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**EBF RESPONSE TO EBA CONSULTATION ON DRAFT IMPLEMENTING TECHNICAL STANDARDS ON SUPERVISORY REPORTING REQUIREMENTS FOR INSTITUTIONS UNDER REGULATION N.575/2013**

**CHANGES RELATED TO CRR 2 AND BACKSTOP REGULATION (FRAMEWORK 3.0)**

The European Banking Federation (EBF) welcomes the opportunity to express the views of the European banking industry on the consultation paper regarding the supervisory reporting changes to CRR 2 and backstop regulation (framework 3.0).

The comprehensive review of the reporting framework performed by EBA, comprising the introduction of many proposed new templates and substantial changes in many other existing templates, has demanded banks to devote vast resources towards a detailed analysis of these changes, which in some cases such analysis is still under process. In this context, we herewith provide you with our general remarks and responses to the questions listed in the consultation.

We appreciate your consideration of our comments and remain at your disposal to elaborate further on our views.

**GENERAL REMARKS**

* **Regulatory burden and principle of proportionality**

One of the overarching principles of supervisory reporting is the principle of proportionality. We refer to recital 46 of the current CRR (CRR I), which requires EBA to ensure that all regulatory and implementing technical standards are drafted in a way that they are consistent with and uphold the principles of proportionality. Proportionality in this sense is on the one hand the idea to implement 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 some of the new reporting requirements as going too far and therefore leading to unnecessary burden for banks. For example:

* CRR 3 is coming shortly and will lead to further amendments of the supervisory reporting templates. In particular, reporting templates regarding the COREP Standardized Approaches (solvency) are expected to be changed significantly. While we understand the necessity to incorporate follow-up changes of CRR 2, we consider further amendments to templates significantly concerned by CRR 3 should be omitted, especially if their implementation is complex and burdensome e.g. 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, these should not have to be submitted by larger institutions that do not intend to make any use of those reliefs e.g. template C34.01 *“size of derivative business”* or existing template C32.01. As for large institutions, the information to the derivative exposure is reported in the detailed templates linked to SA-CCR or IM, we consider this relief *“reversed proportionality”* to be appropriate.
* Finally, we would like to share our considerations on the reporting and disclosure requirement timeline by pointing out all the reporting burden for 30 June 2021, first reporting reference date for Supervisory Reporting Benchmark 3.0, Pillar 3 Disclosure and MREL/TLAC ITS. The following tables show the impact labelled from severe to minor according to our assessment and number of new and modified models regarding multiple reporting fields (some data has been gathered in order to back-up this statement). We consider all changes to the reporting should not be made at the same timeframe.
* Supervisory reporting:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Impact Level | Field | Reporting model | Nº New Templates | Nº Modified Templates | Nº Templates unchanged |
| Severe | COREP | **OWN FUNDS** | - | 5 | 3 |
| Severe | **CREDIT RISK** | 5 | 6 | 6 |
| Severe | **COUNTERPARTY CREDIT RISK** | 11 | - | - |
| No impact | OPERATIONAL RISK | - | - | 3 |
| No impact | MARKET RISK | - | - | 8 |
| Moderate | LARGE EXPOSURES | - | 4 | - |
| No impact | PRUDENT VALUATION | - | - | 4 |
| No impact | GENERAL GOVERNMENTS EXPOSURES | - | - | 1 |
| Severe | **NPE LOSS COVERAGE** | 3 | - | - |
| Severe | **LEVERAGE RATIO** | 2 | 4 | - |
| Moderate | FINREP | FINREP | 1 | 16 | 71 |
| Minor | LIQUIDITY (as part as COREP reporting) | ASSET ENCUMBRANCE | - | 7 | 2 |
| No impact | ALMM | - | - | 6 |
| No impact | LCR |  |  | 5 |
| Moderate | NSFR | 5 | - | - |
| Minor | MREL & TLAC | MREL & TLAC | 7 | - | - |
| Severe | **FORECAST MREL & TLAC** | 2 | - | - |

