of 30 June 2015, this date should be used for the exchange rate. Foreign exchange reference rates should be used from ECB website (i.e. Statistical Data Warehouse which can be accessed via this link: https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html). The same approach should be applied in case data for QIS are not available for that reference period and another period is used. Then the exchange rate for the relevant date should be used.
Q3			
3	1	Question2b: should we include only the impact on Retail portfolio (scope of EBA consultation paper for this part)?	Yes, for question 2b please provide explanation on the contagion rules that you currently use with regard to retail portfolio. For this purpose contagion should be understood as a situation when default of one obligor influences default of another obligor. The Consultation Paper only specifies these rules in detail for retail exposures. Therefore in section B of the qualitative questionnaire please assess the impact of this policy option on your retail portfolio. Similarly in the quantitative part of the QIS this policy option is tested only for retail portfolios and only by those institutions that apply the definition of default at the obligor level.
3	2	Question 4: do you mean FIFO versus LIFO or should we explain whether we stop counting days past due when the delay in payment is accepted has an impact or not?	Question 4 relates to FIFO or LIFO approaches. If you use an approach that is FIFO or LIFO independent, please select [other].
3	3	There is no question on contagion rules, can we also comment on the qualitative impact of your consultation paper regarding contagion for Retail loans?	Question 2b is related to contagion rules. In section A of the questionnaire please describe contagion rules that you currently use with regard to retail portfolio. In section B of the qualitative questionnaire please assess the impact of the policy option included in the Consultation Paper on your retail portfolio. If you want to raise specific comments with regard to this policy option please submit them in the consultation process through the EBA website: https://www.eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-the-application-of-the-definition-of-default

Email	No	Question	Answer
3	4	There is no question on the obligation to follow days past due for each debtor / group on a daily basis. Can we comment on it?	If you want to raise specific comments with regard to this policy option please submit them in the consultation process through the EBA website: https://www.eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-the-application-of-the-definition-of-default
3	5	For Retail portfolios, we understand that we are supposed to communicate the impact for each COREP portfolio listed. However, the implementation of a policy option in one portfolio can impact the others. As an example, reducing the scope of default due to materiality thresholds in one portfolio (ex: qualifying revolving) can impact other portfolios (ex : other non retail) if default is applied at obligor level. Should we include these impacts on the impact of the second portfolio ("other non retail")?	Yes, where the effect of a specified policy option spreads across exposure classes that are subject to the QIS this should be included in the estimates. However, the estimates should be reported separately for each of the exposure classes listed in the QIS template. Please note also that the impact of each policy option is assessed separately. The effect of all policy options together should only be reported in the last row of each part of the template named 'Implementing all the policy options listed above'.
3	6	Contagion effect A common practice in France is to trigger a joint contagion default at obligor level whenever one of its facilities falls 90d past due. We understand that in the QIS the contagion should only be triggered above a threshold of 20% of consolidated borrower exposure. However the spreadsheet asks for a contagion effect at the Basel portfolio level: shall we understand that the 20% should be applied separately for each Basel portfolio type? Separating the effect of the trigger by portfolio may not be feasible (for instance if borrower IDs are common for mortgage loans and overdrafts, but not for the revolving loan).	For the purpose of the QIS the contagion effect should be understood as a situation when default of one obligor influences default of another obligor (see also answers above). The contagion rules specified in the Consultation Paper apply only to retail portfolios when a default is assessed at the obligor level. Note that the contagion is not automatic from one facility in default to a joint credit obligation. The pulling effect should not be confused with contagion effect in a sense described above. It's a different policy option that is in practice only relevant when a definition of default is used at the facility level. However, according to the Consultation Paper the application of this option for the purpose of default identification is not obligatory and can only be treated as potential additional indication of unlikeliness to pay. Pulling effect is also not tested in the quantitative part of the QIS.

Email	No	Question	Answer
3	7	Recovery rate The instructions state "As the timeframe for recoveries related to defaults which occurred between the 1st of January 2013 and the 31st December 2013 until the 30th June 2015 probably is too short for calculating a recovery rate, it should be calculated based on the current time series an institution uses for recovery rate calculation." => please clarify. Shall we assume that unresolved cases as of 30.06.15 should lead to future recoveries in line with internal LGD models? or in line with provisions?	The recovery rate (RR) may be calculated on the basis of the sample of exposures defaulted between 1st of January 2013 and the 31st December 2013. This would be either the observed recovery rate as of 30 June 2015. However, if the recovery processes are usually longer than 1,5 years it is also possible to estimate RR on the basis of the parameters used within internal LGD model. It is up to the institution to decide which is the best approach to estimate the RR that will be both feasible and would give the most appropriate results. Please note that it is important that this RR, as specified in the glossary, reflects the recoveries on both secured and unsecured part for non-cured facilities in the representative sample in relation to the EAD.
3	8	Current Def% & Def%-E, Current ELBE & ELBE-E: we understand that the "current" parameters in the second table correspond to the 31.12.2012 vintage (monitoring how performing loans @ 31.12.2012 performed during 2013). Are we right if we say that we should report in the "current risk parameters of the sample" the ELBE (and other parameters) as of 31.12.2013? Or should it be the ELBE of corresponding exposures as of 30.06.2015 (with the issue that some of the corresponding exposures have been reimbursed or resolved (for non performing loans) in the meantime). Indeed we understand that we will anyway have to apply the constitution rules of the 31.12.2012 sample to the 30.06.2015 portfolio to derive the EAD RWA etc for the sample to fill the yellow cells of the first table.	Section II) of the quantitative questionnaire should contain the actually observed risk parameters of the selected sample of exposures as of the following dates: • Default rate should be the one observed between 1st of January 2013 and the 31st December 2013; • All other risk parameters, including ELBE, should be reported as of 30 June 2015.
Q4			

Email	No	Question	Answer
4	1	In acronyms and glossary, there is no definition for EV-E. Shall we assume that it follows the same logic as DEF-E?	Yes, for EV-E we expect that the institutions report the total expected exposure value of the selected sample of exposures for each exposure class if each policy option was implemented. As already marked in the excel template – Section III of Part 2 "Quantitative SA" - please consider in the estimated exposure value of each exposure class as the sum of: i) the exposures that belong to the relevant exposure class which are not defaulted at 30 June 2015 and would not be reclassified as defaulted according to the new rules; ii) the defaulted exposures that are not considered defaulted according the new definition of default and that would have been assigned to the relevant exposure class if not defaulted at 30 June 2015. For the standardised approach, the total exposure value which we are referring to is the one determined in accordance with Article 111 CRR, i.e. after specific credit risk adjustments, additional value adjustments and other own funds reductions as well as, where applicable, funded credit protection and taking into account the conversion factors for off-balance sheet items as specified in Article 111(1) CRR.
4	2	In part III) Estimated effect of proposed policy options on the sample of the Quantitative SA, when evaluating the impact for each of the changes, shall we assume that all other things remain the same? For example, if we are evaluating the materiality threshold, we will assume that no changes in the distress restructuring occur or any other of the factor for that matter.	Yes, for each single policy option it shall be assumed that only that option is implemented, ceteris paribus. This approach allows assessing separately the effect of each single policy option. Please be aware that, anyway, the overall effect of the new rules on the definition of default shall be reported in correspondence of the Policy option "Implementing all the policy options listed above".
4	3	Since Bank of Cyprus apply the default definition at the exposure level to the retail exposures, shall the Bank not evaluate the Contagion Effect for Part III) Estimated effect of proposed policy options on the sample of the Quantitative SA?	As the contagion rules apply only when the definition of default on the retail exposure class is applied at obligor level, the institutions which apply the definition of default at facility level shall not evaluate the effects of those rules. In this case, a comment should specify that the contagion rules are not applicable to the institution.
Q5			

