Comments

Draft Implementing Technical Standards on supervisory reporting requirements for institutions under Regulation (EU) No 575/2013

Register of Interest Representatives
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Contact:
Silvia Schütte
Director
Telephone: +49 30 1663-2180
E-Mail: silvia.schuette@bdb.de

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

Coordinator:
Association of German Banks
Burgstraße 28 | 10178 Berlin | Germany
Telephone: +49 30 1663-0
Telefax: +49 30 1663-1399
www.die-deutsche-kreditwirtschaft.de

General Remarks

Regulatory Burden & (Reversed) Proportionality
One of the overarching principles of supervisory reporting is the principle of proportionality. We refer to recital 46 of the current CRR, which requires the EBA to ensure that all regulatory and implementing technical standards are drafted in such a way that they are consistent with and uphold the principles of proportionality. Proportionality in this sense is on the one hand the idea of implementing simplified approaches and reporting requirements to smaller and non-complex institutions, and on the other hand the application of the requirements in a manner proportionate to the nature, scale and complexity of the risks.
Against this background, we consider that some of the new reporting requirements go too far, and therefore lead to unnecessary burdens for banks. We will point out this aspect in detail in our answers to the relevant questions, but here are just a few examples to underline our statement:

- CRR 3 is coming soon and will lead to further amendments of the supervisory reporting templates. Especially reporting templates regarding the COREP Standardized Approaches (solvency) are expected to be changed significantly. We understand the necessity to incorporate follow-up changes from CRR 2. But we would appreciate it if further amendments to templates significantly affected by CRR 3 could be omitted, especially if their implementation is complex and burdensome. (Examples: introduction of AVAs in C09.01 "geographical breakdown"; introduction of exposures deducted from own funds in C07.00).
- In order to reduce regulatory burden templates that are only necessary to prove compliance with the thresholds for the use of a relief or simplified approaches should not have to be submitted by larger institutions that do not intend to make any use of those reliefs (example: template C34.01 "size of derivative business" or existing template C32.01). As large institutions have to report the information on derivative exposure in the detailed templates linked to SA-CCR or IM, we consider this relief ("reverse proportionality") to be appropriate.

Standardising the definitions or rational derivation hierarchies
Especially in light of the regulatory backstop templates in FINREP and COREP and the modified NSFR templates, it is becoming clear that the EBA is only applying a restricted overarching viewpoint to the data reported in all the reporting regimes (FINREP, COREP, etc.). In addition, the creation of a new, imprecisely defined concept in the NSFR ("accounting value") triggers a considerable interpretation effort for the parties subject to the reporting requirement and, last but not least, results in a questionable quality of reporting in the context of comparability for supervisory purposes, which will probably be difficult to achieve.

In light of this, we are advocating a clear derivation hierarchy for the relevant transactions and for the amounts reported, based on the definitions used in the financial reporting (FINREP) reports, followed in a second step by the generation of corresponding

risk perspectives, such as COREP, liquidity, LE, encumbered assets, etc. such an approach would make the whole reporting regime more rigorous, more transferable and more cost-effective. This would also be a fundamental requirement for standardised treatment in the context of BIRD and IReF.

Integration of Pillar III disclosures

The reason given for the integration of Pillar 3 disclosure requirements into the supervisory reporting is the expectation of an improvement of the quality of the information disclosed to the extent that it relates to supervision. Overall, we do not assume that the integration of Pillar 3 disclosures into supervisory disclosure will lead to a higher acceptance by investors. From our perspective, the reason for the poor acceptance is that Pillar 3 disclosures are overloaded. Due to the enormous granularity of the data, Pillar 3 disclosures are not usable by investors with limited knowledge of regulatory banking law. Only regulatory experts will be able to interpret the data in a proper manner. Against this background, we would appreciate the streamlining of information provided instead of more formalised templates and tables. If reporting errors or inaccuracies really did occurred in the past, we assume that overload was the main reason.

We would support the harmonisation of disclosure and reporting requirements if this were to reduce the burden on the banks. However, adding disclosure forms to the supervisory reporting regime, together with the expectation that subsequent disclosure will be mapped to the submitted reporting forms, gives rise to a range of new questions or problems. In order to ensure that harmonisation does actually result in the desired relief, appropriate solutions must be implemented here. In this context, and for further details, please refer to our comments on EBA-CP-2019-09.

Due to the integration into supervisory reporting, the deadlines for completion and submission will clearly move forward. Currently, the same members of staff prepare the supervisory reporting templates and subsequently take care of the Pillar 3 disclosure requirements.

In the future, the burden in the first weeks after the reporting date will increase significantly.

Furthermore, due to their integration into supervisory reporting, the disclosure templates could also be subject to the stricter validation processes and, most likely, to the restatement of submissions according to Article 3(4) of the ITS on supervisory reporting. Careful consideration should be given to whether restatement submissions should have any impact on already disclosed information. In our opinion the process of restatement submissions is currently practiced very differently by supervisors and banks. Restated disclosure information would cause confusion to the very small group of regulatory experts who will be in a position to interpret the data and further challenge the benefits of the Pillar 3 disclosures.

Supervisory reporting – restatements

In light of the above, we therefore think it is generally appropriate to reconsider the rigorous rules for restatements. Unchanged compared with the applicable Regulation (EU) No 680/2014, Article 3(4) and (5) of the Draft ITS requires restatements where audited figures deviate from submitted unaudited figures or because of other corrections. The obligation to restate in the case of any deviation of audited figures or because of other corrections, regardless of the materiality of the restatement for supervisory insights and without any time limit on the reports to be corrected, leads to considerable process-related and manual effort at the institutions. As a minimum, a time limit that restricts restatements to, for example, the last three remittance dates would be appropriate. In addition, we would like to suggest embedding the aspect of materiality in the rules governing restatements. We acknowledge that it might be difficult to define (absolute) tolerance limits for restatements that are equally appropriate for all institutions. We therefore think it would be more expedient to strengthen the responsibility of the institutions for their reports in such a way that restatements are only necessary if the institution is of the opinion that a restatement would be associated with material new insights for the supervisor. This sort of more flexible treatment of restatements would constitute a significant contribution to relieving the administrative burden on the institutions.

IT challenges/software solutions

In order to prepare the supervisory reporting templates, institutions rely on standardised software solutions. Generally, these software solutions are based on data for a single reporting date, which means that the data of several reporting dates is processed reporting date after reporting date. The integration of data relating to a multitude of working days, such as the reporting of daily values or the integration of more than one month-end, is particularly challenging. Therefore we would welcome it if those requirements could be limited to an absolute minimum.

Answers to questions for consultation

5.4.1 Own funds

1. Are the instructions and templates clear to the respondents?
2. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

Template C05.02 requires the reporting of information in relation with the transitional provisions of grandfathered instruments according to CRR 1. As these transitional provisions become obsolete not later than December 31, 2021 we would propose to already delete this template in the updated ITS on supervisory reporting (v.3.0).

3. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

5.4.2 NPL backstop

4. The definitions of NPEs and Forbearance are now included in the CRR. So, FINREP instructions on templates 18 and 19 have been reviewed, wherever appropriate, to refer to the CRR. The review of the instructions takes into account that the basis for reporting in FINREP are the accounting values and consistency across FINREP templates have to be kept. In addition, the request of information of NPEs and Forbearance in FINREP is relevant for supervisory purposes other than monitoring the prudential backstop calculation.
   Do respondents agree with the review of instructions on the definitions of NPEs and Forbearance?

