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**COMMISSION IMPLEMENTING REGULATION (EU) 2016/2070**

**of 14 September 2016**

**laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting to the European Banking Authority and to competent authorities in accordance with Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council**

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC <sup>(1)</sup>, and in particular the third subparagraph of Article 78(8) thereof,

Whereas:

- (1) The focus of the competent authorities' assessments or of the European Banking Authority's ('EBA') reports may change over time and therefore benchmarking portfolios may need to change accordingly. The design of the general template for defining benchmarking portfolios should take this into account and should therefore allow for defining benchmarking portfolios in various compositions and degrees of granularity.
- (2) The second sentence of Article 78(2) of Directive 2013/36/EU allows a competent authority to develop, in consultation with the EBA, specific portfolios for assessing the quality of institutions' internal approaches, in addition to the common EBA portfolios. Rules should be provided for defining the templates for the reporting to the EBA, which should also apply to the specific portfolios that have been developed by a competent authority.
- (3) A clustering approach should be used for credit risk, whereby the credit risk portfolio is decomposed into sub- portfolios with roughly similar risks across institutions. This allows for a provision of analyses by competent authorities and EBA on comparable exposures and ensures a minimum level of uniformity between the portfolios of different institutions. Having regard to the categories of risk present in most of the internal approaches of institutions and to the categories for defining own funds requirements for credit risk, the clustering for the benchmarking exercise of Article 78 of Directive 2013/36/EU should encompass exposures to corporates, credit institutions, central governments, small and medium-sized enterprises ('SMEs') included in the retail category ('retail SMEs'), SMEs not included in the retail category ('corporate SMEs'), as well as exposures secured by residential mortgages and exposures to the construction sector, with additional clustering based on the place of residence of the counterparty, the collateralisation characteristics, the default status or the industry sector.
- (4) A more granular benchmarking of internal approaches of institutions requires a specific sample approach to low default portfolios, whereby the benchmarking is applied at the exposure level and at the transaction level. However, given that this specific sample approach focuses on a subset of an institution's real exposures only, and is therefore not very representative, it should be used only as a complement to the clustering approach.

<sup>(1)</sup> OJ L 176, 27.6.2013, p. 338.

- (5) The complexity of the benchmarking exercise requires a progressive use of portfolios that refer to the internal approaches used to calculate risk-weighted exposure amounts for credit risk. For market risk, the portfolios used in benchmarking exercises of the Basel Committee on Banking Supervision ('BCBS') and of EBA in 2013 should be used as a starting point for developing the set of portfolios for the benchmarking exercise required by Article 78 of Directive 2013/36/EU, with only minor adaptations to maintain the portfolio validity. This will minimise the burden to institutions and competent authorities and avoid a duplication of efforts.
- (6) Article 78 of Directive 2013/36/EU also requires the competent authorities to assess the quality of the internal approaches and the degree of variability observed in particular approaches. The competent authorities' assessment should therefore not focus only on the internal approaches' outcome but also on the key variability drivers and should draw conclusions from the different modelling approaches and options that institutions use in their internal approaches. Institutions should therefore also be required to report the results of the use of historically observed risk parameters for credit risk and their profit-and-loss time-series for market risk.
- (7) A meaningful assessment of the effect of each approach used for market risk requires that the institutions report the main risk modelling assumptions to the competent authorities and that the competent authorities assess the effect of each choice in isolation, where Regulation (EU) No 575/2013 of the European Parliament and of the Council <sup>(1)</sup> provides them with options to choose the modelling assumptions. It is therefore necessary to perform alternative calculations for the value-at-risk ('VaR') to control the different possibilities that institutions can apply and that are explicitly mentioned in that Regulation. To that end, institutions using a Historical Simulation approach for VaR should also deliver a one-year profit-and-loss data series for each one of the individual portfolios modelled.
- (8) When reporting on market risk, the institutions should provide an initial market valuation of each individual instrument to assess whether they understood the instrument correctly. That will also ensure that institutions introduce the positions in their systems. The institutions should also report the initial market valuation to their competent authorities and the EBA ahead of the portfolio-modelling outcome, on which the assessment of the risk-weighted exposure amounts referred to in Article 78(3) of Directive 2013/36/EU will be based.
- (9) To ensure that the competent authorities and the EBA have a clear view of the range of values that are used for risk-weighted assets and for own funds requirements that arise under internal approaches for similar exposures, the institutions should report to competent authorities the results of internal approaches that have been applied to benchmark portfolios covering a wide range of exposures.
- (10) Article 78(3) of Directive 2013/36/EU requires competent authorities to assess the internal approaches that they have permitted institutions to use for the purpose of calculating risk-weighted exposure amounts or own funds requirements. The benchmarking exercise should therefore only relate to validated internal approaches. An institution should not provide data for portfolios that include instruments or risk factors that are reported under the standardised approach.
- (11) An institution that is able to model an instrument included in one of the benchmarking portfolios for market risk and that has received permission from its competent authority to use an internal approach to calculate the risk-weighted exposure amount or the own funds requirement for that type of instrument, should report all the relevant data for that instrument as required by this Regulation, irrespective of whether the institution has such instrument in its books at the time of reporting. However, if an institution that has received the abovementioned permission lacks adequate experience in modelling a specific instrument and has therefore not received its management's approval to model the instrument, it should not provide data on the individual portfolios that include the instrument, as this would risk corrupting the resulting dataset. In such cases the institution should report the portfolios that will not be included in their data submission and provide the reasons for their exclusion.
- (12) Any long-term IT solution for the reporting for the benchmarking exercise under Article 78(2) of Directive 2013/36/EU should offer an institution the possibility to report directly to EBA. However, EBA has been established recently and has limited resources, which limits its capacity to receive reports by institutions directly. An interim IT solution should therefore be established until those problems have been solved. To avoid that an interim solution creates disproportionate burdens on reporting institutions, consistency with other types of

<sup>(1)</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

reporting by institutions should be ensured and in particular with the IT solution that is referred to in Article 17 of Commission Implementing Regulation (EU) No 680/2014 <sup>(1)</sup>.