Email	No	Question	Answer
5	1	Is a QRRE split permissible, (i.e. can we separately report Cards and Personal Current Account) as we expect them to perform differently under the changing default definitions?	No, figures regarding the representative sample of QRREs should be reported according to the QIS instructions and COREP classification. Please do not change the QIS templates in particular by adding or deleting any rows or columns as this would hinder the analysis of the results of the QIS. In order to reduce the burden for the participating institutions, the requested information will be combined with the information already available in COREP reports. It is noted in the Quantitative IRB part of template that the exposure class QRRE refers to the classification used for the purpose of COREP reporting. The requirements in question are Article 147(2)(d) in conjunction with Article 154(4) CRR. As COREP does not allow a separated reporting for QRREs as you described with two separate estimates for cards and personal current account it would be impossible to derive final metrics in the analysis of the results of the QIS. Therefore the figures regarding the representative sample of QRREs should be reported according to the QIS instructions and COREP classification.
5	2	For Retail non-SME portfolios we are assuming that contagion will only relate to an obligor at the level of the existing rating system not at a level beyond this i.e. contagion will not occur across the Retail exposures classes as a whole. Please advise if this should not be the case.	According to the instructions, the policy option of the "contagion effect" within the QIS referrs to the paragraphs 81 to 87 of the draft guidelines. Hence a contagion of default should be possible across retail exposure classes, for instance where obligors are legally fully liable for certain obligations. Paragraph 86 of the draft guidelines requires that institutions should also analyse the forms of legal entities and the extent of liability of the owners for the obligations of a company. The guideline further specifies where an individual is fully liable for the obligations of a company, default of that company should result in that individual being considered defaulted as well (SME default => non-SME default). Paragraph 87 states the specific case of an individual entrepreneur where an individual is fully liable for both private and commercial obligations with both private and commercial assets, the default of any of the private or commercial obligations should cause all private and commercial obligations of such individual to be considered as defaulted as well (SME default <=> non-SME default).

Email	No	Question	Answer
5	3	The time available is extremely demanding, particularly as a level of oversight and review is required. Would it be possible to extend the timelines by 1-2 weeks? This would assist in providing more robust estimates.	The data collection should be completed on a best efforts basis. EBA is mindful of the burden for the institutions that participate in the QIS and provide necessary estimates. Before submitting the data to the EBA the national competent authorities will perform preliminary quality checks. Therefore if in individual exceptional cases the extension of the timelines by a few days will be necessary this should be discussed directly with the national authority. In any case the submission of the data to the EBA cannot be pushed beyond December 2015. Otherwise other timelines related to the regulatory work would be affected.
Q6			
6	1	3.2.1 Counting of days past due: We assume the counting of the days past due to continue to be on obligor basis (contagion and pulling effect considered in a next step).	For the purpose of the QIS, where the policy option on materiality threshold is tested in accordance with point 3.3.1 of the Instructions, the counting of days past due should be applied at obligor basis if the definition of default is applied at obligor level. Where default definition is applied at facility level the counting of days past due should also be based on individual facilities. For all other individual policy options that are subject to the quantitative part of the QIS the same counting of days past due should be applied as currently used by the institution. In the case of institutions that decide to apply the definition of default at the level of an individual credit facility the policy option related to automatic contagion between exposures does not apply. In that case institutions may consider application of the pulling effect; this is however not an obligatory requirement for default identification but rather a possible additional indication of unlikeliness to pay. In the case of institutions that decide to apply the definition of default at the obligor level all requirements for contagion between exposures apply (in particular the treatment of joint credit obligations and related obligors). In that case, since all exposures of the same obligor default at the same time, the pulling effect does not apply.

Email	No	Question	Answer
6	2	3.3.2 Sale of credit obligations Currently, the threshold concerning the sale of credit obligations due to the decrease in credit quality is 10% of the total credit exposure. The now proposed threshold of 5% represents a material change. Could you please elaborate on the calculation of this new threshold.	For the purpose of testing the policy option related to the sale of credit obligation in the quantitative part of the QIS, please use a threshold of 5% concerning the sale of credit obligations due to the decrease in credit quality. Furthermore, the threshold of 5% should also be used while estimating the joint impact of all selected policy options (rows named 'Implementing all the policy options listed above' in the template). For testing all other policy options please apply your current practices with regard to the sale of credit obligations. If you want to raise specific comments with regard to this policy option please submit them in the consultation process through the EBA website: https://www.eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-the-application-of-the-definition-of-default
6	3	3.3.4 Bankruptcy We assume that positions without exposure, respectively deposits at the time of notice of default by a third party do not have to be recorded.	Yes, only positions with an exposure should be assessed. Please use the definition of exposure specified in Article 5(1) of the CRR. For the purpose of the QIS, you may want not take into account the impact on deposits that have a non-material balance sheet exposure i.e. immaterial exposures might not be selected for the sample of exposures used for the purpose of providing estimates. Please use the fields "Specification of the sample" to describe criteria applied when selecting the sample.
6	4	3.5 Criteria for the return to a non-defaulted status We understand the probation period of at least 3 months does not refer to the 90 days past due criterion, e.g. with payment on day 91 there is the return to a non-defaulted status immediately.	The probation period should not be shorter than 3 months from the moment that the obligor was no longer past due more than 90 days on any material credit obligation and none of the indications of unlikeliness to pay specified in Article 178(3) of Regulation (EU) 575/2013 still apply. If after the probation period institution still assesses that the obligation is unlikely to be paid in full without recourse to realising collateral, the exposures should continue to be classified as defaulted. Therefore, in your example, if the obligor makes payment of the past due amount after default has already been identified, probation period starts for 3 months from that moment. Only after the analysis of the behaviour of the obligor and its financial situation during the probation period it is possible to assess whether the improvement of the credit quality is factual and permanent. As a result institutions may also avoid