   The instructions on the definitions of NPEs and Forbearance are in general clear and understandable.

   However, we are seeking the deletion of rows 160 and 170 in template C 35.01 on the grounds that the value of the collateral as well as the secured part of the exposure and the (partial) write-off can change over time. Connecting collateral with a (partial) write-off is therefore not advisable and may lead to problems and could confuse the recipient. Furthermore, there is collateral that is not CRR-compliant but is still realised as collateral. How would such a scenario be accounted for?

   Further problems arise in cases where an exposure is written down to the secured part of the exposure at time X, but this value is no longer recoverable after some time has passed. The allocation of the secured/unsecured part to write-offs then has to be based on historical values, which is time-consuming, complex, probably faulty and does not add any value.

   The current ITS on supervisory reporting predominantly requests the "carrying amount" for items. Is the "accounting value" the same as the "carrying amount"?
   If not, what is the definition of the "accounting value"?

5. The template F39 requests information on the stock of NPEs and related loss allowances/provisions broken-down by the same time buckets as introduced in Article 47c of the CRR and used in the new NPE LC templates of COREP as well. These data allow supervisors to monitor institutions' NPE coverage strategies more effectively and capture their risk profiles more accurately. They complement, from an accounting perspective, the information provided in COREP on prudential backstop calculation.
   Which benefit and challenges with regard to the compilation and reporting of this information do you envisage?

Template F 39 is very complex, e.g. the granular "of-which"-reporting (especially line 120 "Debt instruments granted after 26 April 2019") requires an excessive data collection. The whole template F39 will not add any value, but rather confuse readers, as the template contains FINREP as well as COREP information. It is furthermore unclear if capped or uncapped values need to be entered (as in the COREP templates). Additionally, it is not clear to us which risk provisioning types need to be entered (and if those are supposed to comply with the risk provisioning types under the CRR that are used for the calculation of the CRR backstop). Any shortfall seems not to be included, which adds a further gap in comparability of the COREP and FINREP templates. We therefore advocate eliminating this template.

The following additional questions arise for us:

- The EBA states the following in chapter 3.5.2, paragraph 34 of the Consultation Paper: *"[...] The NPEs have been also broken-down by instrument and some additional details (e.g. the amount of exposures affected by the Backstop Regulation) are provided in separate rows. This amendment facilitates banks to determine the appropriate amounts of specific credit risk adjustments to be included in the backstop calculation. Furthermore, it enhances supervisors' ability to monitor the accuracy of a bank's specific credit risk adjustments calculation."* Further, paragraph 36 states that: *"[...] In particular, the new Finrep template allows supervisors to conduct reviews, as part of their SREP process, on the accounting impairment coverage levels that are the basis for determining the specific credit risk adjustments included in the backstop calculation."* How do these statements fit into the requirement that FINREP includes intraperiod valuation adjustments, but only audited amounts may basically be included in COREP as specific credit risk adjustments?
- CP, page 43 (chapter 5.1 Additional clarifying examples): Why are the time intervals '>7 years <= 8 years', '>8 years <= 9 years' and '> 9 years' missing for V in the clarifying example in chapter 5.1 of the Consultation Paper? In cases where an exposure is secured by immovable property in accordance with Title II of Part 3, different factors apply to these time intervals in accordance with Article 47c(2) of the CRR.

6. <u>Are the instructions and templates C35.01 to C35.03 clear to the respondents?</u>

Calculation of the non-performing period is not conclusively addressed. Under Article 47c (2) and (3) of the CRR, this should be based on the period since classification as non-performing. What is not clear is whether this should be based on the date when the debtor or the individual exposure becomes non-performing. In contrast to a debtor, an exposure can only become non-performing after it has been created. This question arises because calculation of the minimum coverage requirements must be based on individual transactions. In this respect, please provide additional instructions in point 8.1.of Annex II.

In which row should accumulated negative changes in fair value for NPE measured at fair value in accordance with the applicable accounting framework be reported?

7. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

   Additional guidance is given on page 43 of the CP for the calculation of the minimum coverage requirement. Footnote 16 states “In case a deduction is not calculated at exposure but at portfolio level (i.e. IRB shortfall), the total calculated deduction should be allocated to each exposure weighted by the exposure value.” In our opinion, this contradicts the provisions of Article 47c (1) (b) (iv) of the CRR concerning the IRB shortfall, which requires an EL-based redistribution. We ask for clarification that for an EAD based distribution is possible all other items and for inclusion of the clarification in the ITS.

   See comments and recommendations under point 8.

8. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

   The suggested separate reporting for non-performing and forborne exposures (templates C 35.02 and C 35.03) seems disproportionally complex especially in view of the secondary practical relevance of this topic. According to Article 47c of the CRR, forborne exposures receive relief compared with non-performing exposures in the form of lower percentages for the calculation of the prudential backstop (and therefore an extended ”phase-in” of any potential capital deduction). The reporting, which only incorporates a shift in the percentages, seems too complex for this matter. We therefore suggest inserting two new lines in template C 35.01: one for the percentages and one for the absolute values for forborne exposures. Templates C 35.2 and C 35.3 can be deleted.

5.4.3 Credit risk

9. Do respondents consider that the new proposed supervisory reporting templates reflect correctly the disclosure requirements, in particular new templates which introduced considerable change? Given that the integration aims at improving consistency, including a standardisation in formats and definitions, do respondents agree that this objective is achieved?

   Generally, yes.

   This applies also for template C 08.05: As a minimum, there is no obvious difference.

The objective should be achieved, as the templates and instructions directly refer to the regulatory basis. However:

a) The starting time of tables 8.5 and 8.5b should take into account both the postponement of EBA\GL\2017\16 and the required one-year observation period. As a result, the planned first reference date for the application of the technical standards (30 June 2021) cannot be met.

b) Because of the high effort with regard to collecting the data and its low readability we propose to:

1. only show aggregated figures for higher exposure class levels such as corporates, retail, etc.
2. only show aggregated figures for the margin of conservatism (only one column, not three)
3. delete the following paragraph on page 113 in Article 3.3.8.1: "In addition to template C 08.05, institutions shall report information included in template C 08.05b in case that they apply Article 180(1)(f) of CRR…"

If it is implied that institutions have to disclose both templates for PD clusters and for their own applied Masterscale, around 430 rows will additionally have to be shown.

Templates C 08.01 und C 08.06 (specialised lending exposures):

Paragraph 48 of the "EBA Report on the credit risk mitigation (CRM) framework" of 19 March 2018 contains the following section on specialised lending exposures: "…any guarantees that are part of the security package contribute to the factors that enable the slotting. *Any additional guarantees, such as those against default by a sovereign bank or another bank, should be treated under the CRM framework, provided they meet the eligibility criteria.*"

Neither template C 08.01 nor template C 08.06 provides items for reporting additional guarantees. In our view, the "greyed-out" cells in row r080 and columns c040 to c080 in template C 08.01 should be made available for capturing this data.

10. Are the instructions and templates clear to the respondents?

Generally, yes.

However, we are seeking clarification regarding template C 07.00, row 330. According to the relevant instructions exposures – for which a deduction from own funds in accordance with Part Two of the CRR is required – must be reported here. Could you please list in detail which deductions need to be considered. We assume that deductions which arise out of the application of IRB Approaches or of stricter supervisory valuation provisions (such as supervisory shortfall, NPE backstop or PruVal) need not be reported here.

