EBA/CP/2025/03

25/02/2025

Consultation Paper

Draft Implementing Technical Standards on amending Commission Implementing Regulation (EU) 2016/2070 with regard to the benchmarking of internal models – 2026 benchmarking exercise.

Contents

1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 26.05.2025. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

Article 78 of Directive 2013/36/EU (CRD) requires competent authorities to conduct an annual assessment of the quality of approaches used for the calculation of own funds requirements. To assist competent authorities in this assessment, the EBA calculates and distributes benchmark values to CAs that allows a comparison of individual institutions' risk parameters. These benchmark values are based on data submitted by institutions as laid out in Commission Implementing Regulation (EU) 2016/2070 which specifies the benchmarking portfolios, templates and definitions to be used as part of the annual benchmarking exercises.

For the 2026 benchmarking (BM) exercise the following changes are suggested:

- For market risk (MR), templates and instructions for new Internal Model Approach (IMA) framework, reflecting the changes introduced with the FRTB.

- For credit risk (CR), the asset classes definition is aligned with the breakdown of Credit Risk IRB templates adopted in the revised Implementing Technical Standards (ITS) on supervisory reporting

The EBA supervisory benchmarking serves three major objectives, the first one being the above-mentioned supervisory assessment of the quality of internal approaches. However, it also provides a powerful tool as well to explain and monitor RWA variability over time and horizontally and to indicate related implications for prudential ratios and the relevant policy. Lastly, the benchmarking results also provide the institutions with valuable information on their risk assessment compared to other institutions' assessment on comparable portfolios.

Next steps

The Annexes presented in this draft ITS replace or are added to the existing set of templates in order to create a consolidated version of the updated draft ITS package.

These draft ITS will be submitted to the Commission for endorsement before being published in the Official Journal of the European Union. The technical standards will apply 20 days after publication in the Official Journal.

3. Background and rationale

3.1 Market Risk benchmarking

1. As part of the 2026 ITS update to the market risk benchmarking exercise, templates were amended to prepare the data collection for the Alternative Internal Model Approach (AIMA) framework, reflecting the changes introduced in CRR3 to transpose the FRTB requirements, and considering the delay [European Commission Delegated Act]. Changes are fairly substantial with the majority of the previous IMA CRR2 templates having to be abandoned because they are no longer compatible with the new AIMA framework and its new components, in particular the risk factor eligibility test (RFET), Expected Shortfall (ES), Stress Scenario Risk Measure (SSRM) and Default Risk Charge (DRC).

2. In order to make the data collection as simple as possible, the new templates for AIMA benchmarking are drawn from the templates used for COREP standard collection of AIMA information. Clearly, COREP templates had to be adjusted, in order to consider the benchmarking specificities, but the similarities with COREP should help institutions to correctly interpret them.

3. Moreover, given the complexity of the AIMA FRTB implementation, the initial application of the data submission has been reduced to a smaller subset of the instruments and portfolios than were required for the previous IMA framework. Moreover, granular data collection is limited to Expected Shortfall and Stress Scenario Risk Measures, while DRC will be considered for future developments. The smaller subset constitutes a representative selection of instruments across asset classes, with the aim of ensuring a minimum number of submitted instruments for each participating institution using AIMA. This choice reflects also the consideration that the number of institutions in scope of FRTB AIMA benchmarking has decreased considerably, and the challenges of performing a benchmarking for risk measures, with a reduced number of observations. A staged implementation of the FRTB AIMA benchmarking is therefore the choice EBA is suggesting adopting.

