

EBA/ITS/2016/04

01 August 2016

EBA FINAL draft Implementing Technical Standards

Amending Commission Implementing Regulation (EU) No xxx/2016 laying down implementing technical standards with regard to benchmarking

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1. Executive Summary

Article 78 of Directive 2013/36/EU (the CRD) requires competent authorities to make an annual assessment of the quality of internal approaches used for the calculation of own funds requirements. The same Article requires the EBA to produce a report to assist competent authorities in this assessment. The EBA's report is based on data submitted by institutions as specified in implementing technical standards on benchmarking (ITS). These ITS specify the benchmarking portfolios, templates, definitions and IT solutions that should be applied in the annual benchmarking exercises by institutions using internal approaches for market and credit risk.

For the 2017 benchmarking exercise, some changes to market and credit risk portfolios were necessary to keep the portfolios up-to date and relevant for the above mentioned assessment. The 2017 assessment of internal approaches for credit risk will focus on low-default portfolios.

In respect of the original draft ITS endorsed by the Commission with Implementing Regulation (EU) No xxx/2016, the EBA has conducted open public consultations, 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. However, in respect of the current draft ITS, given that the amendments they contain do not involve significant changes in substantive terms, pursuant to the second subparagraph of Article 15(1) of Regulation (EU) No 1093/2010, the EBA has not conducted an open public consultation, considering that it would be disproportionate in relation to the scope and impact of the draft ITS concerned.

Given the type of the changes introduced by these draft ITS in the instructions and templates, the relevant Annexes are replaced in whole with those set out in these draft ITS in order to have a consolidated version of the updated draft ITS package.

These amendments are expected to be applicable for the submission of initial market valuation data in November 2016 and of other market and credit risk data in April 2017.

2. Background and rationale

Importance of uniform reporting requirements

Uniform reporting requirements in all Member States ensure data availability and comparability and hence facilitate a proper functioning of cross-border supervision. This is particularly important for the EBA, which relies on comparable data from competent authorities in performing the tasks with which they have been entrusted. Uniform reporting requirements are also crucial for the European Central Bank (ECB) in its future role of supervising institutions in the Euro area.

Maintenance and update of the ITS

The draft Implementing Technical Standards (ITS) reflect the single rulebook at the reporting level and hence need to be updated whenever the single rulebook is updated. The completion of technical standards by the EBA as well as answers to questions raised in the context of the single rulebook Q&A mechanism have contributed to a more complete and seamless application of the single rulebook. This has led in turn to more precise or changed reporting instructions and definitions.

In addition to Q&A-driven changes, updates to the benchmarking portfolios were necessary to facilitate the 2017 benchmarking exercise which will focus on low-default portfolios and market risk. For market risk, for instance, it is necessary to update the maturities and features of the instruments included in the portfolios. Even if the same portfolios are used for two consecutive years, some of them might have matured, or might simply present different features due to the passage of time. Updates are also necessary for credit risk to keep the list of counterparties for the low default portfolios and the list of portfolio clusters up-to-date so that they remain relevant for supervisors.

The changes were based on the ITS as re-published by the EBA on 12 May 2016¹ as Annexes to the EBA's Opinion on ITS amendments proposed by the Commission. It is vital for the success and quality of the benchmarking exercise in 2017 that the details of the benchmarking portfolios are communicated well in advance of the respective reporting dates and adopted by the Commission in good time.

Part of a single rulebook

One of the main responses to the latest financial crisis was the establishment of a single rulebook in Europe aimed at ensuring a robust and uniform regulatory framework to facilitate the functioning of the internal market and to prevent regulatory arbitrage opportunities. A single rulebook also reduces regulatory complexity and firms' compliance costs, especially for institutions operating on a cross-border basis. These draft ITS form part of this single rulebook in Europe and become directly applicable in all Member States once adopted by the European Commission and published in the Official Journal of the EU.

¹ EBA Opinion on amendments proposed by the Commission (<http://www.eba.europa.eu/-/eba-agrees-with-the-commission-on-changes-to-the-amended-technical-standards-on-benchmarking-of-internal-approaches>)

3. EBA FINAL draft Implementing Technical Standards

COMMISSION IMPLEMENTING REGULATION (EU) No .../..

of **XXX**

**COMMISSION IMPLEMENTING REGULATION (EU) No .../... amending
Implementing Regulation (EU) No .../... laying down implementing technical standards
with regard to templates, definitions and IT-solutions to be applied in the Union for the
reporting referred to in 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/EC², and in particular the third subparagraph of Article 78(8) thereof,
Whereas:

- (1) Commission Implementing Regulation (EU) No [ITS] specifies the reporting requirements for institutions to the European Banking Authority and to competent authorities in order for them to carry out their assessments of internal approaches ('benchmarking exercise') in accordance with Article 78 of Directive 2013/36/EU. Given that the benchmarking exercise is of at least annual duration, in accordance with Article 78(1) of Directive 2013/36/EU, and the focus of the competent authorities' assessments and of the European Banking Authority's reports changes over time, exposures or positions that are included in the benchmarking portfolios, and therefore also reporting requirements, need to change accordingly. Therefore, it is appropriate to amend Annexes I, II, III, IV, V and VI.
- (2) To provide institutions and competent authorities with adequate time to implement the amendments set out in this Regulation, it should apply from 1 November 2016.
- (3) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority to the Commission.
- (4) Given that the necessary amendments to Implementing Regulation (EU) No [ITS] do not involve significant changes in substantive terms, in accordance with the second subparagraph of Article 15(1) of Regulation (EU) No 1093/2010 of the European

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OJ L 176, 27.6.2013, p. 338.

Parliament and of the Council³, the EBA has not conducted any open public consultation, considering that it would be disproportionate in relation to the scope and impact of the draft implementing technical standards concerned.

(5) Implementing Regulation (EU) No [ITS] should be amended accordingly,
HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) No [ITS] is amended as follows:

- (1) In Article 2, the point (d) is deleted.
- (2) Annex I is replaced by the text set out in Annex I to this Regulation.
- (3) Annex II is replaced by the text set out in Annex II to this Regulation.
- (4) Annex III is replaced by the text set out in Annex III to this Regulation.
- (5) Annex IV is replaced by the text set out in Annex IV to this Regulation.
- (6) Annex V is replaced by the text set out in Annex V to this Regulation.
- (7) Annex VI is replaced by the text set out in Annex VI to this Regulation.

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*.

It shall apply from 1 November 2016.

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]

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³ 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).