The application of the look-through approach or the mandate-based approach for CIUs (according to Article 132a of CRR 2) may lead to underlying assets that are assigned both to the Standardised Approach and the IRB Approach. Regarding the breakdown of CIU exposures by approaches in template C 07.00, rows 281 to 283, we assume that these rows contain the underlying exposures assigned to Standardised Approaches only. Underlying exposures assigned to IRB Approaches are not reported in this template.

Furthermore, the new column added “Additional value adjustments and other own funds reductions” in C 09.01 should be accompanied by examples.

11. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

We are seeking clarification regarding template C 08.07 “Scope of IRB and SA Approaches”. Institutions are required to use the leverage exposure according to Article 429(4) of the CRR as the relevant total exposure value in this context. We would have expected the exposure value according to Article 111 or 166 of the CRR as the basis, naturally before deduction of credit risk adjustments, additional value adjustments, etc. From our perspective, the leverage exposure is not the correct basis for the statement of the scope of IRB and SA Approaches.

12. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

We have objections to the introduction of column 061 ”AVA / PruVal” in template C 09.01 “Geographical breakdown”. PruVal reporting was only implemented in the last amendment of the ITS on supervisory, which was very burdensome. We also expect the implementation of a geographical breakdown of AVA to be very burdensome. AVA is not calculated at the level of single contracts, whereas reporting a geographical breakdown requires the artificial allocation to single contracts. A clear redistribution to single contracts is not possible, especially for banks using an advanced approach to calculate AVA. Thus the results of the geographical breakdown would not lead to any significant gain in knowledge. On the other hand, implementation would be extremely complex and burdensome.

In any event, we would expect this new requirement to be limited to AVAs that qualify and are used to reduce the EAD according to Article 111 of CRR and in line with reporting in template C 07.00 column 030.

We have objections to template C 08.07 “Scope of IRB and SA Approaches”. We cannot identify any binding CRR requirement that could form the basis for this reporting. Beyond that, we would like to raise the question of whether the template is still necessary for Pillar 3 disclosures and also for reporting. On the one hand, exit

thresholds will become less important in the future. On the other hand, both exit thresholds and entry thresholds are not regulated in a uniform way across the EU. In conclusion, the information provided by this template is thus limited and there is no consistent legal basis for reporting it.

5.4.4 Counterparty credit risk

13. The template C 34.08 contains information on the collateral used in derivatives and SFTs transactions at fair value. It is relevant to understand, on one hand, the part of the collateral that is either segregated or unsegregated and on the other hand, whether it is initial margin, variation margin or the SFT security. Therefore, the unsegregated collateral have been split between initial margin, variation margin and SFT security. However, the segregated collateral has not been split as it is considered that all segregated collateral is initial margin.
    Do respondents agree that the segregated collateral is only initial margin?
    I.e. variation margin and the STF security are only unsegregated collateral?

14. The template C 34.06 provides information on the 20 counterparties with higher counterparty credit risk exposure, including CCPs. The template should be provided by all institution with counterparty credit risk on quarterly frequency.

14.1. If further proportionality would introduced for this templates, would a threshold be an appropriate way? If yes, which thresholds would respondents recommend to distinguish between institutions that should report on quarterly basis and those that should report with lower frequency? Should it be based on the size of the reporting institution, the size of the derivative business, the total amount of CCR exposure or something else?

In general, we consider it sufficient to provide this template semi-annually instead of quarterly. Moreover as for other reports, a threshold for small and non-complex institutions would be appreciated and would reflect the proportionality approach. The amount of reported data should reflect the size of derivative business and the total amount of CCR. Hence, institutions which meet the conditions under Article 4 (1) point 145e of the CRR should report annually.
Additionally, derivatives in the banking book and/or transactions with counterparties within an IPS structure should not be included in template C 34.06.

14.2. Would a semi-annual frequency for small and non-complex institutions be adequate to capture the volatility of these exposures?

Reflecting the response above, an annual frequency would – if thresholds were not exceeded – suffice.

15. Do respondents consider that the supervisory reporting templates reflect correctly the disclosure requirements, in particular new templates which introduced considerable change? Given that the integration aims at improving consistency, including a standardisation in formats and definitions, do respondents agree that this objective is achieved?

16. Are the instructions and templates clear to the respondents?

The following matters require clarification in our view:
{C 34.2; r0030; c0030} Notional amounts (for SA-CCR)
It is not clear whether the current notional amount or the notional amount after the adjustment in accordance with Article 279b(2) of the CRR should be disclosed for derivatives with no fixed notional amounts.

{C 34.2; r0030; c0050 and c0060} Variation margin and NICA for SA-CCR
Please confirm that the calculation of these exposures is as follows: Aggregate amount of collateral given less aggregate amount of collateral received, in each case applying applicable haircuts.

{C 34.2; r0030; c0120} Exposure value pre-CRM for SA-CCR and
{C 34.2; r0030; c0130} Exposure value post-CRM for SA-CCR
If the EBA does not make any adjustments to items {C 34.2; r0030; c0120} in line with our suggestion for Question 17, the following issues would then still be open:

Please confirm that the exposure value should be calculated without any variation margin both paid and received and ICA (collateral given is not normally counted towards CRM).
Please confirm that in the case of margined transactions, the EAD should be calculated using the rules for unmargined transactions, meaning that replacement costs are calculated without the minimum transfer amount and the threshold calculation of the PFE uses the maturity factor for unmargined transactions.

C 34.3; c0050 Current market value (CMV)
The CMV is calculated at the netting set level. However, template C 34.3 stipulates that the derivatives must be classified by the criteria of risk category and hedging sets. This means that in the standard case, the CMV of a single netting set must be distributed across several rows in this template. Please explain how this distribution should be performed. One possible solution would be to total up all of the market values of the single derivatives across a row that are allocated to the row in question when netting positive and negative market values (across all netting sets).

C 34.9; r0020, r0050 Index CDS, Other credit derivatives
Should “basket CDSs” (CDSs whose underlying is based on a single basket of reference names, not on a listed index) be reported under Index CDSs {r0020} or under Other credit derivatives {r0050}?

17. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

In column c0120, the EAD must be reported uncollateralised, but also without margining according to the instructions. We presume that the EAD must be calculated without variation margins and NICA in the context of the SA-CCR. This would basically mean that the replacement costs for this exposure would be calculated solely from the current market value (CMV). No multiplier would be used in the potential future exposure and the maturity factor may not be calculated in accordance with Article 279c(1)(b) of the CRR. To populate this reporting field, this means that an additional EAD calculation would have to be performed for all netting sets, which would considerably increase the technical effort for automated report generation at this point.

Further, we are not clear about the purpose of this item to be reported in the context of the SA-CCR, because there is no requirement to disclose the EAD in accordance with Article 274(2) of the CRR (as the actual final outcome of the SA-CCR) in connection with item {C 34.2; r0030; c0130} anywhere in the template. We therefore suggest disclosing the EAD under Article 274(2) of the CRR 2 in cell {r0030; c0120} before the application of "other CRM", i.e. CRM to be taken into account outside the calculation of the EAD (credit protection outside Article 197 of the CRR, unfunded credit protection).

18. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

Template C 34.01 is just required to prove compliance with the thresholds for use of the Simplified Approach. In order to reduce the regulatory burden, we propose eliminating this template for institutions that do not intend to make use of the Simplified Approach.