Email	No	Question	Answer
			excessive number of multiple defaults.
6	5	We understand the current threshold parameters i) 2,5% and ii) 100 Euro is still valid and basis for the quantitative part.	The QIS will be used to measure the impact of an alternative policy option on materiality threshold that is taken into consideration. This policy option is based on the assumptions described in 3.3.1 of the Instructions, among others: the absolute limit is 200 EUR for retail exposures and 1000 EUR for non-retail exposures and the relative limit for non-retail exposures is 2,5%. For the purpose of testing the policy option on materiality threshold and joint impact of all selected policy options (rows named ‘Materiality threshold’ and ‘Implementing all the policy options listed above’ in the template) please remove all other triggers of default based on amount past due. For testing all other policy options please apply your current practices with regard to the materiality threshold.
Q7			
7	1	It is our understanding that for the purpose of this QIS 200€ threshold is applied for retail exposures at the obligor level or facility level depending on the level of application of the definition of default. Could you please confirm that?	Confirmed
7	2	In the QIS is a bank required to determine the total exposure value of the sample that would be classified to “exposures in default” if each and only that specific policy option is implemented as a trigger of default, irrespective of all other triggers of default that bank is using? Or is a bank required to keep all the other triggers that it uses as they are currently defined and change only the one that is specifically tested? Does the same apply for the IRB part of questionnaire? Additionally, it is our understanding that other policy options in GL which are not specifically mentioned in	Confirmed For each single policy option it shall be assumed that only that option is implemented, ceteris paribus. This approach allows assessing separately the effect of each single policy option. Please be aware that, anyway, the overall effect of the new rules on the definition of default shall be reported in correspondence of the Policy option “Implementing all the policy options listed above”.

Email	No	Question	Answer
		instructions like pooling effect, threshold for distressed restructuring should not be tested through this QIS. Could you please confirm this?	
7	3	Without prejudice to explanation box on page 35 of the CP for GL, it is our understanding that for the purpose of this QIS the counting of days past due is not discontinued unless the sum of all amounts past due become immaterial. With that regard situation given in explanation box where credit obligation might be past due less than 90 days with a material amount at the moment indication specified in Article 178(1)(b) ceases to apply is not possible. If this is true we would suggest that this is clarified in the instructions under part 3.3.1 Materiality threshold. In order to achieve consistency on the testing of this important issue we suggest to include examples like one below or other relevant to definition: [EXAMPLE INCLUDED IN THE INSTRUCTIONS]	Confirmed
7	4	It is our understanding that the default status starts on 91st day. Could you please confirm this?	Confirmed
7	5	It is our understanding that the reference amount for the threshold (credit obligation past due) include all the exposures to a certain obligor (principal, interest, fees and similar exposures). Could you please confirm this?	Confirmed
7	6	It is our understanding that for the purpose of this QIS a probation period of 3 months is calculated in a way that during this probation period no trigger for default should appear. In particular the obligor status could be returned to "non-default" if: a. there is still amount past due but it is considered	Confirmed

Email	No	Question	Answer
		immaterial and b. the credit obligation is past due less than 90 days with a material amount.	
7	7	With regard to the probation period of three months, this is to say that duration of a default event is number of days criteria for default are fulfilled plus 3 months period? For example, let's say client A satisfies criteria for default in period from 02.06.2014. to 25.06.2014. i.e. for 24 days. Default event will then be recorded as: a. Beginning date = 02.06.2014. b. End date = 25.09.2014. (i.e. 25.06.2014. plus three months) c. Duration = number of days between 02.06.2014. and 25.09.2014. (i.e. 29+31+31+25=116) If the criteria for default are fulfilled again on, let's say, 18.09. and last till 13.10.2014, the two default events will be concatenated into one so we will have one default event with the following characteristics a. Beginning date = 02.06.2014. b. End date = 13.01.2015. (13.10.2014. plus three months) c. Duration = number of days between 02.06.2014. and 13.01.2015. (i.e. 29 +31+31+30+31+30+31+13=226) Could you please confirm this	Confirmed
7	8	It is our understanding that for the testing of policy option with respect to SCRA the exposures should be classified as defaulted if the bank accounts for any amount of losses (regardless of the possible internal threshold) as a result of current or past events affecting a significant individual exposure or exposures that are	Confirmed

Email	No	Question	Answer
		not individually significant which are individually or collectively assessed.	
Q8			
8	1	To prove the availability of required data, we compared the policy options described in the consultation paper and the QIS with the actual legal norms, due to the fact that one year ago the EBA-ITS on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013 was to be implemented. Further it will not be possible to identify historically different recovery rates for section III) of the IRB template. This is the case because the recovery amounts for exposures which would move from/to defaulted state are required. However, it is described by the template instructions for the fields F34-39 that this is not possible to select isolatedly. For the same reason this information is not available for particular exposures. After a first workshop on the templates with specialists of different departments we came to the conclusion that in our bank we will see effects in the sections III) of the quantitative templates by changing between defaulted and non-defaulted just at the policy options * adjustment of materiality thresholds * adjustment of the probation period - general With regard to the materiality thresholds, which are the	As already provided for by the Instruction to the QIS exercise, the choice of the samples to be used for the QIS that are representative for the total exposure class is left to the institution. The size of an adequate sample will depend largely on the specific situation of an institution and the characteristics of the portfolio therefore it’s difficult to determine strict quantitative thresholds. Institutions should also describe the criteria used to select the sample in the proper fields in the template "specification of the samples". Institutions should seek the right balance between the feasibility of the estimations for the purpose of the QIS and the representative of the sample to the total portfolio. The representativeness of the portfolio will be later assessed and taken into account by the EBA while analyzing the contributions sent by the banks. However, in a quantitative manner, it seems appropriate that the each selected sample should include not less than 20% of the number of obligors and not less than 20% of the EV (for SA) / EAD (for IRB) of each relevant exposure class. In the case of the standardised approach, for defaulted exposure class, the indicative 20% thresholds should be calculated only considering those counterparties that, if not defaulted, would have been classified in the retail, corporate or mortgages exposure class.