* Pillar 3 disclosure:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Impact Level | Area | Nº New Templates | Nº Modified Templates | Nº Templates unchanged |
| Severe | **KEY METRICS AND RWA** | 3 | 1 | 1 |
| Minor | RISK MANAGEMENT OBJECTIVES AND POLICIES | 1 | 1 | - |
| Moderate | SCOPE OF APPLICATION | 1 | 3 | 1 |
| Moderate | OWN FUNDS | - | 3 | - |
| Minor | COUNTERCYCLICAL CAPITAL BUFFERS | - | 2 | - |
| Minor | LEVERAGE RATIO | - | 2 | 1 |
| Moderate | NSFR | 1 | - | - |
| Moderate | LCR | 1 | 2 | - |
| Severe | **CREDIT RISK** |  | 36 | 5 |
| Severe | **PRUDENT VALUATION** | 1 | - | - |
| Severe | **COUNTERPARTY CREDIT RISK** | - | 8 | 1 |
| Moderate | SECURITISATION POSITION | 1 | 4 | 1 |
| No impact | STANDARDIZED APPROACH AND INTERNAL MODEL FOR MARKET RISK | - | - | 7 |
| Minor | OPERATIONAL RISK | 2 | - | - |
| Minor | REMUNERATION POLICY | - | 6 | - |
| Minor | ENCUMBERED AND UNENCUMBERED ASSETS | 1 | - | 3 |
| Minor | MREL/TLAC | 6 | - | - |

* **Integration of Pillar III disclosure**

Rationale given for the integration of Pillar 3 disclosure requirements into the supervisory reporting is the expectation of an improvement of the quality of the disclosed information, if those are part of supervision. We however do not consider the integration of Pillar 3 disclosure into supervisory disclosure will lead to a higher acceptance by investors. From our perspective, reasons for the weak acceptance is that the Pillar 3 disclosure is overloaded. Due to the enormous granularity of the data Pillar 3, only regulatory experts will be able to interpret the data in a proper manner. Against this background, we suggest a streamlining of information provided instead of more formalized templates and tables.

The integration of Pillar 3 disclosure into the supervisory reporting will lead to increased burden. The CP (see notes 43 and 54) underlines that a few of the new disclosure templates are to be submitted only by institutions which are obliged to do so in accordance with the disclosure requirements and at the frequency envisaged for disclosure. This relief however is just related to a few of the additional templates. In particular, the reporting of counterparty credit risk has been extended by several templates which in the past had to be disclosed on a semi-annual or annual basis only. In the future those templates will have to be submitted on a quarterly basis.

Moreover, due to the integration into supervisory reporting, the deadlines for completion and submission will clearly move forward. It is common the same bank staff preparing the regulatory reporting templates is afterwards in charge of the Pillar 3 disclosure requirements. In the future the burden in the first weeks after the reporting date will increase significantly.

Additionally, the disclosure templates will, due to its integration into supervisory reporting, also be subject to the stricter validation processes and to the restatement submissions according to Art. 3 (4) of ITS on supervisory reporting. Careful consideration should be given to whether restatement submissions should have an impact on disclosure. We consider the process of restatement submissions is practiced very differently by supervisors and banks. We consider this will cause confusion among the scarce number of regulatory experts who will be able to interpret the data and further challenge the benefits of the Pillar 3 disclosure.

* **IT challenges / software solutions**

In order to prepare the supervisory reporting templates, institutions rely on standardized software solutions. Generally, those software solutions are based on data for a single reporting date, which means that the data of several reporting date 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 very challenging. Therefore, we would welcome if those requirements could be limited to the minimum necessary.

* **Clarifications and amendments**

Please kindly refer to the annex for particular requests for clarification and suggested amendments for the different annexes accompanying the consultation paper.

**RESPONSES TO QUESTIONS RAISED IN THE CONSULTATION PAPER**

**Own funds**

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

C01.00 rows 335/365: Accounting revaluation of subsidiaries' goodwill derived from the consolidation of subsidiaries attributable to third persons and accounting revaluation of subsidiaries' other intangible assets derived from the consolidation of subsidiaries attributable to third persons: Requirements are not fully clear. Should the intention be to have the GW allocated to minority interest, we consider this information does not seem to be required by CRR2.