4. No substantial change was introduced in the FRTB Alternative Standardised Approach (ASA) data collection. However, even if the ASA data collection framework is substantially unchanged, attention needs to be focused on the new draft of Article 78 of the CRD 6, which will enter into force at the beginning of 2026. With this new mandate, the 2026 benchmarking exercise will see an increase in the number of institutions in the scope of the ASA data collection, approximately 100, a substantially higher number with respect to the previous roughly 40 institutions in the scope of the previous Market Risk benchmarking exercise. The volume of own fund requirements for market risk calculated using the FRTB ASA will dominate. Therefore, the EBA benchmarking exercise is paying close attention to implementing the FRTB ASA framework. This is also reflected in the fact

that all instruments and portfolios of the benchmarking exercise are, in principle, relevant for those institutions applying the FRTB ASA.

5. More detailed information on the changes in the Market Risk Templates is in the following section.

(i) FRTB IMA Templates

6. The ITS proposal provides a series of templates to collect the information concerning the FRTB AIMA approach. More specifically, the templates (in Annex 7 of the original ITS) are similar to the ones consulted in the 2025 benchmarking ITS, are accompanied by the updated instructions in Annex 6 (in the original ITS), and are specified as follows:

   - Template 130.01 collects information on the risk factor eligibility test (RFET), which will indicate, at portfolio level, the number of the risk factors that pass or do not pass the RFET. Differences between institutions' submissions for Expected Shortfall and SSRM could be explained by their different performance in terms of RFET. The template is also designed to provide a granular set of information in terms of the numbers of risk factors considered, at benchmarking portfolio level, and their split between different risk classes and sub-classes.

   - The Stress Period template (130.02) is very similar to the COREP templates, but will provide competent authorities with more specific information of the actual stress period applied for the benchmarking exercise (n.b. the COREP template is completed quarterly, which is not aligned with the benchmarking exercise timing).

   - Template 130.03 – Daily Risk Measures. Within this template, institutions will provide the main risk measures: Expected shortfall risk measure (ES), Stress scenario risk measure (SSRM) and Default risk charge (DRC) by benchmarking portfolio, regardless of whether institutions actually have similar portfolios in their trading book, as long as the institutions have AIMA approval for those instruments, and are allowed to trade with the specific instruments in the portfolio by their internal policy. To keep the exercise consistent with the past exercise, the risk measures will be provided for a ten-working days (2 weeks) period.

   - Template 130.04 – Partial Expected Shortfall. This information, also provided at portfolio level, is meant to provide the key sub-component of the expected figures provided in template 130.03. Per regulation, the expected shortfall must be calculated as a combination of the expected shortfall calculated considering the current scenario, using both reduced and full set of risk factors, and the expected shortfall coming from the stressed scenario considering the reduced set of risk factors. Since the stress period will likely be different, as reduced set of risk factors applied, it is expected that these three re-calculations will have different level of consistency.

- Template 130.05 – VaR-ES-PL. As for the COREP template, this template is requiring to provide internal measure of Expected Shortfall and VaR. The timeseries of VaR and Expected Shortfall shall be of the same length as the data provided in the Daily Risk measures and the partial expected shortfall (template 130.03 and 130.04), i.e., two weeks of data. The VaR and Expected Shortfall are collected to assess their consistency with measures provided in template 130.03, and with the time series of P&L provided in template 108. Furthermore, in the template 130.04, hypothetical PL and risk theoretical PL will be collected, to assess their consistency, within each other and across institutions. Clearly, VaR, ES and PL collected are not expected to be applied to properly backtest the performance of the model on the single portfolios, due of course, to the insufficient length of the data series provided.

- Template 130.06 – Stress scenario risk measures. This component is also split into two parts in order to better facilitate the data collection of the Stress scenario risk measures. Due to the granularity of this information, this template will be filled out only with information concerning one day of observation – the last day of the Risk Measures reference period. The template (C 130.06 Alternative internal model approach: Stress scenario risk measure (SSRM) - Own funds requirements (MKR IMA SSRM1) for benchmarking) allow for a more aggregated data collection of the component of the total Stress scenario risk measures i.e., the Aggregate rescaled stress scenario risk measure (Σ RSS2) - Idiosyncratic Credit Spread and Equity risks, and for the "Other risks", the Sum of rescaled stress scenario risk measures and the Aggregate rescaled stress scenario risk measure. The total Stress scenario risk measures shall also be reported in this template and should be on the last day of submission of the SSRM reported in template 130.03.