Template C 34.01 requires data to be reported as at the last day of month-1, month-2 and month-3 of the quarter. In order to reduce the burden and give institutions enough time for process implementation with regard to the initial reporting, the data reported in the template should be limited to one month (month-3) of the quarterly reporting as at 30 June 2021.

Although we are aware that the EBA is applying Article 273a(3) in the literal sense in template C 34.01, the criteria of short or long position in a derivative cannot always be reasonably applied in practice. Non-trading book institutions using the OEM (and that have to provide evidence of approval to use it in this template) do not split individual transactions into short and long positions when they calculate EAD. These institutions would have to make a corresponding split just to provide this evidence,

which would lead to a disproportionately high reporting effort and, in our opinion, contradicts the principle of proportionality.

5.4.5 Leverage ratio

19. Article 429a(1)(d) and (e) of the CRR states that "1.By way of derogation from Article 429(4), an institution may exclude any of the following exposures from its total exposure measure: (d) where the institution is a public development credit institution, the exposures arising from assets that constitute claims on central governments, regional governments, local authorities or public sector entities in relation to public sector investments and promotional loans; (e) where the institution is not a public development credit institution, the parts of exposures arising from passing-through promotional loans to other credit institutions".

19.1. Are the structures presented in Section 5.1.2 complete? If not, could respondents provide detailed information on other structures in which a credit institution may have exposures exempted in accordance with Article 429a(1)(d) or (e) of the CRR?

Promotional loans to private persons and non-public sector entities are not considered to be beneficiaries eligible for Article 429a(1)(d) exemption. Hence, private persons and non-public sector entities should be added to the graphics as beneficiaries. This exemption requires amendments to the corresponding COREP templates C 40.00 and C 47.00.

IPS structures in which a central institution passes through promotional loans to its group's credit institutions have not been taken into account. Hence, some leeway to unburden small and non-complex institutions and to increase proportionality remains unused.

19.2. Do the proposed amendments provide for an adequate reporting on exposures of credit institutions that are involved in these structures?

As these additional reporting requirements are only relevant for a small percentage of institutions with a certain business model, we would prefer to exclude those requirements from the overall reporting templates and to introduce a separate template that is only relevant for those specific institutions. Additionally, data collections within QIS could provide information whether these specific requirements have a substantial impact on LRE calculation.

The same applies to cash pooling and settlement/trade date accounting-specific reporting requirements. In some cases, those two topics have an only minor impact on the calculation but would lead to disproportionate operational complexity and costs. At the very least we would appreciate a situation where the reporting requirements for cash pooling arrangements that can be netted prudentially were to

be removed from the templates, as they have no effect on the actual calculation of the leverage ratio exposure.

Because CPAs will only have to be disclosed separately in the context of the leverage ratio, meeting this extremely granular reporting requirement could lead to a disproportionately high investment cost and/or ongoing reporting effort. Reasons:

A netting process will have to be implemented in the reporting system in order to generate such granular outcome data. For a client, this netting process needs datasets on all asset and liability accounts with the following minimum content: account balances before netting, CPA contract number, attribute "Eligibility for accounting netting yes/no", attribute "No eligibility for supervisory netting/Eligibility for supervisory netting under Article 429g(2) of the CRR/Eligibility for supervisory netting under Article 429g(3)". The individual attributes would have to be generated in the course of extensive upstream processing; in addition, CPA contract datasets would probably have to be generated along the lines of derivatives and SFT netting.

We wish to point out that in the case of CPAs with daily settlement, that settlement is not normally performed at the end of the business day, but continuously over the course of the day. Simulated gross netting would have to be implemented in the account management system in which the CPAs are normally recorded so that the reporting system is fed with the corresponding outcome data.

We would also like to point out that the granularity in r193-198 breaches the systematic approach in template C 47. The model for all other items in C 47 is "1) Report entire exposure before deductions, 2) Report entire deductions" (i.e. in line with the proposal shown above).

Alternative proposal: Institutions whose CPA business is not material (e.g. exposure value before netting is less than 5% of total assets) do not have to enter data in the cells in C 40.

<u>C 47.00 Leverage Ratio Calculation (LRCalc)</u>
Please delete the sub-items/secondary items 065/081/091/092/093 and 220. The related primary items 061 (Derivatives: replacement cost) and 091 (Derivatives: potential future exposure) must then be reported in accordance with Article 429c of CRR 2.

Compared with the previous calculation for derivatives, the calculation in the SA-CCR is more extensive and more complex. Disclosing parameters when calculating the leverage exposure for derivatives is only possible – if at all – with considerable technical effort. We are unable to discern any supervisory benefit from the separate disclosure of individual subtotals. For this reason, the level of detail in template C 47.00 should be limited to what is strictly necessary.

C 48.02 – Leverage ratio volatility: daily values for the reporting period (LR6.2)
The requirement to provide daily values in this context requires a new form of data storage and processing (temporary storage of daily values to determine mean quarter-end values). This will increase complexity. We therefore oppose the calculation of daily values.

20. Regarding the proposals to include averaging for some components of the leverage ratio in accordance with Article 430(2) and (7) of the CRR, to develop the standards the EBA shall take into account the how susceptible a component is to significant temporary reductions in transaction volumes that could result in an underrepresentation of the risk of excessive leverage at the reporting reference date.

20.3. What leverage ratio components do respondent consider most and least susceptible to temporary reductions in transaction volumes?

Most: Securities finance transactions; however, reporting daily exposures is excessive and would lead to disproportionate operational complexity and costs. Our understanding is that a calculation based on weighted month-end average exposure values would provide the same information as an operationally excessive reporting of daily actuals. In any case, LR6.2 (C 48.01) should be deleted in order to reduce excessive burdens, as LR6.1 (C 48.02) already shows the average result of LR6.2.

Least: Other on-balance-sheet items.
If it remains mandatory to calculate LRE based on daily averages, we would appreciate a change in C 48.02 from reporting 60 daily values to reporting the maximum exposure amount within the specified quarter reporting time frame.

21. Regarding the clarification of the reporting in template C 43.00 on whether the breakdown of the RWA should take into account potential substitution effects due to credit risk mitigation, i.e. whether to perform the exposure type categorisation of RWEA by original obligor or guarantor, and bearing in mind that in any case the RWEA reported in C 43.00 is after the RWEA reducing effect of CRM, the respondents are requested to provide the information below considering the importance of consistency as well as reporting costs.

21.1. Would respondents agree to align the information reported by requiring the RWEA in this template without taking into account potential substitution effects due to credit risk mitigation?

We would generally agree to aligning RWA and LRE figures and would prefer to report both figures after substitution.

However, we do not see any basis for retaining template C 43.00 and therefore advocate deleting it (see also Q24).

21.2. Would respondents strong reasons based on costs to prefer instead the reporting of both values, the RWA as well as the leverage ratio exposure, after substitution effects? What would be the reasons?

The main reasons are operationally based. To report RWA figures before substitution would require additional background processes, leading to increased complexity and costs.

22. Are the instructions and templates clear to the respondents?

Generally, yes.

23. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

Generally, no. Nevertheless we would ask you to consider the following two issues:

a. Template C 48.01 requires the mean the daily values of the reporting quarter to be reported – in addition, all business days within the reported period must be reported in template C 48.02.
   This would lead to the fact that, for the first reporting date as at 30 June 2021, the daily process must be in place by 1 April 2021.
   In order to reduce the burden and to give the institutions enough time for process implementation, the daily reporting should be shortened for the first reporting of daily values to one month (June 2021).
b. According to EBA Q&A 2015_1856, the “Other Assets” item should be stated gross. Any offsetting related to tax assets or liabilities should be reversed. We would suggest inserting a separate row in Template C 47.00 “LRCalc” to increase transparency about the amounts reversed.
c. The titles of rows 185 to 189 are very confusing. In order to provide better guidance for reporting institutions, we suggest the following adjustments:
   i. row 185 “Regular-way purchases or sales awaiting settlement: Accounting value under trade date accounting”: Change to “**Trade** date accounting: Regular-way **sales** awaiting settlement”
   ii. row 186 “Regular-way purchases or sales awaiting settlement: Reverse out of accounting offsetting under trade date accounting”: Change to: “**Trade** date accounting: Reverse out of accounting offsetting regarding regular-way **sales** awaiting settlement”
   iii. row 187 “(-) Regular-way purchases or sales awaiting settlement: offset in accordance with 429(g)(2) of the CRR”: Change to: “**Trade** date accounting: Regular-way **purchases** awaiting settlement offset in accordance with 429(g)(2) of the CRR”

iv. row 188 "Regular-way purchases or sales awaiting settlement: Full recognition of assets under settlement date accounting": Change to "**Settlement** date accounting: Regular-way **purchases** awaiting settlement"
v. row 189 "(-) Regular-way purchases or sales awaiting settlement: offset for assets under settlement date accounting in accordance with 429(g)(3) of the CRR": Change to "(-) **Settlement** date accounting: Regular-way **sales** awaiting settlement offset in accordance with 429(g)(3) of the CRR"

24. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

Especially with regard to reporting requirements in LRCalc (C 47.00): the extensive data collection on regular way purchases or sales and cash pooling leads to a complex and confusing reporting structure with only minor additional insights. This also contradicts the initial idea of an easily comprehensive and comparable ratio/reporting. The relevant reporting requirements should be deleted. At the very least, we would appreciate it if the reporting requirements for cash pooling arrangement that can be netted prudentially were to be removed from the templates as they have no effect on the actual calculation of the leverage ratio exposure.

Further, the additional reporting requirements on public development credit institutions are only relevant for a small percentage of institutions with a certain business model, so we would prefer excluding those requirements from the overall reporting templates and introducing a separate template that is only relevant for those specific institutions. Additionally, data collections within QIS could provide information whether these specific requirements have a substantial impact on LRE calculation (see question 19.2).

There have been no changes in the derivative limits above which additional reporting items must be recorded, although the new definition of small and non-complex institutions has now been introduced. In this case, the derivative limits should be aligned with the same limit used for the application of the OEM (Article 273a(2) of CRR 2) in order to ensure more consistent treatment.

Additionally, we do not see any legal basis for retaining templates C 40.00 and C 43.00. In the same way as C 41.00 and C 42.00, which will be deleted under the present Draft, these templates were introduced for reporting data necessary to produce the report in accordance with Article 511 of the CRR. The EBA already submitted this report in 2016. Retaining data reports that are no longer required for supervisory purposes is excessively time-consuming for the institutions, so we are advocating the deletion of both templates.

5.4.6 Large Exposures

25. Are the instructions and templates clear to the respondents?

The description for columns 120 – 170 (template C 28.00) "Indirect exposures" relates in each case to Article 403 (substitution approach). To clarify a standardised European approach, a note should be added in line with the underlying reporting methodology illustrated in EBA Q&A 2014_1349 and the extended scope defined by the Federal Financial Supervisory Authority on the basis of this understanding for those German institutions that it supervises that a substitution effect should not only be reported when a recognised credit risk mitigation technique is used for large exposures, but also when exemptions from the large exposures limits are applied, which are based on guarantees.
Furthermore, the reference in columns 120-170 to Article 403 (3) CRR 2 might be misinterpreted without further clarification. We understand it as a reference to specialized triparty business, in which case the limit according to Article 403 (3) letter b CRR 2 could be reported instead of the amount according to Article 403 (3) letter a CRR 2.

The description of columns 240-290 (template C 28.00) in comparison to column 300 is not clear, as the substitution of financial collateral with the issuer is generally mandatory under CRR 2. The description for columns 240 – 310 (template C 28.00) "(-) Eligible credit risk mitigation (CRM) techniques" states that "CRM techniques may have three different effects in the LE regime: substitution effect; funded credit protection other than substitution effect; and real estate treatment." Our understanding is that under CRR 2, any funded credit protection, i.e. including where the Financial Collateral Comprehensive Method (FCCM) is used, leads to substitution. We are therefore seeking a review of the description, which we believe should be "two" (different effects). As a result, we also believe that the label for column 300 "(-) Funded credit protection other than substitution effect" is no longer correct. Maybe columns 240-290 only refer to full substitution under the Financial Collateral Simple Method (FCSM), while column 300 is for the Financial Collateral Comprehensive Method (FCCM), including haircuts on the collateral?
As these are the exposure-reducing columns, the haircuts decrease the market value of the collateral, while this haircut-reduced part as a risk mitigation effect should be the indirect exposure to the collateral issuer. The word "increased" should therefore be replaced by "decreased" (instruction for row 300).
A haircut within the FCCM decreases the value of the collateral. An increased value (market value + haircut) for the issuer is not mentioned in Article 401(1) and makes no economic sense, as the potential loss in the collateral cannot be greater than the mitigation effect on the original exposure.
This also does not to fit with the description of columns 120-170, which states that the amount of reducing the direct exposure must be the amount of the exposure of the collateral issuer.

For clarification, the description for column 320 (template C 28.00) "(-) Amounts exempted" should also contain a reference to Article 493(3) of the CRR.

26. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

27. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

The reporting framework 3.0 only contains changes relating to large exposures that can be derived directly from CRR 2. The elimination of reporting the maturity bands for the ten largest loans to an institution and the ten largest loans to unregulated financial sector entities relieve the reporting burden, albeit only for those institutions that are required to submit a group report.

The elimination of the reporting on the "type of connection" in the context of the "group of connected clients" (GCC) in template LE 3 only achieves selective – albeit welcome – relief. No further content-related relief is proposed. Additionally, the reports should still be submitted quarterly. Despite the supervisory commitment to proportionality and the acknowledged need to reduce burdens in the reporting regime, the potential relief offered by a half-yearly report granted by the lawmakers, especially for small and non-complex institutions, is therefore not used.

Additionally, further changes to the reporting requirements will result from the EBA mandates granted by CRR 2. This applies in particular to the mandates under Article 4(4) of CRR 2 (GCCs), Article 390(9) of CRR 2 (determination of the exposure value of the underlying in the case of derivatives) and Article 394(4) of CRR 2 (definition of shadow banks for reporting purposes). In the meantime, it is evident from the EBA roadmap on large exposures published on 21 November 2019 that the EBA will not be able to meet the deadlines stipulated by CRR 2 for the above mandates. For example, the draft RTS to determine the underlying risk for derivatives in accordance with Article 390(9) of CRR 2 will not be submitted by March 2020, but only by December 2020. However, the new large exposure rules already have to be applied as of 28 June 2021, so it is simply not going to be possible to apply them fully as at the first CRR 2 basis reporting reference date of 30 June 2021.
Reporting the ten largest shadow banks will already be mandatory as at 30 June 2021. According to the EBA, the mandate under Article 394(4) of CRR 2 will only be complied with as at December 2021. Although there are guidelines for limiting exposures to shadow banks, it cannot be ruled out that the RTS under Article 390(4) of CRR 2 will not contain a different definition of shadow banks, or that the definition underlying the guidelines might also be revised to reflect international developments and new insights. Multiple adaptations of IT processes must be avoided. It should be clarified in this respect that, until the RTS under Article 394(4) of CRR 2 has been finalised and after the end of an appropriate IT implementation period, the report can

be implemented as it is today, i.e. based on the concept of an "unregulated financial entity" anchored in the CRR. The delay's in the EBA's work may not be at the institutions' expense.