C01.00 row 514: Minimum value commitment shortfalls: Can EBA please confirm that the shortfall of funds not treated under LTA is expected in that cell i.e. should the institution has not retained the RW ponderation up to 1250%?

C01.00 row 515: Other foreseeable tax charges: The requirement is not clear. We assume that this will not be relevant for reports created based on IFRS since the relevant tax effects are already considered via DTA/DTL. Clarification is welcomed to avoid any misinterpretation.

***Question 2: 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 our response to question 1.

***Question 3: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?***

Whilst we do agree with this statement, we consider the implementation time is too short. In order to be able to report in Q2 2021, banks need to collect some figures at least from Q1 2021 to be able to calculate the figures. The reporting ITS need to be decided well in advance, otherwise it will be very demanding for banks to deliver by Q2 2021.

**NPL backstop**

***Question 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 considers 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?***

We agree that the definitions of NPEs and Forbearance are now included in the CRR, meaning that these are the same in FINREP and COREP. Furthermore, the instructions on the definitions of NPEs and Forbearance are clear and understandable.  
Having said that, we suggest deletion of rows 160 and 170 in template C35.01 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 (partial) write-off is therefore not advisable and may lead to difficulties and possibly confuse the recipient. Moreover, there are collaterals that are not CRR-conform but are still realized as collateral. How would such a constellation be accounted for?

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

***Question 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?***

In general, we consider the reporting of NPEs in FINREP and COREP are overly detailed and the aim should be at reducing templates. No benefits are expected on this matter taking into consideration high challenges to report both this information in the two sets of reporting COREP and FINREP in a different way.

For example, template F39 is very complex and will not add any additional value but rather bring confusion to readers as the template contains FINREP as well as COREP information. It is furthermore unclear if capped or uncapped values need to be entered (like in the COREP-templates). Additionally, it is not clear which risk provisioning types need to be entered (and if those are supposed to comply with the risk provisioning types according to CRR, that are used for the calculation of the CRR-Backstop). Shortfall seems not to be included which pulls a further gap into comparability of the COREP and FINREP templates. In this context, we suggest for cancellation of the template. Should this not be the approach taken, row 120 in template F39 should be removed as the implementation and filling of this position will be very complex and does not create additional value.

Also, since NPL backstop is prudential focused, this requirement should be left in COREP framework and remove it from FINREP as the breakdown by exposure classes and instruments does not bring any highlights for the supervisors to have an accurate monitoring.

Lastly, we consider the implementation time is too short. In order to be able to report in Q2 2021, banks need to collect some figures at least from Q1 2021 to be able to calculate the figures. The reporting ITS need to be decided well in advance, otherwise it will be very demanding for banks to deliver by Q2 2021.

***Question 6: Are the instructions and templates C35.01 to C35.03 clear to the respondents?***

Feedback by EBA is welcomed as to 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.

Moreover, we would like to draw your attention on the issues related to the scope of application of the new Regulation, in respect of the outstanding supervisory reporting framework. In our opinion, the proper identification of the exposures involved in the perimeter is crucial to improve the accuracy and robustness of the requirement’s calculation. Considering that the NPL backstop is a prudential measure, the reference framework is the Common Reporting (COREP). Since its main scope is to provide disclosure on institutions’ capital adequacy, the corresponding NPE perimeter is not included in any COREP template, but it can be basically inferred from the exposures referred to both in the SA section and IRB section, respectively:

* template C7 row 015 “of which: Defaulted exposures”
* template C8.3 row 0170 “Default”

In our opinion, these two templates can be adopted as a reference for the scope of the new ones about the NPL backstop (C35.01 and so on).

Starting from these assumptions, we would welcome more guidance and exhaustive instructions about which specific cells must be taken into consideration for the identification of the granular instruments subject to Minimum Loss Coverage (MLC) calculation, considering that in both templates the number of underlying exposures could differs accordingly to the kind of required amount (original exposures rather than exposure after CRM substitution effect).