Email	No	Question	Answer
		basis for the counting of the days past-due, we remark that there is no technical possibility to simulate data for a time period to get transparency which exposure would have been defaulted or non-defaulted by setting other materiality thresholds. A simulation is only possible on data referring to a point in time. Apart from that, the method of sampling should be described in more detail mentioning the fact that the exposure classes for the retail business is within the scope of the QIS, which are distinguished by a large number of exposures with rather small volumes. Could you give us a hint to what extent a sample size would suffice your needs of representativeness? (e.g. percentage of EAD, number of clients)	
8	2	To what extent can rates for the total portfolio differ from the rates of the sample so that a representativeness is still given? (e.g. percentage, confidence interval,...)	As above
Q9			

Email	No	Question	Answer
9	1	Example: The customer was previously a low risk customer of the bank. Due to extraordinary country severe economic conditions and political decisions (bail in, etc), the customer along with the majority of all other customers has problems with the facilities repayment. The Bank has consented for a forgiveness amount (material). The customer follows the new repayment program for more than one year (probation period), and the bank does not consider the customer as a high risk (very good financial statements, very good market potential, etc) and would be willing to extent new facilities to the customer. All default triggers have been reversed except for the part of the forgiveness amount i.e. paragraphs 59 and 60 of the Draft Guidelines on the application of the definition of default under article 178 of Regulation (EU) No 575/2013 have been satisfied except for the forgone amount that the bank has consented. Will the customer revert to non-default status?	The specific conditions on the reclassification to non-default status of defaulted exposures due to distressed restructuring are stated in paragraph 60 of the draft guidelines. All of the listed points in paragraph 60 need to be fulfilled in order to reclassify the exposure to a non-defaulted status after at least one year probation period. Given your sketched scenario and assuming that point (b) till (f) is met, the customer should return to a non-defaulted status when a material payment has been made by the customer during the probation period. Institutions may assess the materiality of the payment via its regular payments in accordance with the restructuring arrangements (see paragraph 60 point a). For the purpose of reclassification to non-defaulted status, it is not required that the customer repays the forgiveness amount.
Q10			
10	1	Can the EBA confirm that in providing qualitative answers relating to Current Practice banks should consider practices in place on the June 2015 and in the 6 / 12 months prior?	Unless noted otherwise, all data should be reported as of 30 June 2015. However, if there have been significant changes in the practices in the period for which quantitative estimates are provided or after June 2015 please indicate that in the comments.
10	2	What timeframe should banks consider when assessing whether sales are “often”	The assessment regarding the row 41 should be based on the 3 options provided in the drop-down menu: 1. yes, at least several times during the last 3 years; 2. no, only occasionally in specific circumstances; 3. no, never.

Email	No	Question	Answer
10	3	Should internal sales be considered, for example a sale of assets by the Group to a subsidiary?	No, they shouldn't be included as the data in the QIS should be provided at the highest level of consolidation in a Member State, and therefore we do not observe intragroup transactions. According to IFRS 10 the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. In that case Parent institution have to eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Therefore, there would be no material credit-related economic loss related with the sale of credit obligations and it should not be treated as an indication of default. However please note that a default should be triggered if the institution believe that the client is unlikely to pay in full its credit obligation.
Q11			
11	1	Our bank is mainly active in the financing of RGLAs, so that we have no exposure towards retail or corporate clients (apart from a dozen counterparts). As a consequence, the whole quantitative part of the QIS is not really applicable to us. Will the final template be complemented with other exposure classes?	This template has been designed only for specific exposures in order to simplify the contributions: it is not currently planned by the EBA to expand it to other exposure classes. Please also note that only those institutions that have been contacted by their local supervisor are expected to contribute to this QIS. However, the participation in the QIS is open to all banks on a voluntary basis. If you want to contribute by for example completing the qualitative questionaire please contact your national supervisory authority that will be collecting the responses before sending them to the EBA.
Q12			

Email	No	Question	Answer
12	1a	1). Guidance tab a). Sub-Title: Representative Sample: Please provide more explanation/guidance as to what constitutes an 'immaterial portfolio'.	The choice of the samples to be used for the QIS that are representative for the total exposure class is left to the institution. The size of an adequate sample will depend largely on the specific situation of an institution and the characteristics of the portfolio. In choosing the sample institutions should seek the right balance between the feasibility of the estimations and the representative of the sample to the total portfolio. For this purpose the immaterial portfolio should be understood as a portfolio with relatively low total exposure value or relatively few exposures / clients so that the omission of this portfolio in the selection of the sample will not significantly decrease representativeness of the selected sample for the overall exposure class.
12	1b	b). Sub-Title: Completeness of the Analysis – Please explain what would be considered as a "negligible exposures".	Negligible portfolio is referring to those portfolios which are comprised of none or very limited number of facilities or obligors.
12	2a	2). Part 1: Qualitative tab a). Part A, Q8a: Please define 'often' within the context of the stated question.	The assessment regarding the row 41 should be based on the 3 options provided in the drop-down menu: 1. yes, at least several times during the last 3 years; 2. no, only occasionally in specific circumstances; 3. no, never.
12	2b	b). Part B, questions 2a, 2b & 2c: Please provide greater explanation of the terms 'Contagion', 'Pulling Effect' and as to what constitutes a 'technical default'	"Contagion" should be understood for the purpose of the QIS as a situation when default of one obligor influences default of another obligor. The contagion effect that is tested in this QIS, as described also in point 3.3.7 of the Instructions, refers to the rules regarding the treatment of joint credit obligation and related clients in the retail exposure class specified in paragraphs 81 to 87 of the Consultation Paper. Only the contagion rules for retail exposures are assessed in this QIS. "Pulling effect" should be understood as a situation when default of one or several exposures of an obligor are in default and trigger default for other exposures of that obligor. De facto, the pulling effect concept is only relevant when the default is defined at the facility level. According to the Consultation Paper the application of this option for the purpose of default identification is not obligatory and can only be treated as potential additional indication of unlikeliness to pay. Pulling

Email	No	Question	Answer
			effect is also not tested in the quantitative part of the QIS. For the purposes of Qualitative Questionnaire, please provide information on your current practices and views on impact of proposed pulling effect in default identification process. In the quantitative part of the QIS this policy option is not tested. For the definition of technical default please refer to Section 3.3.2 of Instructions for EBA data collection exercise on the proposed regulatory changes of the Definition of Default: "This policy option is based on the definition included in paragraph 20 of the draft Guidelines on default of an obligor (EBA/CP/2015/15) that specifies that a 'technical default' should only be considered to have occurred in either of the following cases: (a) where an institution identifies that the defaulted status was a result of data or system error, including manual errors of automated processes but excluding wrong credit decisions; (b) where due to the nature of the transaction there is a time lag between the receipt of the payment by an institution and the allocation of that payment to the relevant account, so that the payment was made before the 90 days and the crediting in the client's account took place after the 90 days past due."
12	2c	c). Part B: Answers to questions 11a & 11b are to be answered using a drop down list (e.g. for 11a; Negligible, Somewhat significant, Significant, etc). Answering using the pick list is very subjective and open to each institutions interpretation of what is deemed to be negligible, significant etc. To aid consistency across the responses could further clarification/guidance be provided i.e. percentage change bandings.	The assessment in this part of the QIS will be based mostly on expert judgement rather than quantitative analysis therefore no quantitative bands are provided. The information provided in the qualitative part, i.e. Views on impact of proposed policy options, will be assessed as relevant in comparison to information provided in the quantitative data as an estimated effect of proposed policy options on the sample.