5.4.7 NSFR

28. Paragraph 4 of Article 428d in the CRR 2 states: "all derivative contracts referred to in points (a) to (e) of paragraph 2 of Annex II that involve a full exchange of principal amounts on the same date shall be calculated on a net basis across currencies, including for the purpose of reporting in a currency that is subject to a separate reporting in accordance with Article 415(2), even where those transactions are not included in the same netting set that fulfils the requirements set out in Article 429c(1)."
    Reporting by currency subject to separate reporting is required to be made on a net basis across different netting sets. This might envisage a situation of derivatives across various counterparties with different settlement currencies. There is a need to provide further instructions on which specific currency subject to separate reporting report should capture the net value in these cases.
    The implication is that the CRR 2 requires consistency between ASF and RSF by currency subject to separate reporting on which specific requirements can be set by CAs.
    It is proposed to look at each netting set and calculate the fair value for each of them in its settlement currency. For all netting sets with matching settlement currencies a net amount shall be calculated in accordance with Article 428k(3) and 428ag(3), and reported in the relevant currency subject to separate reporting.
    Do respondents agree with this proposal? Would respondents consider it more adequate to look at all payables and receivables related to derivatives and calculate a net amount?

    Our understanding of the proposal (and the example 1 on page 49) is that, for the NSFR in significant currencies (including "EUR-only NSFR"), only FX derivatives with a settlement currency equal to the relevant significant currency should be included, and all FX derivatives with different settlement currencies should be exempted in their entirety from separate reporting in significant currencies.

    If this understanding is correct, we agree with the proposal and do not need further instructions. Otherwise we would like to see some additional and more detailed examples for reporting of FX derivatives by currency, because it is not then entirely clear the daily exchange of the principal amounts should be treated under Article 428ah(2).

29. Do respondents consider that the "NSFR calculation tool" appropriately translates the use of the different templates for informative purposes?

    Overall, yes.

30. Are the instructions and templates clear to the respondents?

    Generally, yes. But we would propose including a field with the legal reference (like the former NSFR ITS) in every row of the template.

31. Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

    General comments
    The item ”Coins and banknotes” is missing (compared with the current template). We assume that these assets should be included in c80.00, r0040, c0010 (or c82.00, r0030, c0010). This should be mentioned in the relevant instructions.

    There should be a field with the legal reference (like the former NSFR ITS) in every row of the template.

    Given that the “accounting value” is requested for the NSFR, further instructions and definitions are needed (keywords, i.e. accrued interests general credit risk adjustments, unrestricted contingency reserves under section 340f of the HGB), especially with regard to any implicit comparability with FINREP (see 5.4.2). Furthermore, a statement that the accounting value must be used throughout the ITS would enhance data quality, comparability and consistency across the respective reports.

    We would welcome statements about determining the encumbrance period for assets in the cover pool. There is also a lack of clarity about how the assets in the cover pool are allocated to the non-mandatory overcollateralisation.

    Because of the link to the accounting and uncertainties from the Basel III monitoring, clarification that all derivatives must be included in the NSFR (regardless of whether or not they are recognised in the accounting) would be useful.

    In the area of derivatives, the BCBS distinguishes between own-name initial margins and initial margins made on behalf of clients. There is no requirement for stable funding for the latter. This distinction is not made in CRR 2 and it is therefore not clear whether they may also be disregarded.

    Comments on template C 80.00:
    Under CRR 2, non-HQLA level 2B equities are subject to an 85% factor if they are exchange-traded. This factor is used in reporting row 0580 solely for the ≥ 1 year maturity band. If appropriate, it should be clarified that equities must be allocated to the longest maturity band. To our knowledge, there is not a general rule in CRR 2 that assets without a stated maturity must be allocated to the most conservative

maturity band (i.e. the longest for the RSF factors). By contrast, a corresponding requirement for liabilities/equity is contained in Article 428k(1) of CRR 2. Alternatively, a separate reporting row could be created for equities.

Whereas CRR 2 does not contain any reference to maturities for initial margins paid for derivatives or central counterparties, the template distinguishes between the three maturities and HQLA in reporting rows 0950 and 0960 (all cells with the same RSF factor). What is the basis for calculating the maturities (maturity of the collateral (if present) or term of the derivative contract)?

Reference is made to the LCR to capture the undrawn portion of committed credit and liquidity facilities. The LCR distinguishes between irrevocable and revocable facilities. CRR 2 does not make an explicitly detailed distinction for the NSFR, but merely talks of "committed facilities within the meaning of the LCR". Is our assumption correct that only irrevocable (and under certain conditions possibly also revocable) facilities are to be reported in row 1060 with a factor of 5%, whereas revocable facilities are not to be reported, at least in the first instance as long as country-specific factors are not implemented? That would also be consistent with the BCBS rules or the Basel III monitoring instructions.

We request clarification of where the deductions from regulatory capital should be reported.

<u>Comments on template C 81.00</u>
In accordance with Article 428l(a) of CRR 2, operational deposits of central banks are subject to a 50% ASF, and other liabilities to central banks are subject to a 0% factor. However, there is no separate row for reporting operational deposits of central banks. Are central banks deliberately excluded for operational deposits? There is a corresponding row (row 21) in the BCBS template.

Under Article 428k(3)(d) of CRR 2 and because it is not addressed anywhere else, secured liabilities to retail customers and small businesses (unless they can be treated as retail deposits under Article 428i) are subject to a 0% ASF factor. No row is provided for this in the templates proposed by the EBA. Row 43 is provided for this purpose in the BCBS template. Was the separate disclosure of secured liabilities to these counterparties omitted deliberately? To our knowledge, the institutions that participated in Basel III monitoring report some exposures in this row. In order to apply the correct factors, rows 310 "ASF from liabilities provided where the counterparty cannot be determined" and 430 "Other liabilities" would generally be suitable, although the latter is a better fit in terms of substance.

<u>C 81.00; row 0040 to 0060; column 0050:</u>
We see a discrepancy regarding the ASF factor for capital instruments (ex-CET 1) maturing between 6 months and 1 year. Article 428l(d) of CRR 2 stipulates an ASF factor of 50% for "any other liabilities with a residual maturity of a minimum of six

months but less than one year not referred to in Articles 428m, 428n and 428o”. In our opinion, this includes liabilities from maturing capital instruments (6 months to 1 year) because they are not referred to in the named articles. As a departure from the CRR, C 81.00, rows 0040 to 0060, column 0050 stipulates an ASF factor of 0%.

The expectation of an 50% ASF factor would be in line with NSFR QIS (B3M) reporting practice:

NSFR QIS (B3M) is used to report capital instruments with maturities of less than 1 year in the liabilities positions for the relevant investors (generally financial undertakings/institutions, i.e. row 34 of NSFR ASF QIS), because row 8 of NSFR ASF QIS is only viable for maturities greater than 1 year.