We are furthermore aware that a full reconciliation cannot be ensured due to the introduction of a totally new definition of “exposure value” for the backstop’s purposes, but would like to clarify how the new required templates are aligned to the outstanding ones, in terms of underlying rationale and perimeter.

We would like to draw EBA’s attention on a number of unclear provisions of the level 1 Regulation and of the ECB’s expectations, that could undermine data quality for fulfilling the templates:

* We welcomed the clarifications from ECB included in the “Communication on supervisory coverage expectations for NPEs” published in August 2019 concerning the interaction between the ECB’s approach to new NPEs under Pillar 2 and the new Pillar 1 prudential requirements introduced by the Regulation, nevertheless we believe that more detailed “end-to-end” guidelines regarding obligors affected by the coexistence of both frameworks should be provided to allow a proper implementation into the institution internal practices.

As a general principle, Article 47 c (2) specifies that the application of the provisioning factors follows the debtor’s classification to non-performing. The issue we raise concerns the granting of a new credit facility to an already defaulted obligor whose purpose is to provide support to the counterparty in the path to its return to performing (e.g. by applying forbearance measures).

We question if according to the general principle of the Pillar 1 calendar provisioning, a new unsecured loan granted to an obligor already classified as NPE from more than 3 years, must be fully covered (as the loan is unsecured) pursuant to article 469a, considering that the calendar starting date is assumed as equal to the date of the obligor’s classification as in default.

If that strict interpretation of the provisioning scheduling should be applied, we believe that this significant support to clients though granting of new finance could be strongly discouraged. This is why we consider that, as per the above example, the full coverage should be applied after 3 years from the date of the granting of the new credit facility.

Furthermore, concerning the perimeter of application of the new originated loans granted to an already defaulted obligors, we would like to highlight that more specifications and guidance are required for addressing potential issues related with the treatment of such exposures subject to a potential transition from Pillar 2 (ECB Addendum) to Pillar 1 (NPL prudential backstop) pursuant to art. 469 a).

* Regarding the specific case of purchased NPEs, the Regulation provides clear indications regarding the identification of the default dateas the date on which the NPE was originally classified as non-performing. However, the Regulation does not specify how to consider, for this specific purpose, the origination date. This clarification is pretty important, mostly in the forthcoming years, in order to define which Calendar Provisioning framework the purchased positions should be subject to (Pillar 1 or Pillar 2 framework).
* The Regulation, art. 47 c comma 1. b) (IV) establishes the methodology for embedding the deductions ex art. 36 comma 1. point d) (i.e. “IRB shortfall”) into the calculation of the minimum loss coverage requirement. We understand the general purpose was to transpose a deduction calculated at portfolio level into an “exposure-by-exposure” level requirement. Nevertheless, it’s not clear how to set up the expected loss’ contribution in the determination of the denominator of the weighting factor (“total expected loss amounts for defaulted or non-defaulted exposures, as applicable”).

In any case, we wonder if the deductions’ amount should be allocated only on the exposures for which the expectations in terms of MLC is greater than 0 or, at least, proportionally, on the exposures that have generated IRB shortfall on a granular level.

Indeed, the IRB shortfall refers to an amount already deducted from institution’s own fund, therefore the institution must be put in a position to fully use it in the calculation of the MLC requirements.

Finally, we point out that neither in the Regulation nor in the Draft ITS any proportioning method for the other portfolio deductions (i.e. additional value adjustments in accordance with Articles 34 and 105 and other own funds reductions) has been set out.

* The Regulation, while introducing the prudential backstop, has also amended other existing requirements regarding the own fund calculation. We point out that the effects of the prudential backstop on own funds calculations would differ if applied to banks adopting a standardised approach vis-à-vis IRB banks.

