

**FBF RESPONSE TO THE CONSULTATION PAPER ON PUBLIC
DISCLOSURES BY INSTITUTIONS OF THE INFORMATION REFERRED
TO IN TITLES II AND III OF PART EIGHT OF REGULATION (EU) NO
575/2013**

I - General comments:

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorised as banks and doing business in France, i.e. more than 340 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 340,000 people in France and around the world and serve 48 million customers.

The French Banking Federation (FBF) welcomes the opportunity to comment on the consultative document on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

Our general remarks concern the initiative of the EBA to integrate Pillar 3 disclosures with supervisory reporting. From our point of view, we would favour a streamlining of information provided instead of more formalized templates and tables.

Indeed, Pillar 3 disclosures are overloaded due to the high granularity of information already provided. Integration should not lead to additional information that would fall under the scope of the information provided to supervisors and that is not appropriate for investors due the detailed level of data that only regulatory experts will be able to interpret in a proper manner and due to the sensitiveness of data that will require appropriate confidentiality to be analysed that only competent authorities can guarantee.

Besides, disclosures templates that will be integrated with supervisory reporting will have to follow the validation processes and the restatement submissions according to Art. 3(4) of ITS on supervisory reporting. We believe that attention should be put on restatement submissions applied to disclosures, as supervisors and banks use these processes in different manners. While an adjustment to disclosures may be necessary when resulting from major adjustments to regulatory reporting, we believe that materiality limits below which a correction of disclosure can be omitted should be defined as minor adjustments to regulatory reporting applied to disclosures would not contribute to increase transparency for investors.

Our detailed feedback is provided below within our answers to the EBA's questions.

II – Answers to the questions related to the consultation

Disclosure of key metrics and overview of risk-weighted exposure amounts.

Question 1: Are the instructions, tables and templates clear to the respondents?

They are.

Question 2: Do the respondents identify any discrepancies between these tables, templates and instructions and the calculation of the requirements set out in the underlying regulation?

Template KM1 – ROW 12: CET1 available after meeting the total SREP own funds requirements (%). The title of the row seems clear and to refer to P2R. However, when reading COREP instructions of the C03 template, we interpret that the line could be linked to a kind of shortfall of Tier 1 (Basel vision that has not been translated in the CRR provisions). Because of the absence of disclosure requirement in Art 447 of the CRR2 and the inconsistency with COREP C03, we recommend deleting line 12.

Question 3: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

However, as a general comment for all questions, we would like to stress that the units required in the EBA ITS (thousands of units for amounts and four decimals for percentages) are defined in an excessive manner. This will not provide additional clarity and quality nor help investors (A four column template for instance will not gain readability with such a precision). We recommend removing this precision, which is not relevant at least for large institutions.

Question 4: In particular, and regarding the disclosure on Pillar 2 requirements for leverage ratio, do respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Please refer to questions 2 and 3.

Disclosure of risk management objectives and policies

Question 5: Are the instructions, tables and templates clear to the respondents?

They are.

Question 6: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 7: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of the scope of application

Question 8: Are the instructions, tables and templates clear to the respondents?

Template LI2 – Column “a Total”. Instructions for completing column “a Total” would be useful for preparers. Indeed, there are instructions for columns “b” to “e” and for rows 1 to 12, but none for column “a”. For example, the instructions should specify if the total in column “a” for each row is equal to the sum of columns “b” to “e”.

Template LI2- Columns “d Counterparty Credit Risk framework” and “e Market risk framework”: Market risk is a component of the counterparty credit risk (CCR). The instructions are not enough specific and clear. For column “e Market risk”: it should be added whether the amount for market risk should be included or not in the column “d Counterparty Credit Risk”. If, the amount for market risk should be included in CCR, then it might appear twice on the same row. Template LI2 – Row 12 “Exposure amounts considered for regulatory purposes”. A mapping tool related to this row would be useful for preparers.

Question 9: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 10: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Question 11: Rows in template EU LI1 are flexible as they are based on the published financial statements. Do the respondents see any way to provide higher standardisation to the rows of this template without deviating from the requirement that it should be based on the published financial statements?

We believe that there is no need for higher standardisation and that rows in template EU LI1 should remain flexible to provide relevant information.