- (13) Since institutions are already required to report information in accordance with Implementing Regulation (EU) No 680/2014, it would be disproportionate to require them to report immediately all of the information referred to in Article 78(2) of Directive 2013/36/EU. To provide them with sufficient time to implement appropriate internal reporting frameworks, while at the same time ensuring that they carry out a meaningful benchmarking exercise, the portfolios to be assessed as regards credit risk internal approaches should be introduced gradually.
- (14) The remittance dates for the information that needs to be reported should be set in a manner that gives institutions sufficient time to perform the necessary calculations.
- (15) This Regulation is based on the draft implementing technical standards submitted by EBA to the Commission.
- (16) EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council <sup>(2)</sup>,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

#### **Reporting by the institutions for the purposes of Article 78(2) of Directive 2013/36/EU on an individual and consolidated basis**

For the purposes of Article 78(2) of Directive 2013/36/EU, an institution referred to in paragraph 1 of that Article shall submit to its competent authority all the information referred to in Articles 2 and 3 on an individual and consolidated basis.

#### *Article 2*

#### **Reporting of information for credit risk**

For internal approaches for credit risk, an institution shall submit to its competent authority the following information:

- (a) the information specified in template 101 of Annex III, for the counterparties referred to in template 101 of Annex I, in accordance with the instructions referred to in Tables C 101 of Annex II and Annex IV respectively;
- (b) the information specified in template 102 of Annex III, for the portfolios referred to in template 102 of Annex I, in accordance with the instructions referred to in Tables C 102 of Annex II and Annex IV respectively;
- (c) the information specified in template 103 of Annex III, for the portfolios referred to in template 103 of Annex I, in accordance with the instructions referred to in Tables C 103 of Annex II and Annex IV respectively;
- (d) the information specified in template 105 of Annex III in relation to the name and characteristics of the internal approaches used for the computation of the results provided in templates 102 to 104 of Annex III, in accordance with the instructions referred to in Table C 105 of Annex IV.

(1) Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).

(2) Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

*Article 3***Reporting of information for market risk**

1. For internal approaches for market risk, an institution shall submit to its competent authority the information specified in the templates of Annex VII, in accordance with the portfolio definitions and instructions contained in Annexes V and VI, respectively.
2. As a derogation from paragraph 1, an institution shall not be required to submit the information referred to in paragraph 1 for an individual portfolio in any of the following cases:
  - (a) the institution does not have the permission from its competent authority to model the relevant instruments or risk factors that are included in the portfolio;
  - (b) there is no internal approval by the management of that institution to operate in one or more instruments or in the underlying assets included in the relevant portfolios;
  - (c) one or more of the instruments included in the portfolios incorporate underlying risks or modelling features that are not contemplated in the institution's risk metrics.
3. An institution that meets the conditions of paragraph 2 and has decided not to submit the information referred to in paragraph 1 on one or more portfolios shall:
  - (a) report those portfolios and indicate which of the reasons listed in paragraph 2 is the cause thereof;
  - (b) still submit the information for the aggregated portfolios included in Annex V, considering only the individual portfolios that it is able and permitted to model.

*Article 4***Reference and remittance dates**

1. An institution shall submit to its competent authority the information referred to in Article 1 on the following reporting reference dates:
  - (a) the information referred to in Article 2 shall be submitted as it stands on 31 December of each year;
  - (b) the information referred to in Article 3 shall be submitted as it stands on the reporting reference dates specified in the instructions laid down in Annexes V and VI.
2. An institution shall submit to its competent authority the information referred to in Articles 2 and 3 by 11 April of each year. The remittance date of the initial market valuation of market risk data specified in template C 106 of Annex VII is set out in Annex V.
3. Where the date referred to in paragraph 2 is not a working day in the Member State of the competent authority to which the information is to be submitted, the information shall be submitted on the following working day.
4. An institution shall submit to its competent authority any corrections to the submitted information without undue delay.

*Article 5***Initial market valuation for market risk**

For portfolios other than those reported in accordance with point (a) of Article 3(3), an institution shall report to its competent authority an initial market valuation of those portfolios or of individual instruments included in those portfolios, as applicable, at the precise date specified in the instructions set out in Annex VI.

*Article 6*

**IT solutions for the reporting**

When submitting information in accordance with Article 1, an institution shall use the IT solution developed for the purposes of the supervisory reporting in accordance with Article 17 of Implementing Regulation (EU) No 680/2014.

*Article 7*

**Transitional provisions for reference dates, remittance dates, and for reporting of credit risk templates**

1. As a derogation from Article 2, during the first year of application of this Regulation, institutions shall submit only the information referred to in points (c) and (e) of that Article.
2. As a derogation from Article 2, during the second year of application of this Regulation, institutions shall submit only the information referred to in points (a), (b), (d) and (e) of that Article.
3. As a derogation from Article 2 and until 31 December 2017, institutions shall not be required to report column 180 of templates 102 and 103 of Annex III where they do not compute the own funds requirements for credit risk resulting from the application of the standardised approach.
4. As a derogation from Article 4(2), during the first year of application of this Regulation, an institution shall submit the information referred to in Articles 2 and 3 to competent authorities by close of business of 27 December 2016.

*Article 8*

**Entry into force**

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 14 September 2016.

*For the Commission*  
*The President*  
Jean-Claude JUNCKER