With specific reference to the identification of the exposure value for institutions using the Standardised Approach, the above-mentioned regulation has modified the article 111 of the Regulation n. 575/13 by introducing the prudential backstop within the elements to be deducted from the gross accounting value of the exposure. A similar update has been introduced in the Article 127 for the exposure in default under the Standardised Approach. The combined effect of these amendments leads, for SA institutions, to:

* an increase in the deduction from CET1 in case of shortfall from the regulatory coverage expectation;
* a “structural” reduction in the RWA, ceteris paribus, due to the new deduction from the exposure value.

For the institutions using IRB approach instead, only the first of these impacts would be verified given that the calculation of the RWA is not affected. According to the IRB method, since a comparable adjustment as for the Standardized approach has not been foreseen, the calculation of the capital absorption is performed starting from the gross exposure value, which does not consider the deduction ex art. 36 (1) m.

Moreover, in the context of supervisory reporting and disclosure for NPEs included in the ECB Addendum, the instructions for the calculation of supervisory coverage expectation shortfall establish that *”where the application of the supervisory coverage expectations would, in combination with Pillar 1 capital requirements for credit risk, result in more than 100% of the exposure being covered, an exemption will be given for the coverage above 100%”.*

Considering that for each defaulted exposure in scope, the Pillar 1 absorption has been already ascribed as a part of capital requirement, we believe that, for institutions applying the IRB approach, this portion should be considered when calculating the distance from the expectations set out in the article 47 c.

Therefore, we propose that this should be applicable not only in case of coverage greater than 100%, to allow a level playing field with the SA institutions, by reducing an undue variability in the own fund requirements.

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

On page 43 of the CP an additional guidance for the calculation of the minimum coverage requirement is given. In footnote 16 it is stated *“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 view, this contradicts the provisions of Article 47c (1) b iv CRR concerning IRB shortfall, which requires an EL-based redistribution. Clarification is welcomed as to that for all other positions an EAD based distribution is possible and for inclusion of clarification in the ITS.

Moreover, we would like to draw your attention on the discrepant treatment of IRB Shortfall and Coverage Shortfall. In particular, compensation, for what concerns IRB excess and shortfall at portfolio level, is allowed pursuant to the art. 159 of the UE Regulation 2013/575 as regard the distance between accounting provisions and expected loss, while, for Minimum Loss Coverage purposes, given what brought in the amended ITS, it seems instead to be strictly excluded in the determination of deductions pursuant to art. 36 par. 1.m).

Considering that in both cases it is a question of deductions from the elements of Common Equity Tier 1 generated by the same portfolio component (NPE), it would be considered appropriate to apply an homogeneous treatment: in this sense we agree that the determination of the distance from the MLC expectations would be carried out at “exposure-by-exposure” level, while the calculation of the total deduction amount related to insufficient coverage for NPE exposures should be consistent with that carried out pursuant to art. 36 1.d) and therefore subject to a portfolio and / or an homogeneous asset class compensation.

We consider that the instructions given to fill the new COREP templates, where they explicitly do not allow any compensation (*“…aggregation of coverage gaps without taking into account the excess of coverage that institutions may have on individual exposures….”*), at the same time they seem to introduce a clear and structural discrepancy with the general setting of the Regulation on the subject of calculation and treatment of deduction from CET1.

***Question 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 C35.02 and C35.03) seems disproportionally complex especially in view of the secondary practical relevance of this topic. Acc. to Art. 47c CRR forborne exposures are receiving a relief in comparison to non-performing exposures in the form of lower percentages for the calculation of the prudential backstop (and therefore an extended *"phase-in"* of a potential capital deduction). The reporting that is only incorporating a shift of 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 C35.2 and C35.3 should be deleted. Should this not be the approach taken, we ask for clarification that those templates do not need to be filled in by institutions that make no use of the relief for forborne exposures.