Email	No	Question	Answer
12	3	3). Part 2: Quantitative Questionnaire SA Section III: If the title: 'Exposure in default if policy option implemented (Def-E)' asks for the total exposure value that would be classified to "exposures in default" if each of the policy options were implemented, what value is required in the 'Exposure value if policy option implemented (EV-E)' field? Will this just be the total amount of exposure to each class e.g. Corporates? As no movement between classes is anticipated as a result of the default definition changes, this value will be unchanged for all fields in each section.	For the selected sample of exposures, e.g. to corporates, the institution should specify the total exposure value of the sample that would be classified to exposures to corporates if each of the policy options described in section 3.3 of Instructions would be implemented. This estimation should take into account the expected shifts to and from exposure class "exposures in default". Therefore EV-E will specify the estimated exposure value of non-defaulted exposures whereas Def-E indicates the estimated exposure value of exposures in default.
12	3a	Section III: Estimated effect of proposed policy options on the sample • Is the materiality threshold the same as that of COREP?	The QIS will be used to measure the impact of an alternative policy option on materiality threshold that is taken into consideration. This policy option is based on the assumptions described in 3.3.1 of the Instructions, among others: the absolute limit is 200 EUR for retail exposures and 1000 EUR for non-retail exposures and the relative limit for non-retail exposures is 2,5%. For the purpose of testing the policy option on materiality threshold and joint impact of all selected policy options (rows named 'Materiality threshold' and 'Implementing all the policy options listed above' in the template) please remove all other triggers of default based on amount past due. For testing all other policy options please apply your current practices with regard to the materiality threshold in default identification process.

Email	No	Question	Answer
12	3b	• What is meant by the term technical defaults?	For the definition of technical default please refer to Section 3.3.2 of Instructions for EBA data collection exercise on the proposed regulatory changes of the Definition of Default: “This policy option is based on the definition included in paragraph 20 of the draft Guidelines on default of an obligor (EBA/CP/2015/15) that specifies that a ‘technical default’ should only be considered to have occurred in either of the following cases: (a) where an institution identifies that the defaulted status was a result of data or system error, including manual errors of automated processes but excluding wrong credit decisions; (b) where due to the nature of the transaction there is a time lag between the receipt of the payment by an institution and the allocation of that payment to the relevant account, so that the payment was made before the 90 days and the crediting in the client’s account took place after the 90 days past due.”
12	3c	• What is meant by the term SCRA (“Specific Credit Risk Adjustments”) how are we defining these?	This policy option is based on the specification of the specific and general credit risk adjustments in accordance with Commission Delegated Regulation (EU) No 183/2014. This means that where the accounting provisions cover losses that meet one of the following conditions the exposures should be classified as defaulted: (a) losses recognised in the profit or loss account for instruments measured at fair value that represent credit risk impairment under the applicable accounting framework; (b) losses as a result of current or past events affecting a significant individual exposure or exposures that are not individually significant which are individually or collectively assessed. Please refer to Section 3.3.3 of the Instructions and paragraphs 25 to 27 of the CP Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013 for further explanations.

Email	No	Question	Answer
12	4a	4). Part 2 (both SA & IRB) a). All areas: Is sampling mandatory? – we assume not but would appreciate confirmation.	Sampling is not mandatory. If an institution chooses so it can provide the estimates for the total exposure class as specified in the template. The sample in that case would equal the total portfolio and would be perfectly representative. The possibility to use the sample was only envisaged in order to reduce the burden of the estimations for the participating institutions.
12	4b	b). All areas: More explicit guidance on what is meant by the “representative sample”	As already provided for by the Instruction to the QIS exercise, the choice of the samples to be used for the QIS that are representative for the total exposure class is left to the institution. The size of an adequate sample will depend largely on the specific situation of an institution and the characteristics of the portfolio therefore it’s difficult to determine strict quantitative thresholds. Institutions should also describe the criteria used to select the sample in the proper fields in the template "specification of the samples". Institutions should seek the right balance between the feasibility of the estimations for the purpose of the QIS and the representative of the sample to the total portfolio. The representativeness of the portfolio will be later assessed and taken into account by the EBA while analysing the contributions sent by the banks. However, in a quantitative manner, it seems appropriate that the each selected sample should include not less than 20% of the number of obligors and not less than 20% of the EV (for SA) / EAD (for IRB) of each relevant exposure class. In the case of the standardised approach, for defaulted exposure class, the indicative 20% thresholds should be calculated only considering those counterparties that, if not defaulted, would have been classified in the retail, corporate or mortgages exposure class.
12	4c	c). More clarity is required around the term “grace period”.	The ‘grace period’ as referred to in a policy option on probation period for exposures subject to distressed restructuring described in point 3.3.6 of the Instructions should be understood as the period after entering into restructuring arrangements during which the obligor the may not obligor make any or just very small repayments.
Q13			

Email	No	Question	Answer
13	1	One of the participating banks has exposure for a particular asset class spread across two geographic areas, each having their own separate risk model. The asset class in question is “Secured by Immovable property (non-SME)”. Is it acceptable to sample exposures across one geographic area / model or do we need to sample across both geographic areas / models?	The data in the QIS template should be provided on the same consolidation level as used for the purpose of COREP reporting. In general data should be reported at the highest level of consolidation in a member state. In case your participating bank uses figures containing exposures of both of the geographic areas / rating systems for the purpose of COREP reporting, it is advisable to sample across both geographic areas / rating systems. Hence, a better comparison with the COREP data is reached and a greater representativeness is given for the sample. Please give a description on the sampling criteria and provide the name and scope of application of the concerned rating systems in the cell "Specification of the sample". However, when you are convinced that representativeness of the sample is sufficient by choosing one representative rating system solely, please give explanation for this instance. The selected representative sample should in general have similar structure as the overall portfolio. However, it is possible to apply certain simplifications in order to avoid excessive burden in the estimations, such as excluding exposures when they origin from immaterial portfolios.
Q14			
14	1	Could you please provide a functioning link to the Word document "Detailed Instructions"? Could you please provide functioning drop-down menus in the qualitative questionnaire (e.g. Cell 17D, 24D etc)?	We will double check the templates but this should be working in the already published templates. Operational difficulties may be related to the Office version that is used. For instance drop-down menus might not work in Excel versions 2007 and older but should be fine in the newer versions.
14	2	Could you please clarify whether the response to the below question is limited to a Member State or bank may report differences among Member States? 13D “Do you use different definitions of default across the entities established in the Member State within a banking group for different types of exposures?”	The QIS should be completed with data at the same level of consolidation as for COREP reports i.e. in most cases reflecting the situation at the highest consolidation level in a Member State. This general rule applies also to the qualitative questionnaire. Therefore the answer in field 13D should describe differences in default definition within the Member State. However, banks may report differences among Member States in the field for additional comments (13E). Please note that the differences in default definitions may be related not only to the materiality thresholds that have to be set by the Competent Authorities but