Question 12: Regarding template EU LI2, do the respondents agree that the information to be disclosed in row 4 should be pre-CCF and that the information to be disclosed in row 12 should be post-CRM?

We agree.

Question 13: Regarding template EU PV1, could the respondents provide their view on how should institutions under the simplified approach should provide the disclosures required?

4 columns labelled “EU” (EU e1, EU e2, EU f1 and EU f2) have been added. They are neither recommended by the Base standard nor listed as information required in the CRR2 text. What is also of most importance is that the disclosure of this very sensitive information will put European banks at competitive disadvantage in comparison with non-EU peers. To avoid such European gold plating, we strongly suggest deleting these four columns.

Disclosure of own funds

Question 14: Are the instructions, tables and templates clear to the respondents?

They are.

Question 15: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

We question the relevance of Template EU CC2 on reconciliation of regulatory own funds with audited balance sheet as similar information related to reconciliation between amounts used in the financial statements and amounts used for regulatory purposes is provided by Templates EU LI1 and EU LI2, including own funds elements.

Moreover, we do not believe that Template EU CC2 would - in a more appropriate manner than Templates EU LI1 and EU LI2 - identify the differences related to own funds between the scope of accounting consolidation and the scope of regulatory consolidation.

Therefore, we would suggest deleting Template EU CC2 to avoid any duplication of similar information provided in other templates and, as a consequence, to avoid confusion for users of Pillar 3 disclosures (specific information related own funds shall be requested in EU LI1).

Question 16: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

As far as Template CC2 is concerned and following comments on question 15, we do not believe that the template fits with the requirements of article 437 (a).

For EU CCA table of "Own funds instruments and eligible liabilities instruments", we would like to emphasize that information related to private placements should remain confidential (rows 2a and 37a). In addition, it would be more interesting for investors to select and prioritize the most valuable information by limiting the signposting (row 37a) to the main public placements above a size threshold.

Question 17: Rows in template EU CC2 are flexible as they are based on the published financial statements. Do the respondents see any way to provide higher standardisation to the rows of this template without deviating from the requirement that it should be based on the published financial statements?

Please refer to question 15.

Disclosure of countercyclical capital buffers

Question 18: Are the instructions, tables and templates clear to the respondents?

They are.

Question 19: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 20: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of the leverage ratio

Question 21: Are the instructions, tables and templates clear to the respondents?

They are.

Question 22: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 23: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of liquidity requirements

Question 24: Are the instructions, tables and templates clear to the respondents?

They are.

Question 25: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 26: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of credit risk quality

Question 27: Are the instructions, tables and templates clear to the respondents?

No comments

Question 28: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No comments

Question 29: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

The information expected in table CR1 is described in article 442 (c). Table goes beyond requirements with column m (accumulated partial write-off). We suggest deleting it

Regarding table CQ7, the ITS specify that its legal basis is article 442.c. Nevertheless, article 442.c (and article 442 in general) does not mention the disclosure of information related to foreclosed assets. Therefore, table CQ7 can be requested on the basis of conveying properly the risk profile of institutions but it should be requested only for institutions exceeding the 5% NPL ratio threshold.

EU CR1-A Maturity of exposures goes far beyond article 442.g of CRR2 that requires the breakdown of total loans and advances by residual maturity without split by regulatory approach (IRB / SA) and exposure class. We propose aligning ITS on CRR2 removing this unrequested new split

Question 30: Do the respondents agree that the disclosure templates on credit risk quality included in new draft ITS convey properly the risk profile of the institutions?

Table CR2 is going beyond Article 442.f of CRR2.

Table CR2 is also going beyond the NPL Guidelines. Indeed, the full table CR2 seems required by the ITS for all entities whereas, according to NPL Guidelines (the whole CR2 only applies to entities with an NPL ratio above 5%, and a limited number of rows 10-20-30-40-100-110 is required for entities with an NPL ratio below 5%),

To be aligned with FINREP 24.01 and article 442.f of CRR2, the full table CR2 should be required only when exceeding the threshold of the NPL ratio of 5% whereas a version of table CR2 limited to row 10-20-30-40-100-110 should be applicable for institutions below the 5% NPL ratio threshold.

We also would like to alert about a major risk of misunderstanding by investors of templates EU CQ4 and EU CQ5.