**Credit risk**

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

As templates and instructions directly refer to the regulatory basis, the aim should be achieved. However:

* 1. The starting time of tables 8.5 and 8.5b should consider both the postponement of EBA\GL\2017\16 and the required one-year observation period. So, the planned first reference date for the application of the technical standards (30th June 2021) cannot be met.
  2. Because of the high effort with regards to collecting the data and its low readability we propose to:
     1. only show aggregated figures on 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. omit the following paragraph on page 113 in Art. 3.3.8.1: *"In addition to template C 08.05, institutions shall report information included in template C08.05b in case that they apply Article 180(1)(f) of CRR…".*

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

***Question 10: Are the instructions and templates clear to the respondents?***

We request clarification on template C07.00, row 330. According to the respective instructions, exposures - for which deduction from own funds in accordance with part two of CRR is required - have to be reported here. A detailed list about which deductions need to be considered is essential. We assume that deductions which arise out of the application of IRB-approaches or from stricter supervisory valuation provisions (such as supervisory shortfall, NPE-Backstop or PruVal) would not be reported here.

The application of the look-through approach or the mandate-based approach for CIUs (according to Article 132a of CRR II) may lead to underlying assets, which are assigned both to Standardized Approach and to IRB-Approach. Regarding the breakdown of CIU-exposures by approaches in template C07.00, rows 281 to 283, we consider that these rows contain the underlying exposures assigned to Standardized Approaches only. Underlying exposures assigned to IRB-approaches are not reported in this template.

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

Further to a reference to our response to question 9, we request clarification regarding template C08.07 *“Scope of IRB and SA Approaches”*. Institutions are required to use the leverage exposure according to Article 429 (4) of CRR as relevant total exposure value in this context. We would have expected the exposure value according to Article 111 resp. 166 of 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.

***Question 12: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?***

C09.01: Methodologies to computed Additional Valuation Adjustment as described in the regulation EU 2016/101 prescribe the rule of computation to be performed on the basis of Valuation Exposure (§6) which are based on financial instruments or portfolio of financial instruments. For those purposes, financial instruments may be combined to portfolio when, for market price uncertainty and close out cost AVA, the instruments are valued on the basis of the same risk factor or when for model risk AVAs they are valued on the basis of the same pricing model.

Reporting in the C09.01 is only related to financial instruments. The AVA hold in funds reduction cannot be split using this granularity since the computation is performed accordingly to the article 6 of the regulation. We suggest removing C09.01 accordingly.

Furthermore, the scope of the template C09.01 is Credit Risk and Counterparty Risk made of both receivable in Amortized Cost or in Fair Value. This scope is not compatible and comparable to the scope of the regulation EU 2016/101 which define the scope of the core approach in article 8.1: For fair-valued assets and liabilities for which a change in accounting valuation has a partial or zero impact on CET1 capital, AVAs shall only be calculated based on the proportion of the accounting valuation change that impacts CET1 capital.

The COREP Templates 32.01/32.02/32.03/32.04 have already defined precise information on Prudent Valuation reporting, which respect the way the prudent value is computed, by type of AVA (Close-out Cost, Market Price Uncertainty, etc.…) and even requiring the largest Valuation Exposure in the context of Model Risk AVA and Concentrated Position AVA.

Furthermore, we have objections regarding the introduction of column 061 "AVA / PruVal" in template C09.01 *“geographical breakdown”.* Only with the last amendment of the ITS on supervisory reporting, a comprehensive PruVal-reporting was implemented, which was very burdensome. We expect the implementation of a geographical breakdown of AVA to be very burdensome too. AVA is not calculated on the level of single contracts. Whereas, on the other hand, the reporting of a geographical breakdown requires an artificial allocation to single contracts. For banks using an advanced approach to calculate AVA, a clear redistribution to single contracts is not possible. Thus, the results of the geographical breakdown would not lead to a significant gain in knowledge. On the other hand, the implementation would be complex and burdensome.

We thus encourage EBA to remove C09.01.

In any event, we would expect this new requirement to be limited to AVAs which qualify and used to reduce the EAD according to Art. 111 CRR and in line with reporting in template C07.00 column 030.

We have also objections regarding template C08.07 *“Scope of IRB and SA Approaches”.* We have doubts about the relevance of this new template as the information is already computed through C07 and C08. Furthermore, we could not see any binding regulation which is basis for this reporting in CRR. Beyond that, it is important to know from the regulator if the template is still necessary for Pillar 3 disclosure and for reporting as well. While on the one hand, exit thresholds will become less important in the future, on the other hand exit thresholds as well as entry thresholds are not regulated in a uniform way across the EU. Thus, after all, the information provided by this template is limited and there is no consistent legal basis for a reporting.