Email	No	Question	Answer
			also, for instance, to the fact that different "other indications of unlikeliness to pay" as defined in the GL could be applied on exposures located in different entities or types of exposures.
14	3	Concerning the geographical location in 15D, could you please clarify whether only entities inside the EU or also units in other geographies should be included?	As explained above the QIS should be completed with data reflecting the situation at the highest consolidation level in a Member State. Units in various geographical locations within a Member State should be included, as long as they contribute to the consolidated requirements. Differences to other entities outside the Member State either within EU or in third countries may be reported in the additional comments in field 15E.
14	4	We understand that the quantitative analysis aims at focusing on retail or SME exposures and excludes thus exposures of larger counterparties. Such exposures are considered only in the last part of the qualitative questionnaire. Could you please confirm whether the interpretation of the Corporates - SME as the SME belonging to the corporate sector, and not as a total of Corporates and SME is correct?	This reference is to the exposures reported in the Corporate – SME sub-exposure class as referred to in the COREP. This class includes only SMEs treated as corporates.
14	5	Could you please confirm that the correct approach would be to consider "open portfolios" by exposure class whose characteristics' definition would be the same on 31 December 2012 and on 30 June 2015? This would permit identification of samples on 31 December 2012 on which the calculation of risk parameters related to default would be based, and calculate the values of the samples on 30 June 2015 to appreciate their representativeness.	Yes, we find it opportune that only the exposures referred to 31 December 2012 that would have been classified in such exposure class also on 30 June 2015 are reported in a given exposure class.

Email	No	Question	Answer
14	6	We understand that "exposures" in the formulation "obligors or exposures", used for example to define the Default Rate, is to be considered as a number of exposures or as a number of facilities. As for the "or" in this formulation, we understand that each institution shall apply its own procedures in this respect.	In this context “number of exposures” means number of facilities. Number of facilities should be used only for retail exposures where the institution applies the definition of default at facility level. In all other cases the default rate shall be determined considering number of obligors.
14	7	However, we think that this may lead to significant differences between institutions and undermine the comparability between institutions.	The differences between the banks that apply default definition for retail exposures at the facility level and those that apply it at the obligor level will be taken into account in the analysis of data reported in the QIS.
14	8	Concerning current risk parameters of the sample (34-39D) we would appreciate clarification as to whether banks can use the observed default rates in terms of exposures, or it refers to number of facilities?	“Number of exposures (i.e. facilities)” should be used only for retail exposures where the institution applies the definition of default at facility level. In all other cases the default rate shall be determined considering number of obligors.
14	9	Regarding ELBE calculation , we consider that it shall apply only on retail exposures. For retail exposures, we believe that the calculation would have to be performed at the end of 2013 on the exposures of the samples that would have defaulted during 2013.	ELBE calculation applies to all the exposure classes, where the institution has been authorised to use the advanced IRB approach. It should be reported in the QIS template for each exposure class for all exposures selected to the sample as of 30 June 2015.
14	10	However, to calculate the ELBE-E would require building a posteriori and retroactively ELBE internal models with the new policies. This would require reconstituting a historical database of the ad hoc data related to the new policies which would not be feasible.	The template has to be filled on a best effort basis. It is not required to build ELBE models retrospectively. Rather, current models should be applied to the portfolio that would be in default according to the specified policy options as at 30 June 2015.
14	11	Regarding Def% calculation, we believe that it would be more consistent to calculate the parameter as indicated in the diagram, with the denominator as of 31/12/12 and the numerator as of 31/12/13, to be consistent with the DR calculation.	No, this variable is necessary to assess how the current exposures would be classified as defaulted/non defaulted according to the new rules. This is relevant for determining the amounts to be treated according the “defaulted assets” framework (PD=1) and the amounts to be treated according to the framework applicable to non-defaulted assets.
14	12	Would you please confirm that it is not necessary to use the 31/12/15 reference given in the QIS document page 40 for the cell 34-39 G?	The share of defaulted exposures should be reported as of 30 June 2015.

Email	No	Question	Answer
14	13	Regarding the Recovery Rate (RR) calculation, it is not clear how to interpret the expression "It should be calculated based on the current time series an institution uses for recovery rate calculation".	There are many ways to estimate recovery rates; it is up to the institution to apply the most appropriate methodology for its specific situation. For example, the institutions could use the internal estimates of RR used in their internal LGD models. This is appropriate in particular in a situation where recovery processes are usually much longer than 1,5 year (so the observation period between 30/12/2013 and 30/06/2015 would not be sufficient) and the institution does not expect the RR to change as a result of the specified policy options. However in that case it has to be noted that the RR for the purpose of the QIS, as specified in the glossary, should reflect the recoveries on both secured and unsecured part for non-cured facilities in the representative sample in relation to the EAD. Therefore the RR used in internal LGD models might have to be adjusted to reflect this definition of RR.
14	14	Should banks use observed RR or downturn adjusted measures?	In principle recovery rates (RR) should not reflect downturn effect. However, if it's impossible to use observed RR and instead RR from LGD model are used that include downturn adjustment then, if possible, please try to estimate the level of downturn adjustment included in the RR. In any case please describe the methodology and assumptions that you used in the comments.
14	15	An approach is being considered by some banks whereby they could analyse the first recoveries of the exposures of the samples defaulted in 2013 up to 30 June 2015 and identify to which historical recovery curves they best correspond. Finally they would extrapolate the RR from the corresponding identified curves. Could you please confirm whether such approach is consistent with the EBA intention?	It is up to the bank to choose the most appropriate way to estimate RR. This could be one of the possible solutions.
14	16	Regarding the new policy "materiality threshold", we understand that it includes the new approach regarding the calculation of days past due, namely as no specific policy related to this calculation is mentioned in the template. Could you please confirm?	Yes, the policy option on materiality threshold includes specification of the calculation of the days past due.