Indeed, as required by article 442.e of CRR2, EU CQ4 table on defaulted exposures and provisions by geography encompasses all the exposures, whereas EU CQ5 (table for defaulted exposures and provisions by industry) is restricted to L&A non- financial corporations. Therefore, totals in EU CQ5 are very significantly different in comparison with EU CQ4.

For consistency and clarity sake, we propose to adapt EU CQ5 scope and EU CQ4 with the full scope of FINREP (FIN18), by for instance, adding some additional rows.

Disclosure of the use of credit risk mitigation techniques

Question 31: Are the instructions, tables and templates clear to the respondents?

They are.

Question 32: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 33: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of the use of the standardised approach

Answers to this part should be provided taking into account that these disclosures will be fully reviewed once the review of regulatory framework for CR-SA is agreed and closed:

Question 34: Are the instructions, tables and templates clear to the respondents?

They are.

Question 35: In particular, are the instructions for row 16 in template EU CR4 clear to the respondents?

They are.

Question 36: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 37: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of the use of the IRB approach to credit risk

Question 38: Are the instructions, tables and templates clear to the respondents?

In general, they are. Please refer to the answers below.

Question 39: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

In general, no discrepancies have been identified. Please refer to the answers below.

Question 40: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Template CR6 is based on article 452 (g) of the CRR. However, the ITS goes beyond CRR as the CRR article requires to disclose across a sufficient number of obligor grades (including default), but not by PD range. This gold plating applies also to template CCR4
Concerning the Template CR6-A “Scope of the use of IRB and SA approaches”, we welcome the initiative from EBA to include a synthesis template in these ITS presenting the same exposures amount (leverage) with the same exposure classification (IRBA asset classes).

However, the multiplication of amount definition within the Pillar 3 is also a source of complexity for investors (different totals between templates) and burdensome for banks (harder reconciliation exercises). Indeed, Pillar 3 templates uses FINREP (accounting) amounts,

COREP (risk) amounts and Leverage Ratio amounts, sometimes gross of provisions and sometimes net of provisions that may lead to significant gaps.

Moreover, in the same context of multiplication of the source (COREP, FINREP, Leverage ratio, etc) in the Pillar 3, we would like to point out that exposures are classified differently in the various ITS templates, leading to confusion and complexity for investors and banks:

- Indeed investors must face complexity of the various definition:
 - in CR6-A, all exposures will be split by COREP IRBA asset classes
 - in CQ3, all exposures will be split by FINREP asset classes
 - in CR4/5 standard exposures will be split by COREP STD asset classes
- These COREP/ FINREP asset classifications have sometimes the same/close name (ex. "Institutions") but have significant differences in definition leading to significant differences in amounts between 2 templates with the close/same title. This complexity is harmful for a large part of investors not familiar with all the EU regulations.
- These differences in asset classification bring also complexity for banks to understand and implement these regulations, in a context where supervisors are constantly requiring reconciliation exercises to banks (stress tests, loan tapes etc.)

We invite the EBA to harmonise asset classification as much as possible.

Question 41: Regarding template EU CR7-a, do the respondents agree that for the purpose of meaningful disclosure of the aggregate values of CRM, the value of each collateral and unfunded credit protection should be capped to the exposure value at the level of individual exposure?

We agree.

However, we believe that the detailed level of information related to funded credit protection is too granular with no added value for market participants. Therefore, columns D, E, F and H, I, J, of template EU CR7-a should be deleted for a more readable template.

Question 42: Regarding template EU CR7-a, do respondents think that the information in this template should be presented in accordance with the classification of exposures before or after the substitution effect?

We believe that the information in this template should be presented in accordance with the classification of exposures before the substitution effect to be aligned with COREP templates.

Question 43: Regarding template EU CR8 (flow of RWAs), do respondents agree that the drivers included for the variations of the RWEA are a good reflection of the main factors driving these variations or is there any additional relevant driver that should be added?

We agree

Question 44: Regarding template EU CR9, do respondents agree that the standardisation of PD ranges will allow for increased consistency and comparability of the disclosures by institutions, compared to the use of internal PD ranges?

ITS is going beyond Article 452.h of the CRR as it does not require columns g "Average margin of conservatism".

In addition, the granularity of the PD ranges is uselessly excessive.