- Template 130.07 – The second template on Stress scenario risk measures, also filled with information concerning the last day of the risk assessment submission, is meant to disaggregate the component of the rescaled SSRM. Here, the institutions will report each non-modellable risk factors, attributing a unique identifier, so that the supervisors can verify the most granular component of the SSRM, for each specific portfolios in the benchmarking exercise.

Questions for consultation:

MR Q1: Do you see any issues or any missing information that should be required in the new templates suggested for the AIMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?

MR Q2: Do you see any issues with the reduced subset of instruments proposed for the AIMA exercise? Please elaborate?

MR Q3: Do you see any issues with the new template 106.02? Please elaborate.

MR Q4: Do you see any issues with specifying the specified timeline in the Annex 5 or with the reference date for new ASA institution in the exercise as defined in the suggested draft of Article 4.1.(b)?

(ii) Amendments to Annex 5

7. A series of changes, listed below, were introduced to Annexes 5 and 6.

- Update of the reference dates to the new 2026 exercise (section 1 – letter b).
- A series of amendments to few instruments, mostly equity options, so that the maturity is still 9 months (i.e. 3 months later than the risk metrics references dates) after the booking date, as it was in the exercise 2024 and previous (section 2 of the Annex).

(iii) Amendments to Annex 6

8. A series of changes, listed below, were introduced to the Annex 6.

- Template 106.00 collects information concerning the Initial Market Valuation and exclusion justification. Several new columns were included to account for specific requirements under FRTB rules.
- Template 106.01 collects information concerning SBM – Risk sensitivities by instrument. Here, the Additional identifier 1 were adjusted. For Credit spread risk, the LEI was introduced to unambiguously identify the obligor referred to by the instrument. For Equity risk, the ISIN was introduced to unambiguously identify the referred instrument.
- Template 120.01 collects information concerning SBM – Risk sensitivities by Instrument/portfolio. Here, the Additional identifier 1 were adjusted. For Credit spread risk, the LEI was introduced as a standard identifier to unambiguously identify the obligor referred to by the instrument. For Equity risk, the ISIN was introduced as a standard identifier to unambiguously identify the referred instrument. Template 120.04 was amended to include the LEI as reference for the obligor in a consistent way for equity and debt instruments.
- New Template 106.02 was introduced to collect solely the SBM validation information, as specified in Annex 5 – Section 7 and Annex 10. It should be highlighted that this data collection remains substantially unchanged with respect to in the past, where it was done via template 120.02. The new template should increase clarity in terms of content to be provided for this specific part of the exercise, as well as the timing to provide it (i.e. at the IMVs submission date).

Questions for consultation:

MR Q5: Do you see any issues with the changes introduced in the Annex 5?

MR Q6: Would you consider it useful to clarify the type of SOFR rate (term, compound) to be used when booking related interest rate instruments? If so, please suggest a clarification.

(iv) Scope of the ASA data collection – reference date to participate and instruments to be submitted

9. As mentioned above, the 2026 exercise will be the first in which the scope of the exercise is extended to institutions using the FRTB ASA. This represents a substantial increase in the number of institutions in the scope of the benchmarking exercise. It is expected that the new institutions entering the scope of the exercise are in some cases smaller than those previously in scope (i.e., the institutions with the previous CRR2 IMA approval), with fewer resources and potentially less activity in the trading book or with a lower level of sophistication.

10. One important aspect is to define which institutions will be in scope of the ASA data collection; give the dynamic nature of the requirements to apply the ASA methodology, on a hypothetical basis the obligation to join the exercise could change for any specific institutions potentially in scope of the exercise.