The section ”ASF from capital items and instruments” of CRR 2 NSFR (C 81.00) now has additional cells for maturities of less than 1 year (i.e. rows 0040 to 0060, columns 0010 to 0020). However, these additional cells stipulate a lower ASF factor of 0% in the 6-12 months bucket (column 0050) compared with an ASF factor of 50% for unsecured liabilities from financial clients (rows 290 and 300, column 50), and also compared with the reporting in ASF NSFR QIS already referred to.

We see no justification for this discrimination of liabilities from maturing capital instruments against other short-term unsecured liabilities and therefore would expect an ASF factor of 50% for column 0050 of rows 0040 to 0060, which would be in line with our understanding of Article 428l(d) of CRR 2.

Comments on the Instructions (Annex XXVII)
We presume that in No. 4 of Part I (General Instructions), Article 428ah(2) of CRR 2 is meant, and not Article 428h(2) of CRR 2.

32. Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

See Question 31.

5.4.8 FINREP

33. Under Appendix A (IFRS 9), purchased or originated financial assets (POCIs) correspond to purchased or originated financial assets that are credit-impaired on initial recognition.
IFRS 9 sets out specific rules to measure the expected credit losses (ECL) for POCIs, outside the general approach to impairment by Stage. In order to have a presentation of POCIs more consistent with their measurement criteria, in the following templates F04.03.1; F04.04.1; F07.01; F12.01; F18.00, POCIs are included in separate columns outside the Impairment Stages.

In the template F18, POCIs are also split between non-performing and performing, to take into account any cases where, after the initial recognition, POCIs do not meet the definition of "credit-impaired" of Appendix A (IFRS 9) anymore.

33.1. Do respondents agree with the separate presentation of POCIs outside the IFRS 9 Impairment stages?

We very much welcome the EBA's decision to separate POCIs from the IFRS 9 impairment stages. However, this will result in multiple initialisation scenarios. At the moment we are in the implementation process for the DPM 2.9 reporting requirements. The technical switch between different DPMs results in additional effort, since we have to guarantee no data clashes will arise. DPM 3.0 implementation will result in overlapping with DPM 2.9 in terms of project activities. Therefore, integration into DPM 2.9 would have been less costly and time-consuming.

Due to the harmonisation of the default definition, non-performing exposures in stage 3 will be identical to defaulted exposures. Since POCIs are part of stage 3 exposures under DPM 2.9, we expect the sum of defaulted exposures under DPM 3.0 POCIs and stage 3 exposures. We request clarification of this point.

33.2. Are the criteria to distinguish between "non-performing" and "performing" POCIs clear? Which challenges with regard to the practical application of these criteria do you envisage?

Are the criteria for distinguishing between "non-performing" and "performing" POCIs identical in comparison to the existent criteria for identifying performing/non-performing other exposures? We request clarification of this point.

34. The information on cash balances at central banks and other demand deposits has been included in template F12.01. Although the amount of impairment for cash balances at central banks and other demand deposits should not be relevant in general, these assets are subject to impairment as the other financial assets included in the accounting portfolios of "financial assets at cost or amortized cost" and "financial assets through equity subject to impairment or at fair value through other comprehensive income". The inclusion of these data is also consistent with data reported in templates F18 and F19.

34.1: Which challenges with regard to reporting of this information do respondents envisage?

This will result in multiple initialisation scenarios. At the moment we are in the implementation process for the DPM 2.9 reporting requirements. The technical switch between different DPMs results in additional effort, since we have to guarantee no data clashes. DPM 3.0 implementation will result in overlapping with DPM 2.9 in terms of project activities. Therefore, integration into DPM 2.9 would have been less costly and time-consuming.

34.2. Do you see any inconsistencies between this data and the data collected in other FINREP templates?

If we understand the requirement correctly, the sum of "cash balances at central banks and other demand deposits" should equal the sum of F01.00 row 30 + F01.00 row 40. If so, we do not see any inconsistencies.

35. In template F12.02, additional columns have been added to report the direct transfers between Stage 1 and Stage 3, without considering any intermediate passage through Stage 2. This information is useful in the context of monitoring IFRS 9 post-implementation initiatives and supervisory activities.
Which challenges with regard to reporting of this information do respondents envisage?

In general, the information on direct stage 1-3 transfers and vice versa exists in the data warehouse. However, it can be expected that exposures are not material, which results in manual, infrequent data collection for internal data analysis only during the reporting year. Hence, the extensive adjustment of technical systems and the establishment of new reporting processes are necessary to report the information. Considering the very low materiality of such cases, the implementation burden outweighs the information benefit.

36. In template F18.00, the information on loss allowances for more than 30 days-past-due exposures has been added. This information is already reported in template F23.04 by institutions which fulfil both of the conditions referred to in points (i) and (ii) of Article 9(2)(h) of the current ITS on reporting. Since this information is relevant for monitoring IFRS 9 post-implementation initiatives and supervisory activities, it has been included in template F18.00 for all institutions, although it may create some overlaps with F23.04.
Which challenges with regard to reporting of this information do respondents envisage?

How are nGAAP users affected? An exemption to report this information for nGAAP users should be included.

5.4.9 Other amendments

37. Are the instructions and templates clear to the respondents?

Since a separate chapter for comments **on Asset-Encumbrance** templates is not provided, we have decided to aggregate our comments with regard to the new AE templates here:

a) Missing "of which" row for EHQLA in Advanced Templates F 36.01/F36.02:
In templates 36.01 and 36.02, rows 200/230 report the total of (un)encumbered central bank eligible assets. In terms of consistency, we would have expected a

corresponding row for (un)encumbered EHQLA. Could you please describe the reason for leaving out the total EHQLA rows in templates F 36.01 and 36.02.

b) Interpretation of EHQLA as asset quality criterion (F 32.01, F 32.02, F 32.03): We would like to point out in this context that the use of HQLA as an asset quality criterion does not necessarily outweigh the validity of central bank eligibility as a measure for asset quality. In order to properly assess the asset encumbrance disclosure, information on encumberable assets within non encumbered assets would be more useful for external recipients. Encumberable unencumbered assets imply further funding potential and give also insights into the risk profile inherent in encumbered assets. Hence, the higher the volume of encumberable unencumbered assets is, the fewer the risks that might occur in stress situations. Nevertheless, the HQLA and CBE criteria are good indicators for estimating asset quality in the case of a shortfall or financial crisis. However, when it comes to a breakdown of lending business between institutions, central bank funding is the only option.

c) Label amendments Asset-backed securities to Securitisations (F 32.01, F 32.02, F 32.04, F 34.00, F 36.01, F 36.02):
Is there any difference in the definition of asset-backed securities and securitisations, or is it simply an alignment of ITS and labels within the templates. We request clarification of this point.

In line with the principle of proportionality and taking into account the fact that one of the core elements of CRR 2 is to make it easier to lend to SMEs (see 3.5.3 No. 39), we would welcome the exclusion of public promotional loans by development banks, transmitted loans and publicly guaranteed export credits from the calculation of asset encumbrance.

38. Do respondents agree with the proposal to harmonise templates and instructions with regard to the reporting of the information of LEI codes?