Lastly, we consider the implementation time is too short. In order to be able to report in Q2 2021, banks need to collect some figures at least from Q1 2021 to be able to calculate the figures. The reporting ITS need to be decided well in advance, otherwise it will be very demanding for banks to deliver by Q2 2021.

**Counterparty credit risk**

***Question 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?***

The relevance of IM/VM reporting is questioned as it is not required so far for Pillar3 purposes nor by CRR2. Implementation of such requirement is very burdensome.

***Question 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.***

***Question 14.1: If further proportionality would introduced for these templates, would a threshold be an appropriate way? If yes, which thresholds would respondents recommend distinguishing 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?***

Thresholds should be inserted according to CRR2 Article 273a and how they are defined there.

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

Yes.

***Question 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 standardization in formats and definitions, do respondents agree that this objective is achieved?***

C34.01 seems to be very complex to implement especially for GSIIB where part of SACCR would not be so much significant. We suggest eliminating this template from the ITS.

***Question 16: Are the instructions and templates clear to the respondents?***

Not entirely. For instance, it is unclear what value it would add to aggregate hedging set data in a CCR context where the netting set dimension is of higher relevance (template C 34.03). When aggregating data across netting sets the output could easily be misinterpreted.

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

Subsidiaries sub-consolidated of a banking group seem to stick to the whole requirement on COREP templates (especially C08.06 and C34.08), even those related to Pillar3 alignment whereas these entities are not required to provide the whole information through their Pillar 3 as mentioned in article 13 of CRR (respectively CR6 and CCR5 in Pillar 3 framework). We suggest authorities aligning the COREP Templates submission for these sub-consolidated entities with Pillar 3 requirements.

***Question 18: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?***

Template C34.01 is just required to prove compliance with the thresholds for the use of the Simplified Approach. In order to reduce regulatory burden, we suggest omitting this template for institutions that do not intend to make use of the Simplified Approach.

In Template C34.01, data as of the last day of month-1, month-2 and month-3 of the quarter has to be reported. In order to reduce burden and to give institutions enough time for process implementation with regards to the first reporting, the data reported in the template should be limited to one month (month-3) of the quarter reporting as per 30th June 2021.

Once again, we consider the implementation time is too short. In order to be able to report in Q2 2021, banks need to collect some figures at least from Q1 2021 to be able to calculate the figures. The reporting ITS need to be decided well in advance, otherwise it will be very demanding for banks to deliver by Q2 2021.

**Leverage ratio**

***Question 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”.***

***Question 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?***

The structure seems to be complete however not relevant for most institutions due to their business model.

***Question 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 suggest excluding those requirements from the overall reporting templates and introduce a separate template 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 welcome if the reporting requirements for cash pooling arrangements that can be netted prudentially would be removed from the templates as they have no effect on the actual calculation of the Leverage Ratio Exposure.

***Question 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.***

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

Most susceptible:

The Securities Finance Transactions (SFTs) volumes may be subject to temporary increases or reductions over the reporting period, with particular reference to Repos and Reverse Repos, rather than all the SFT deals e.g. security lending.

In particular, we deem that the item mostly susceptible to temporary reductions/increases is the Gross Accounting balance sheet value of Repo and Reverse Repo transactions, meaning the exposure value before the application of the:

* reverse of any accounting off-setting according to article 429(7)(b) as emended by article 2(117) of CRR2, and
* netting of cash receivables and cash payable according to article 429(b)(4) as amended by article 2(117) of CRR2.

We deem appropriate to monitor the Gross Accounting balance sheet value, as it represents the real volume of the transactions across the whole reporting period, while the remaining figures (accounting off-setting, cash-netting, add-on) provide non-significant information for the purpose of analyzing the volume evolution.