11. For instance, assuming the exercise starts in January 2026, it could be argued that all institutions in the scope of reporting the ASA computation until that point would be in the scope of the Benchmarking exercise (to be noticed that Art 78 of the CRD does not specify this aspect). On the other side, it is understood that the correct implementation of the exercise requires some time for the institutions participating to prepare for the exercise and join it appropriately; therefore, it seems preferable to define a reference date upon which the institutions applying the ASA methodology would also participate in the exercise. Because of this, EBA is proposing to fix a 12 months reference period before the end of the exercise, that would define the participation in the exercise by the institutions. To do so, an amendment to Art 4 of the ITS is suggested.

12. Moreover, it should also be noted that for the AIMA data collection, institutions are required to submit only the instrument types traded under approved AIMA trading desks and when they are not prevented from dealing with the specific instruments by their internal policy or are not contemplated by the institution's risk metrics. Similar logic applies to the ASA data collection. Therefore, institutions that participate in the ASA exercise will be required to submit the instruments (and the portfolios) defined in Annex 5 of the benchmarking ITS only when the instruments is compatible with their internal policy and trading system. To do so, an amendment of the Art 3.1 of the ITS, and on the template 106 (and relative instructions) are suggested.

(v) Institutions in scope of the ASA data collection for position solely in their banking book – limited subset of data submission

13. The FRTB retained the existing requirement of the market risk framework to capture foreign exchange (FX) risks and commodity risks arising from banking book positions using the market risk capital requirements. Some institutions that have a trading book business of a very limited size and qualify for the derogation of Art. 94 CRR may have to implement FRTB ASA solely for the (banking book) FX or commodity risk if they do not qualify for the derogation of Art. 325a CRR. If these institutions' business subject to market risk in accordance with Art. 325a is higher than 500 million, they will be in the scope of the benchmarking exercise in accordance with Art. 78 CRD. In this case, the current set of instruments may need to be fitted to represent such a position. Moreover, since these institutions will be ready to model solely FX and commodity components, their own funds requirements data submission would result in being skewed compared to their peers. For these reasons, institutions in the scope of the exercise (ASA data collection) applying the derogation of Art. 94 CRR will be demanded to only submit the instruments and portfolios specified in Annex 10 of the benchmarking ITS (SBM validation portfolios) for the FX and commodity asset class. This data submission could be expanded in the following exercise once the number of institutions in the scope of the exercise and the materiality of the own funds covered by these requirements, solely for the presence of the banking book position, will be fully assessed.

(vi) ASA validation portfolios (Annex 10)

14. Institutions are required to submit the set of instruments in Annex 10 (SBM validation portfolios) so that competent authorities are able to control the capacity of the institutions to correctly implement the SBM aggregation formulas, without the additional element of complication due to bucketing and sensitivities calculation. It was highlighted in the previous consultation that this data collection, while beneficial for the proper control of the correct SBM calculation, could become burdensome and redundant once the institutions correctly report the figures. The EBA acknowledges the information of the validation data submissions will decrease with the time, once it is done correctly by the institutions, and will consider making this data submission optional in the future for institutions that achieve a sufficient degree of precision in their submission in this area in order to reduce the submission burden.

3.2 Credit risk benchmarking

(vii) Amendments to Annex II

15. The benchmarking portfolios are obtained as a drill down of the asset classes used in the Credit Risk IRB templates defined under the supervisory reporting ITS. The Annex is amended so to provide a mapping between the asset classes used for the definition of the benchmarking portfolios and the breakdown of Credit Risk IRB templates adopted in the revised Implementing Technical

Standards (ITS) on supervisory reporting in line with changes in the regulatory framework related to CRR3/CRD6.

16.In detail, the instructions regarding the C 102.00 (Definition of Low Default Portfolios) and C 103.00 (Definition of High Default Portfolios) templates were amended so to provide a mapping between the asset classes used for the definition of the benchmarking portfolios and the breakdown of Credit Risk IRB templates adopted with the revised ITS on supervisory reporting.