Email	No	Question	Answer
14	17	Is it possible to start the counting from the moment that the exposure is considered as past due, as it would be a more conservative approach?	The reported estimates should reflect the policy option as specified in the instructions including the calculation of the days past due. If it is impossible to apply the policy option exactly as specified, banks should estimate the impact of this difference on a best effort basis.
14	18	How should bank treat exposures which change their retail/non-retail character within the relevant reference time interval due to variation of the exposure? Is it intended that they apply different materiality thresholds to these customers depending if their exposure is above or below the regulatory 1 Million EUR limit for the respective reference date?	It is assumed that the classification of obligors to exposure classes is relatively stable therefore if such situation takes place institutions should adopt some assumptions that will not be overly complicated. One of the possible solutions is to exclude form the selected sample of exposures those that change classification in the observed period. Other possible solution is to assume that the exposure remain in the initially assigned exposure class.
14	19	It is unclear how to interpret the notion of "estimate" for the calculation of the effect on the risk parameters, for example in the following request "please provide the estimated one-year default rate ..." (page 40 of how to fill in cells 47-93 D). Two possible interpretations have been identified: • either the estimate corresponds to the values that the risk parameters would have had if the proposed policies had been applied. In a sense it corresponds to estimated observed values • or the estimate corresponds to the values of the risk parameters that would have been estimated by the relevant models at the time of the calculation. This would require historical data going back a long time before the calculation. We consider that the first interpretation should be applied to the risk parameters DR, CR, RR, and Def%, and the second one to the ELBE (please refer to the comment on ELBE above). Could you please confirm?	It is correct that the approach described in the first bullet point should be followed. Also for ELBE the estimate would reflect the estimated observed values of ELBE in accordance with the current methodology for the portfolio of exposures that would be defaulted if a given policy option would be implemented.

Email	No	Question	Answer
14	20	The new proposed definition of technical default would for example exclude defaults linked to commercial disputes which are quite frequent. This is likely to lead to significant increase in the default rate without legitimate reason. It is not clear whether, for entities performing leases activities, the litigation cases about the exploitation of the underlying asset should or should not be taken into consideration. Furthermore, it seems difficult to measure retroactively the IT and operational glitches which are considered to meet the definition of technical default.	Some exposures under litigation procedures are excluded from the scope of technical defaults (see paragraphs 17 and 18 of the Consultation Paper). For the purpose of assessing the impact of this policy option in the QIS the technical errors already identified in the observation period should be taken into account. The intention here is to assess if the bank applied a broader definition of technical default and the effects of the reduction induced by the introduction of the new rules.
14	21	We understand that it is required to anticipate IFRS 9 requirements by categorizing all “bucket 3” exposures as defaulted. IFRS 9 is currently being implemented in financial institutions and they may not be ready to meet the operational requirements of this particular exercise in a timely manner.	The policy option related to specific credit risk adjustments is based on the currently applicable accounting framework. Impact of IRFS 9 is not subject to this QIS. However, institutions may comment on the possible consequences of IFRS9 in the qualitative part of the template.
14	22	Many entities possibly involved in the QIS do not perform any loan portfolio sales, whether performing or not. Moreover, underlying sold credit obligations are often corporates (trade receivables purchase) and do not fall within the scope of this exercise.	If institutions do no perform any sales of loan portfolios then the impact of this policy option on such institution will be 0 (i.e. risk parameters will remain the same).
14	23	Some banks are currently implementing NPE requirements which are not yet operational. Clarification is also requested for some restructuring cases that are not to be considered as defaulted (e.g. « ABI moratoria » in Italy).	Classification of exposures as distressed restructuring is not subject to the quantitative QIS. The policy option related to probation period before the return to non-defaulted status should be tested based on the definition of distressed restructuring currently used by an institution.

Email	No	Question	Answer
14	24	We also understand that the EBA only wants to trigger the distressed portfolio sale, and not the sale to any Special Purpose Vehicle (SPV) like it is the case in securitisation operations (mortgage, personal loans, trade receivables...). Could you please confirm this understanding?	Only sales where the economic loss is related to a deterioration of the creditworthiness of the obligor have to be taken into account.
14	25	It is unclear if the contagion effect shall be calculated at the entity level or at the Group consolidated level: many entities may indeed have the same obligor. The measurement of a contagion effect at Group level is nearly unfeasible in reason of discrepancies of IT systems and credit decisions/process.	In general the rules on the treatment of joint credit obligations and related obligors should be applied at the consolidated level and the data for the purpose of the QIS should be reported at the highest consolidation level in a Member State. However, if it would be too burdensome to apply those rules at a consolidated level for the purpose of the QIS it is possible to report in at an entity level. In that case please include a comment with explanations.
14	26	Specifically, as factoring is concerned, the underlying nature of the engagements is very different. As quoted on page 23 of the consultation paper, the engagements linked to the clients relate to the uncovered part of the client, whereas the engagements linked to the debtors rely on the invoices (namely short term one shot exposures, as underlying of the economic transaction between the client and the debtor). Mixing both concepts in one single answer will lead to heterogeneous results, disabling any comparison possibility. Clarification or restriction to client-related statistics should be specified.	The QIS is not intended to measure the impact of the policy options on factoring. In the described example the factoring exposures should not be selected to the sample of exposures used for the purpose of the QIS.

Email	No	Question	Answer
14	27	Several institutions have indicated the lack of data availability required by the QIS. • Difficulties to aggregate and collect available data have been raised from institutions with very granular portfolios (i.e. typically retail financing). • The data necessary to calculate the risk parameters retroactively for the period 2013 with the current DoD policies is not always available in the information systems • The data necessary to calculate these parameters for the same period with the new DoD policies will not be present in the systems as they were not recorded at that time. In most cases, it will not be possible to reconstitute them retrospectively. • In the cases where reconstitution of risk parameters internal models would be necessary, for example for ELBE-E, the calculation would be complicated. • Even in instances when banks will be in the position to provide data, several assumptions and approximations may need to be used undermining the data reliability • Data which would lack reliability should not be however used for comparability amongst institutions. • The collection of data would require significant time and numerous resources which will be challenging due to the employment of the resources in the ongoing reporting requirements. Some banks therefore indicated that they only will be in the position to respond the qualitative part. • Given the burden that fulfilling this QIS represents, we believe that in some cases it will be necessary to provide estimations on a best effort basis.	We understand these issues and therefore while preparing the QIS we were trying to find a right balance between the possibility to get meaningful results and feasibility of the exercise for the institutions. For this reason the QIS is based on a sample of exposures where the sample is selected by the institutions themselves to allow for a choice of such exposures where the estimation is possible. We also understand the estimations will have to be based on certain assumptions and simplifications, including in some cases the use of expert judgement where fully quantitative analysis is not possible. In that case please describe these assumptions and simplifications in the comments so that we can take that into account while analysis the responses. The QIS should be completed on a best effort basis. Where it is not possible to provide estimates for some policy options or some portfolios please provide explanation in the comments.