To be in tune with the CRR (see answer 40) and the data feed mode by the majority of banks, it would be preferable to choose for the use of internal PD ranges. To ensure comparability, it

is possible to add a table showing the average PD of each internal scale. In addition, if we had to apply standard ranges, some ranges will be empty due to the feeding method made by the main banks and this would bring misunderstanding and misinterpretation for stakeholders. In fact, the majority of banks would be forced to set up a mapping between the average PD of an internal scale to be linked to standard ranges. Consequently, some ranges of standardised PDs will be empty.

Question 45: Regarding template CR9.1, do respondents agree that this template provides an appropriate disclosure for the information on the external rating equivalent according to Article 452(h) of the CRR? Could respondents provide suggestions on alternative ways to disclose this information?

Please refer to question 44.

Question 46: This package includes very limited information on equity exposures and on specialised lending under the slotting approach. Could the respondents, specially users of information, provide their views on whether additional information on these two exposure classes and approaches should be provided? In particular should a specific template on equity exposures under the PD/LGD approach should be added under template EU-CR6? Similarly, should a specific template for all equity exposures and for specialised lending under slotting approach be added under template EU CR7-A?

We do not believe that additional templated on equity exposures and on specialised lending under the slotting approach should be added. Indeed, similar information is already available under existing templates. Moreover, as there is a need to prioritise Pillar 3 disclosures, the scope of equity exposures and specialised lending under the slotting approach is too narrow to develop additional information that would be meaningful for market participants.

Disclosure of specialised lending and equity exposures under the simple risk weight approach

Question 47: Are the instructions, tables and templates clear to the respondents?

They are.

Question 48: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 49: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Templates CR 10.x meets the requirement based on article 438 (e) of CRR. To be in phase with this requirement, column f (EL amount) should be deleted because it is not requested.

Question 50: Do the respondents, specially users of information, think that additional information on equity exposures under internal models approach would be useful? In particular, should a template similar to template EU CR10.5 should be added for equity exposures under internal models approach?

We do not believe that adding a template for equity exposures under internal models approach would be useful to users.

Given the relative low weight of specialised lending exposure, it does not appear relevant to ask such an important granularity with 5 templates (CR10.1 to CR10.5) instead of a single template in the EBA guidelines (GL / 2016/11). Specialised lending weighs less than 0.2% of the RWA on credit risk and counterparty (and 0.1% of the EAD) of French banks.

Disclosure of exposures to counterparty credit risk

Question 51: Are the instructions, tables and templates clear to the respondents?

They are

Question 52: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

Please refer to the question 53

Question 53: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

Template CCR5 does not fully meet the requirements defined in the CRR. Indeed, article 439 (e) specifies "the amount of segregated and unsegregated collateral received and posted per type of collateral [...]". It is not asked to distinguish between segregated and non-segregated. The breakdown relates to type of collateral, the use of collateral (SFT or derivatives). So, the template should consist of 4 columns instead of 8

Question 54: Regarding template EU CCR7 (flow of RWAs), do respondents agree that the drivers included for the variations of the RWEA are a good reflection of the main factors driving these variations or is there any additional relevant driver that should be added?

No comments

Question 55: Regarding template EU CCR7 (flow of RWAs), do respondents agree that this template should exclude RWEAs to central counterparties?

We believe that to be consistent, it can be important to work on the same basis between template CR8 and CCR7. This means that the approach should be to take into account all of the operations subject to an RWA calculation in IRB approach. With regard to the central counterparties, the exclusion will allow the reader to have a crossover with some Pillar 3 templates like CCR4.

Disclosure of exposures to securitisation positions

Question 56: Are the instructions, tables and templates clear to the respondents?

They are.

Question 57: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 58: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

However, we believe the presentation of exposure amounts in EU SEC1 –securitization exposures in the banking book - could be misleading for investors. We would prefer to disclose non SRT exposures in a separate template, while keeping only SRT amounts in EU SEC1 (we remind that the RWA of non SRT operations (ie. underlying assets) are already considered in Credit risk templates).

Disclosure of use of standardized approach and internal model for market risk

Answers to this part should be provided taking into account that these disclosures will be fully reviewed once the review of regulatory framework for market risk is agreed and closed:

Question 59: Are the instructions, tables and templates clear to the respondents?

They are.