Comparing the FINREP and COREP templates, we see little evidence of harmonisation. Although it appears that the COREP and FINREP templates have been partially aligned, there are still inconsistencies. COREP requires the reporting of ”LEI Code” and ”National Code”. However, FINREP reporting requires ”LEI code”, ”National Code” and ”Entity Code”. The ITS does not provide a proper definition for ”National Code”. From our point of view, it seems as if reporting is mandatory when there is no LEI Code and voluntarily in the opposite case. In terms of implementation effort, the burden might be low if there is a clear definition and accessibility for all group entities (via the public register) for the ”National Code” reporting. Otherwise, the implementation burden would be multiplied (e.g. LEI code admission is costly and not entirely implemented within group entities on top of additional National Code selection). Therefore, we expect that reporting by LEI Code and Entity Code, consistently aligned with COREP and FINREP, would be more appropriate.

Nevertheless, we would very much welcome a clarification of the EBA’s rationale for the ”National Code” as a third code format within FINREP, and of the definition and reporting method (mandatory/voluntarily).

39. The integration between disclosure and reporting aims at improving consistency, including a standardisation in formats and definitions. Do respondents agree that this objective is achieved?

F 32.01, F 32.02, F 32.03: Although EHQLA was already implemented in the annual disclosure, data delivery processing has to be additionally implemented for quarterly reporting. Therefore, reporting of both central bank eligibility (CBE) and EHQLA imposes unnecessarily reporting burdens for institutions. Furthermore, we would not have expected double reporting of CBE and EHQLA in terms of alignment. Hence, eliminating the reporting of CBE would be more consistent with asset encumbrance disclosures and would ease the reporting burden.

There are still some inconsistencies between the reporting templates and existing disclosure guidelines. The harmonisation of reporting and disclosures should ensure that only information from the reporting templates is used in banks’ disclosures.

Detailed Comments on the Draft ITS

Chapter 4/Article 11(2)(g) FINREP
The condition given under (i) – that "the institution is not a small and non-complex institution" – does not match the applicable hierarchy of the scope of reporting under FINREP. This wording will adversely affect institutions that do not meet the conditions set out in Article 4(1)(145) but report simplified FINREP. Please replace it with the following condition:
"(i) the institution is not a less significant institution".

Chapter 9/Article 18 ALMM
This calls for reporting on ALMM on an individual and a consolidated basis with a monthly frequency.
We presume that a quarterly report in accordance with Article 16(b)(2) of Implementing Regulation 680/2014 is still possible.

Detailed Comments on Templates and Data Points

C 01.00/510 + 511 + 512 (Own Funds)
We presume that the allocation of row 510 to rows 511 and 512 does not apply to small and non-complex institutions. Qualifying holdings and deferred taxes are combined for the calculation of whether the threshold is exceeded. Allocating them again proportionately after the threshold is exceeded requires the prior calculation of the relevant shares in the joint total and then the allocation itself. We see additional effort and no added value in this approach, not least because extensive information about deferred taxes and qualifying holdings is already reported in CA4.

C 08.05/05b (Credit Risk/Back-testing of PD)
The column requirements with detailed information on the margin of conservatism (categories A/B/C) contribute to increasing the complexity of the reporting requirements and impose additional data requirements in processing. In our view, this detailed information is not necessary.

C 15.00 (IPLOSSES)
Template C 15.00 (IPLOSSES) is not listed. Please explain what is to be done with this template as from 06/2021.

F 32.01 + 32.02 + 32.03 (Asset Encumbrance)
In our opinion, the new columns for disclosing EHQLA/HQLA are redundant and should be deleted because encumbered HQLA values are already disclosed in the NSFR (template C 80.00/row 040).

C 34.3; c0060, c0070, c0080, c0100, c110

These columns should be deleted from the template because they merely repeat results from template C 34.2.

C 35.1-3 (NPL Backstop)

1. Difference between templates C 35.2 and C 35.3
   - What attributes can be used to distinguish the populations for tables C 35.1, C 35.2 and C 35.3?
   - Assumption:
     - Only those forborne exposures that fall under the special rules under Article 47c(6) are reported in C 35.3.
     - Under C 35.2, all non-performing exposures not subject to forbearance measures as well as non-performing exposures subject to forbearance measures are reported if they do not fall under the special rules under Article 47c(6).
     - The population for C 35.1 is the total of the populations of templates C 35.02 and C 35.3 and constitutes the non-performing and non-performing forborne holdings.

2. Apportionment into secured and unsecured portions
   - Are the exposures in C 35.1 apportioned to the various rows for the unsecured part of NPEs and the secured part of NPEs below the single transaction level?

3. Disclosures for special rules for forbearance in C 35.3

Our understanding is that exposures are only disclosed in C35.3 for as long as they are subject to the special rule set out in Article 47c(6) of the CRR. This is evident from the structure of the template, as only a single factor applies to the exposures, depending on the current NPE vintage range, although the rule set out in Article 47c(6) is limited to 12 months after the forbearance measure. If the NPEs were to be disclosed permanently in template 35.03, the requirement for these NPEs would be incorrectly calculated.

4. Application of/report on Article 47c(6)
   - If an institution does not apply the special rule set out in Article 47c(6), we believe that it is permitted to disclose 0 in template C 35.3.

NSFR Templates

C 80.00/30 + 40

We presume that cash holdings (notes and coins) are to be disclosed in these rows (see Question 31).

C 80.00/50 + 60

Please clarify why columns 010 – 030 are not greyed out for rows 040 – 060. Our understanding is that these are HQLA exposures that are disclosed in column 040.

C 80.00/580

In accordance with Article 428ag(f) of CRR 2, unencumbered exchange-traded equities are subject to an RSF of 85%. Because no maturity details whatsoever were given, we are asking for clarification that this refers solely to exchange-traded equities with a residual maturity of one year or more, and that exchange-traded equities with a residual maturity of less than one year fall under Article 428ad(g) of CRR 2. If this is not the case, the RSF factors allocated to this item are incorrect and a distinction must be made between exchange-traded equities and unencumbered securities (non-HQLA).

C 80.00/760 + 810

It is not clear to us why the cells for the standard factor are greyed out, but the cells for the applicable factor have to be filled out.

C 80.00/1030

In accordance with Article 428ah(1b) of CRR 2, fixed assets, non-exchange-traded equities, retained interest and insurance assets are subject to an RSF of 100%, depending on their residual maturity. However, an RSF of 50% is shown as the default in row 1030 for residual maturities of < 1 year. Please clarify this.

NSFR Explanations

C 80.00/row 570

Is "and" intended as the conjunction here, or should it be "or", meaning that only one of the two criteria has to be satisfied?

C 80.00/row 600

Please correct the reference in the Instructions for this row. Delete the "o" in 428ah(1)(b), replace by 428ah(1)(b).

C 80.00/row 750

Please clarify whether loans to sovereigns, PSEs, MDBs and NDBs should also be disclosed in this item.

C 80.00/row 1010

Trade receivables receive a factor of 0% in the NSFR calculation. Disclosure of this item requires significant effort for technical processing. We therefore advocate not reporting this item.

C 80.00/row 1030
Reference to 428ah(1)(b)
Please specify that "items deducted from own funds" are to be disclosed in this row, provided that the reduction was not already included in the relevant ASF items (C 81.00 ID 2.1).

C 80.00/row 1080
What is meant by "non-performing off-balance sheet items"?
Note: non-performing loans are already reported in row 1020.

C 81.00/row 050
According to Article 428o(c) of CRR 2, the institution's Tier 2 items should be disclosed here before the deductions referred to in Article 66 and before the application of Article 79. Do the credit risk adjustments in accordance with Article 62c of the CRR that are reported in row 920 of template CA 1 therefore qualify as Tier 2 capital (provided their residual maturity is more than 1 year)?