17. In the proposed mapping between the asset classes used in the benchmarking and the breakdowns adopted in the ITS on reporting, it is required to map the breakdown B.6.3 (Retail – Purchased receivables) in both the asset classes: Retail – Sme – Other and Retail – no SME – Other. It is then asked to exclude counterparties and their exposures classified as non-SME from the first asset class and to exclude counterparties and their exposures classified as SME from the second asset class.

18. The analysis in Section 5 provides the reader with an overview of the findings as regards problem identification, possible options to remove problems and their potential impacts. Given the nature and the scope of the draft GL, the analysis is high-level and qualitative in nature.

Question for consultation:

CR Q1: Do you think that the proposed approach aimed at including the breakdown B.6.3 is correct and it enables to avoid any double counting of the exposures?

4. Draft implementing standards

COMMISSION IMPLEMENTING REGULATION (EU) No …/...
of [date]

amending Commission Implementing Regulation (EU) 2016/2070 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

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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC[1], and in particular Article 78(8),third subparagraph thereof,

Whereas:

(1) Pursuant to Article 78(1) of Directive 2013/36/EU, institutions are required to submit to their competent authority, at least annually, the results of the calculations of their risk weighted exposure amounts or own fund requirements under their approaches for exposures or positions that are included in the benchmark portfolios, to enable that competent authority to assess the quality of those internal approaches ('benchmarking exercise').

(2) Pursuant to Article 78(3), second subparagraph, of Directive 2013/36/EU, the EBA has to produce a report to assist the competent authorities in the assessment of the quality of the institutions' approaches, based on the results of the benchmarking exercise.

(3) The Commission specified the reporting requirements for the benchmarking exercise in Commission Implementing Regulation (EU) 2016/2070[2]. That Implementing Regulation should be amended regularly to reflect the changes in the focus of the competent authorities' assessments and of the EBA's reports. For the same reason, it is necessary to update once more the benchmark portfolios, and thus also the reporting requirements laid down in Implementing Regulation (EU) 2016/2070 to reflect prudential elements introduced in Regulation (EU) No 575/2013 as amended by Regulation (EU) No 2024/1623[3] and Directive 2013/36/EU as amended by Directive (EU) 2024/1619.[4]

(4) In particular, for the market risk benchmarking, it is necessary to provide new templates and instructions to reflect the introduction as a reporting requirement into Regulation

[1]

[2] OJ L 328, 2.12.2016, p. 1–1422

[3] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (OJ L, 2024/1623, 19.6.2024).

[4] Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (OJ L, 2024/1619, 19.6.2024).

(EU) No 575/2013 of the Fundamental Review of the Trading Book (FRTB) standards, which is a comprehensive set of own funds requirements for market risk exposures developed by the Basel Committee on Banking Supervision, specifically the risk factor eligibility test done in accordance with Article 325be, stress period considered for calculations in accordance to Article 325bc(2), point (c), expected shortfall risk measure and the daily stress scenario risk measure, calculated in accordance with Articles 325ba, inputs to the calculation of the Expected Shortfall risk measure in accordance with Article 325bb, on the results of the back-testing in the value of the portfolio composed of all the positions assigned to the trading desk, which are considered for the purposes of Article 325bf(1) to (4).

(5) For credit risk benchmarking, a minor amendment to the instructions should be included to provide a mapping between the asset classes used for defining the benchmarking portfolios and the breakdown followed by the credit risk IRB templates adopted in the revised Implementing Technical Standards on supervisory reporting[5].

(6) Implementing Regulation (EU) 2016/2070 should be amended accordingly.

(7) This Regulation is based on the draft implementing technical standards submitted to the Commission by the EBA.

(8) 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 advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010[6].