However, on EU MR2-A, we strongly question the row 5 'Other'. We interpret that this row would include the capital add-ons related required by the supervisor to banks in relation with their internal models. From our perspective, this row should be removed because (i) it is not a CRR2 requirement and (ii) the supervisory reporting (COREP C24 template) does not include this information.

Question 60: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 61: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Question 62: Regarding template EU MR2-B (flow of RWAs), do respondents agree that the drivers included for the variations of the RWEA are a good reflection of the main factors driving these variations or is there any additional relevant driver that should be added?

We agree

Disclosure of operational risk

Question 63: Are the instructions, tables and templates clear to the respondents?

They are.

Question 64: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 65: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of remuneration policy

Question 66: Are the instructions, tables and templates clear to the respondents?

They are.

Question 67: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 68: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Disclosure of encumbered and unencumbered assets

Question 69: Are the instructions, tables and templates clear to the respondents?

As a general comment, we would be grateful if:

- The wording could be aligned on the LCR Delegated Regulation (ex: Liquid assets rather than HQLA / EHQLA) and
- The switch from “ABS” to “securitisations” could be done exhaustively (ex: also, on the disclosure templates, as well as in ITS - F3602).

Question 70: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

No discrepancies have been identified.

Question 71: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

We agree.

Other questions

Question 72: Do respondents consider that the “mapping tool” appropriately reflects the mapping of the quantitative disclosure templates with supervisory reporting?

We have identified the following issues:

Inconsistencies have been identified between the labels (columns & rows) of the mapping tool file and the annexes (excel template) published on the EBA website.

EU-CR6: In the annexes, column "i" of Table A-IRB (first table) requires the average maturity of weighted exposures in "**years**", where the same column of the mapping tool requires this data in "**days**".

EU-CR6: In the annexes, column "j" of table F-IRB (second table) indicates: "Risk weighted exposure amount after supporting factors", where the mapping tool indicates: "Risk weighted exposure amount after **SME** supporting factor".

EU-CC1: In lines 16, 37, 52, 54, 55 of the annexes, **the term "synthetic" has been added** to the corresponding wording in the mapping tool with a potential impact on the formula. For example, on line 16: "Direct, indirect and **synthetic** holdings by an institution of own CET1 instruments (negative amount)".

EU-CC1: On line 60, the wording of the appendix indicates "Total Risk exposure amount", where the MT indicates "total **risk weighted assets**".

EU-LR1: In line 11, the wording is different:

- (Adjustment for prudent valuation adjustments and general **provisions** which have reduced Tier 1 capital)" in the annexe,
- vs. (Adjustment for prudent valuation adjustments and general **credit risk adjustments** which have reduced Tier 1 capital) in Mapping Tool.

Inconsistencies in the mapping tool:

EU MR3: Lines 4, 8, 12 and 16 are mapped with COREP template C24 that can include additional capital charge. This would create a discrepancy with table EU MR3 that discloses IMA values, excluding potential add-ons.

EU CR5: the mapping refers to column 200 of COREP template C07 whereas it should refer to the difference of column 200 and column 210 (cell a1 should be defined as {C 07.00, r140, c200, s002}-{C 07.00, r140, c210, s002})

EU KM1: line 12 is defined as % in ITS Pillar 3 vs as an absolute amount in ITS COREP C03

Regulatory references: in the draft ITS, some references to CRR / CRR2 are not accurate.

CC1: the ITS (3.5.5.5, § 31) indicate that "line 22 has been modified to reflect the 17.65% threshold, and not the 15% threshold of the existing model, in accordance with Article 48(2)(b) of the CRR2". In fact, it is only a correction of the initial template that was not correct and that is now aligned with the Regulation.

In some instances, instructions would need further clarification.

CC1: the first lines mention "of which: instruments of type 1, 2 or 3". However, the instructions only provide guidance on the first line "Capital instruments and the related share premium accounts". Clarification would be needed on these 3 types of instruments.

Question 73: In case of the need for corrections of any of the information disclosed by the institutions in their Pillar 3 reports, could respondents provide their views on the best way to publicly communicate these corrections.

Currently, Pillar 3 disclosures are an integral part of the reference document that presents the organisation, the activity, the financial performance and perspectives of an entity. The reference document is publicly issued and posted on the entity's website. So, provided that the update or correction is significant and will contribute to increase transparency for investors, any update or correction of the information disclosed should follow the same way, i.e. posted on the entity's website.