Email	No	Question	Answer
Q15			
15	1	Regardind the question: "What is the reference figure for the materiality threshold? (specification of measure that is assessed against the threshold)" we assume the amount past due. We would appreciate EBA to provide an example.	Please see the modified Instructions as published at the EBA website where additional explanation and exmaple has been added to point 3.3.1. http://www.eba.europa.eu/-/eba-publishes-final-templates-and-instructions-for-the-quantitative-impact-study-on-the-definition-of-default
15	2	Are there any minimal sample representativeness requirements? E.g. at least X% of total portfolio, while maintaining the representativeness of parameter? What deviation from portfolio parameters is still considered representative enough?	The choice of the samples to be used for the QIS that are representative for the total exposure class is left to the institution. The size of an adequate sample will depend largely on the specific situation of an institution and the characteristics of the portfolio therefore it's difficult to determine strict quantitative thresholds. Institutions should also describe the criteria used to select the sample in the proper fields in the template "specification of the samples". Institutions should seek the right balance between the feasibility of the estimations for the purpose of the QIS and the representative of the sample to the total portfolio. The representativeness of the portfolio will be later assessed and taken into account by the EBA while analyzing the contributions sent by the banks. However, in a quantitative manner, it seems appropriate that the each selected sample should include not less than 20% of the number of obligors and not less than 20% of the EV (for SA) / EAD (for IRB) of each relevant exposure class.
15	3	What assumptions does entities need to make to calculate cure rate for cases which should be considered in default based on QIS instructions (i.e. for exposures which are currently not in default, but would have been under the QIS instruction, a "theoretical" cure rate need to be calculated as no data to support the calculation exists)	The EBA is well aware of the difficulties underlying the estimation of risk parameters for exposures that were not in default but should be considered as defaulted with the new proposed rules. The templates should be completed on a best effort basis, therefore various methodologies will be accepted. In general cure rate should be reflect the observed cure rate as of June 2015; in case this is not possible cure rate may be estimated on the basis of the LGD model, as long as consistency is kept with the definition of cure rate provided in the glossary in the template. Please use "comment" to indicate the convention you used.

Email	No	Question	Answer
15	4	What assumptions does entities need to make to calculate recovery rate for cases which should be considered in default based on QIS instructions (i.e. for exposures which are currently not in default, but would have been under the QIS instruction, a "theoretical" recovery rate need to be calculated as no data to support the calculation exists)	Similarly as in the case of cure rate the recovery rate should refer to exposures defaulted between 1st of January 2013 and the 31st December 2013. This should be estimated on a best effort basis and can be either the observed recovery rate as of June 2015, or the estimated parameter with the LGD model, as long as consistency is kept with the definition of recovery rate provided in the glossary in the template. Again, please use "comment" to indicate the convention you used.
15	5	Should we treat for (e.g.) different thresholds for Retail and Corporate as different definition? We assume not, because the essence of the default is the same- client is overdue 90days, same calculation is done, but the thresholds used differ.	In case two different thresholds for retail and non retail are used 2 default definitions should be counted; please use comment to describe the main differences in the definition of default used.
15	6	In one of our subsidiaries, if default event on loan level (e.g. 90dpd on loan level) – the whole client is classified as defaulted both Corporates and Retail. Should we consider this as a obligor level or facility level with 100% pulling effect? If second – how to treat then bankruptcy because it is on obligor level?	If the firm uses a rule that once one exposure to an obligor is defaulted all other exposures to the same obligor are also defaulted this should be considered for the QIS as an application of default definition at the obligor level. In the case described in the example, where the application of the materiality threshold and counting of DPD is at facility level, please choose relevant answer and describe it in the qualitative questionaire in section 5b.
15	7	Impact of the proposed policy options on the own funds requirements: By own funds requirements – should we have in mind both P&L effects and RWA effects (if one of our subsidiary is under STA)?	The template has been designed in order to only focus the impact on RWA, both in the case of STA and IRB. However impact on own funds can be taken into account in the answers if deemed relevant. Please use 'comment' to describe your methodology and assumptions, and to explain how the change in the definition of Default will impact materialy the level of own funds.
15	8	The comment about impact includes the whole portfolio, more precisely extrapolation of the sample effects to whole Retail and Corporate portfolio?	The qualitative questionnaire is not based on the samples and refer to different portfolios than those covered by the quantitative part. The assessment should rather reflect the view on the impact of the total portfolio. It is expected that in most cases it will be based mostly on expert judgement. However, if you intend to use a sample of exposures from the portfolios specified in section 11b of the qualitative questionnaire please extrapolate the results to the total portfolio.

Email	No	Question	Answer
15	9	Impact on the own funds requirements for selected non-retail exposure classes: STA – to use “common sense” for exposures towards governments, central banks …? Or we should have some kind of systematic approach?	Please use the best methodology that you think is appropriate, and use "comments" to describe the methodology and the assumption that you made. Expert judgement is an acceptable approach.
15	10	What is the simulation period?	Please refer to the modified Instructions as published at the EBA website where detailed explanations have been added in section 2.3. http://www.eba.europa.eu/-/eba-publishes-final-templates-and-instructions-for-the-quantitative-impact-study-on-the-definition-of-default
15	11	We would kindly ask you, if the deadline for resubmission of the templates could be shifted taking in account the year end activities	The data collection should be completed on a best efforts basis. EBA is mindful of the burden for the institutions that participate in the QIS and provide necessary estimates. Before submitting the data to the EBA the national competent authorities will perform preliminary quality checks. Therefore if in individual exceptional cases the extension of the timelines by a few days will be necessary this should be discussed directly with the national authority. In any case the submission of the data to the EBA cannot be pushed beyond December 2015. Otherwise other timelines related to the regulatory work would be affected.
15	12	What is a correct level of consolidation if our subsidiary has in one country two entities? Both are groups sub-consolidated, having also solo sub-consolidation, both are IRB entities. We assume the level of consolidation used be the highest level per country (i.e. group sub consolidation).	The QIS should be completed with data reflecting the consolidation level used for COREP data (this is usually the highest consolidation level in a Member State - please see section 2.2. of the Instructions).
15	13	In case we do not sell the not defaulted credit obligations, do we need to simulate this policy change? If yes, than are there some general assumptions for this simulation?	Please provide estimates to all policy options if possible. In the described situation the impact of the policy change will be 0, i.e. risk parameters of the selected sample will remain unchanged.
Q16			

Email	No	Question	Answer
16	1	The consultation paper "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013" includes two different definitions of default - namely those specified in the chapters: 4. Draft Guidelines 5. Accompanying Documents - specifiying different options incl a preferred option The preferred option in chapter "Accompanying Documents" is not always in line with the proposed default defintion in chapter "Draft Guidelines". Our assumption is that the "EBA QIS on default definition template" shall be based on the specifications set out in chapter 4 "Draft Guidelines". We kindly ask you to confirm and where necessary to correct this assumption.	The chapter “Accompanying Documents” presents the cost benefit analysis and the qualitative assessment of the technical options considered in the process of drafting the Guidelines. The relevant text of the Guidelines is included in the chapter “Draft Guidelines”. All policy options specified for the purpose of the QIS, apart from the option on materiality threshold, are based on the text specified in “Draft Guidelines”. Adequate references are included in point 3.3. of the Instructions.

*Consultation period started from 22 September 2015 and lasted to 19 October 2015.
Some of the above responses, those of a general nature, have also been incorporated in the final version of the Templates and Instructions for the data collection published at the EBA website on 26 October 2015.