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) 2016/2070 is amended as follows:

(1) In Article 3, paragraph 1 is replaced by the following:

‘For institutions applying approaches for market risk, as specified in Article 78(1) points (a) and (b), 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, VI and X.’;

(2) Article 4, paragraph 1, letter (b) is replaced by the following:

‘The information referred to in Article 3 shall be submitted on the reporting reference dates specified in the instructions laid down in Annexes V and VI. An institution for the purposes of the benchmarking in accordance with Article 78(1), point (b), shall submit to its competent authority the information specified in Article 3 where the conditions specified in Article 78(1) point (b) of Directive 2013/36/EU as amended by Directive (EU) 2024/1619are met on the last day of the same month of the previous year

[5] https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/supervisory-reporting/implementing-technical-standards-supervisory-reporting-changes-related-crr3crd6-step-1

[6] 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).

of the end of the data collection as specified by the reference date in the instructions laid down in Annex V, Section 1, point (b) point (vi).'

Article 2

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,

For the Commission
The President

On behalf of the President

[Position]

ANNEX

Annex IV to Commission Implementing Regulation (EU) 2016/2070 is amended as follows: Annex I

Annex V to Commission Implementing Regulation (EU) 2016/2070 is amended as follows: Annex II

Annex VI to Commission Implementing Regulation (EU) 2016/2070 is amended as follows: Annex III

Annex VII to Commission Implementing Regulation (EU) 2016/2070 is amended as follows: Annex IV

5. Accompanying documents

5.1 Draft cost-benefit analysis for changes related to credit and market risk benchmarking

Article 78 of Directive 2013/36/EU (CRD IV) requires competent authorities to conduct an annual assessment of the quality of internal model approaches, used for the calculation of own funds requirements, and requires the EBA to produce a report to assist them in this assessment. The report of the EBA relies on data submitted by institutions in accordance with EU Regulation 2016/2070, which specifies the benchmarking portfolios, templates, definitions and IT solutions to be used by the institutions as part of the annual benchmarking exercise, when using internal model approaches for market and credit risk.

The current draft ITS aim to update the previous ITS for the benchmarking data collection with the purpose of improving the exercises and adapting to the relevant policy changes which will be applicable by end-2025 and thus relevant for the 2026 exercise.

With regard to the credit risk no metrics have been deleted or newly introduced. Therefore, no in-depth impact assessment is considered relevant.

(viii) Market risk

Regarding the EBA's market risk benchmarking data collection, the purpose is to extend the set of information collected on the FRTB Internal Mode Approach (IMA). The new data concerns the various AIMA FRTB features, such as the Risk factors eligibility test, the stress period applied, the different risk measures (Expected shortfall, Stress Scenario Risk Measures and Default risk change), as well as detailed information of the Expected Shortall (partial expected shortfall) and Stress Scenario Risk Measures (SSRM).

As per Article 15(1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any ITS developed by the EBA shall be accompanied by an Impact Assessment (IA) annex which analyses 'the potential related costs and benefits' before submitting to the European Commission. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

For the purposes of the IA section of the Consultation Paper, the EBA prepared the IA with cost-benefit analysis of the policy options included in the regulatory technical standards described in this Consultation Paper. Given the nature of the study, the IA is mainly high-level and qualitative in nature including quantitative analysis when possible.

A. Problem identification

With regard to the market risk benchmarking data collection, the previous ITS for benchmarking data collection have remained stable, in terms of risk measures collected (i.e. VaR, Stress VaR, IRC).

B. Policy objectives

The general objective of the current ITS is to update the previous ITS for benchmarking data collection to update the set of information that concerns the AIMA FRTB data collection.

The main objective of the implementation of the current draft benchmarking ITS is to extend the set of templates to have a data collection of the main element of the AIMA FRTB framework, specifically Expected Shortfall, Stress scenario risk measures, and default risk charges, as long as with main information concerning the eligibility test, the stress scenario period applied, for a sub-set of instruments and portfolios to be benchmarked.

This would foster the strategic objective of creating a supervisory and reporting environment to ensure that institutions apply consistent modelling and valuation techniques. The following sections examine the options that could create such an environment, as well as the net impact that the implementation of such solutions implies.

C. Baseline scenario

For the market risk part of the exercise, for the EU institutions applying for the AIMA-FRTB, the current status of reporting the results of modelling and valuations implies the potential operational costs and miscalculations, which lead to overvaluation or undervaluation of the reported values for the purposes of the benchmarking exercises. Since the extent and magnitude of overvaluations or undervaluations cannot be identified, the impact assessment focuses on the assessment of the net impact on the institutions' operations.

D. Options considered

When developing the draft ITS, the EBA considered the following options:

Option 1: do nothing

This option implies that credit institutions continue reporting data for the benchmarking exercise using just the previous set of templates for the exercises to date.

For the market risk part of the exercise, the continuation of the application of just the previous set of templates assumes that credit institutions and the EBA have the usual operational cost assigned to providing clarifications and ensuring the consistent submission of data.

The 'do nothing' option would imply leaving the Implementing Regulation on market risk benchmarking unchanged, Annex VI and VII, which would result in obtaining no information as the new features of the AIMA approach cannot be represented with the current set of templates.

Option 2: revision of the templates relating to the benchmarking exercises

The main arguments that support the revision of the templates in the market risk benchmarking exercises are:

A. That the current template would not be appropriate to collect the new figures provided by the institutions applying AIMA FRTB framework;

B. potentially providing insights into the different functioning of the new market risk model.

For the market risk part of the exercise, the current ITS could achieve the objective by expanding the set information collected. With new additional templates (130.01 - 130.07), concerning RFET, Stress period, daily risk measures, partial expected shortfall, VaR and P&L, as long as Stress Scenario Risk Measures. Moreover, this would provide new elements of analysis, for institutions and competent authorities.

E. Cost-Benefit Analysis

The principle of proportionality applies to all aspects of the impact assessment, including methodology, depth of analysis, level of detail and necessity of quantitative analysis. Being consistent with this principle, the EBA staff follow the principle of proportionality when conducting the cost-benefit analyses. Given that the implementation of the current ITS would have a detrimental impact, the following analysis focuses on the qualitative characteristics. In doing so, it provides rough estimations of the net monetary impact that relates to the conduct of benchmarking exercises.

The net impact on capital requirements, implied by the implementation of the current guidelines, cannot be precisely assessed because, substantially, it would depend on further actions agreed by institutions with national competent authorities in response to the benchmarking exercise results; however, it is expected to be on average close to zero due to the hypothetical market portfolio exercise framework.

Market risk:

Option 1

Costs: a possible loss of informativeness in the data collection.

Benefits: one-off benefits (reduction of the existing operational costs) of not dedicating human resources to the drafting the present ITS.

Option 2

Costs: the one-off cost of dedicating resources to the drafting of the ITS. There is also a source of minimal cost that relates to the need for the EBA to explain the new set of templates to the national competent authorities and, through them, the participating credit institutions. However, it is to be noted that the data requested with the new templates should not be too burdensome, since the instruments are basically the same as before, and the data collection logic is very similar to the COREP logic.

Benefits: the benefits of this option arise from providing new and complete AIMA-FRTB information and data, which would trigger the provision of additional insights to competent authorities and would keep the exercise relevant for the institutions involved.

F. Preferred option

The EBA considers that, although these benefits are not directly observable and are spread over time, they are not negligible, and they are considered more important than the costs enumerated above. For this reason, the preferred option is Option 2.

(ix) Credit risk

A. Problem identification

The benchmarking portfolios are obtained as a drill down of the asset classes used in the Credit Risk IRB templates defined under the supervisory reporting ITS. Since the ITS on supervisory reporting has been modified following the implementation of Basel III in the EU, it is necessary to align the definitions used in the benchmarking.

B. Policy objectives

The main objective is to avoid asking to the reporting entities to employ definitions that are not aligned with the ones used for supervisory reporting.

C. Baseline scenario

The current instructions for the benchmarking would require to the reporting entities to employ definitions (in particular the definition of the asset classes) that are no more used for supervisory reporting.

D. Options considered

When developing the draft ITS, the EBA considered the following options:

Option 1: do nothing

This option implies that reporting institutions continue mapping the exposures using definitions of asset classes that differ from the ones used for supervisory reporting. This would imply a misalignment of the data reported for the benchmarking exercise and the data reported for supervisory reporting.

Option 2: revising the asset classes used in the benchmarking exercise

This solution would enable to ensure the alignment between the data reported for the benchmarking exercise and the data reported for supervisory reporting but at the cost of revising the definition of all the benchmarking portfolios i.e. the Annex I of the benchmarking ITS.

Option 3: mapping the asset classes used in the benchmarking exercise with the breakdown of Credit Risk IRB templates adopted in the revised Implementing Technical Standards (ITS) on supervisory reporting.

Under this solution, the reporting entities can continue to use the data extraction and aggregation procedures (programs) that they have used in the past as it only requires performing the suggested mapping between the asset classes used in the benchmarking and the breakdown of Credit Risk IRB templates adopted in the revised Implementing Technical Standards (ITS) on supervisory reporting. In this way it is possible to ensure an alignment (even if not perfect) between the benchmarking exercise and the revised ITS with minimal costs.

Option 4: not doing the data collection only with reference to December 2025

Under this solution, the costs for the reporting entities would be the lowest possible but this would prevent the EBA and the Competent Authorities to fulfil the mandate in Article 78 – CRD and it would generate a break in the time series of the data collected that in turn could represent a limit for the future analysis.

E. Cost-Benefit Analysis

The following analysis focuses on the qualitative characteristics. In doing so, it provides rough estimations of the costs and benefits of each option.

a)

Option 1

Costs: for the reporting entities, the need to maintain definitions that would be used only for the benchmarking exercise. In general, data misalignment between the benchmarking exercise and supervisory reporting that in turns would make data quality checks more difficult.

Benefits: any interventions to the programs would be required for both the reporting entities and the data users.

Option 2

Costs: this is the most expensive option as it would require a complete review of the ITS and, in turn, a review of the programs and procedures used for this exercise by both reporting entities and data users. It should also be noted that further revisions of the ITS on supervisory reporting are expected in the near future.

Benefits: the benefits of this option arise from providing a better alignment between the benchmarking exercise and supervisory reporting.

b)

Option 3

Costs: for the reporting entities the costs minimal and for data users no costs at all are expected.

Benefits: avoiding misalignment between the benchmarking exercise and the supervisory reporting.

c)

Option 4

Costs: for the reporting entities the costs would be minimal but the EBA and the Competent Authorities could not perform the assessments of internal models required by the Article 78 CRD.

Benefits: no benefits.

F. Preferred option

Considering the balancing between cost and benefits, the EBA preferred option is Option 3.

5.2 Overview of questions for consultation

Questions

MR Q1: Do you see any issues or any missing information that should be required in the new templates suggested for the AIMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?

MR Q2: Do you see any issues with the reduced subset of instruments proposed for the AIMA exercise? Please elaborate?

MR Q3: Do you see any issues with the new template 106.02? Please elaborate.

MR Q4: Do you see any issues with specifying the specified timeline in the Annex 5 or with the reference date for new ASA institution in the exercise as defined in the suggested draft of Article 4.1.(b)?

MR Q5: Do you see any issues with the changes introduced in the Annex 5?

MR Q6: Would you consider it useful to clarify the type of SOFR rate (term, compound) to be used when booking related interest rate instruments? If so, please suggest a clarification.

CR Q1: Do you think that the proposed approach aimed at including the breakdown B.6.3 is correct and it enables to avoid any double counting of the exposures?