In particular, with reference to the add-on, being it a risk based measure not strictly correlated with the volume of the transactions, we would suggest not to rely on this item to assess the potential volatility of SFT transactions e.g. in case of Repos and Reverse Repos with Central Counterparties, the gross amount can be significantly high with a relative low add-on.

Moreover, we would recommend assessing the average amount based on the observation of the last 3 months end of the reporting period.

Least susceptible: Other on-balance-sheet items.

If it remains mandatory to calculate LRE based on daily averages, it would be welcomed that C48.02 should change from a reporting of 60 daily values to a report of the maximum exposure amount within the specified quarter reporting time frame.

***Question 21: Regarding the clarification of the reporting in template C43.00 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.***

***Question 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 do not agree with this representation. Given the current nature of RWA calculation, where the substitution effect is fully integrated in the assessment, we do not deem significant to calculate an RWA value which does not consider the substitution effect and that would not be taken into account for any other steering process of the bank.

***Question 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?***

Yes, reasons are operationally based. Should the bank be required to implement a new specific RWA calculation only for Leverage ratio C 43.00 template purpose, the relevant implementation and maintenance would be expensive, time consuming and provide less significant results for the reasons stated above.

***Question 22: Are the instructions and templates clear to the respondents?***

C 47.00 – Leverage ratio calculation (LRCalc): row 251 IPS exposures exempted in accordance with Article 429a(1)(c) of the CRR: instructions shall be more explained on IPS exposures.

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

Yes, we identified a discrepancy related to the definition of “Security Financing Transactions – SFT”.

In fact, in paragraph 1.3 it is stated the following: *“SFT, which is an abbreviation of Securities Financing Transaction and shall mean “repurchase transaction, securities or commodities lending or borrowing transaction, long settlement transaction and margin lending transaction” as referred to in Regulation (EU) No 575/2013;”*

The above definition including the “Long Settlement Transactions - LST” among the SFT, contrasts with the SFT definition included in the CRR2 article 2(a)(xv)(139) in which the LST are not included: *(139)* *‘securities financing transaction’ means a repurchase transaction, a securities or commodities lending or borrowing transaction, or a margin lending transaction;*

Furthermore, according to article 429(4) as amended by article 2(117) of CRR2: *“Institutions shall treat long settlement transactions in accordance with points (a) to (d) of the first subparagraph, as applicable.”* We therefore assume that Long Settlement Transactions should not be defined as SFTs, even though it is not clearly defined in which row of C 47.00 template they should be inserted. Further clarifications on this matter would be welcomed.

Furthermore, we identified a discrepancy related to the description of row 188 *“Regular-way purchases or sales awaiting settlement: Full recognition of assets under settlement date accounting”* and *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”*, and the related instructions.

In particular, for row 188 the instructions state: *“The full nominal value of commitments to pay related to regular-way purchases, for institutions that, in accordance with the applicable accounting framework, apply settlement date accounting to regular-way purchases and sales.”* Hence only the commitments related to the purchases have to be included in the present row.

Regarding row 189 the instructions state: *“The full nominal value of cash receivables offset by the institutions, when they are allowed to offset the full nominal value of the commitments to pay related to regular-way purchases by the full nominal value of cash receivables related to regular-way sales awaiting settlement, in accordance with Article 429g(3) of the CRR.”* Hence only the cash to be received related to the sales have to be included in the present row.

We thus propose to change the descriptions of rows 188 and 189 as follow:

* row 188: *“Regular-way purchases awaiting settlement: Full recognition of assets under settlement date accounting”,* and
* row 189: *“(-) Regular-way sales awaiting settlement: offset for assets under settlement date accounting in accordance with 429(g)(3) of the CRR”*

Finally, we would EBA to consider the two consequent issues:

1. In template C48.01, the mean of the daily values of the reporting quarter should be reported – in addition all business days within the reported period shall be reported in Template C48.02. This would lead to the fact, that for the first reporting date as per 30th June 2021 the daily process must be in place on 1st April 2021.

In order to reduce burden and to give the institutions enough time for process implementation the daily reporting should be shortened for the first reporting on daily values to one month (June 2021).

1. According to EBA Q&A 2015\_1856 the position “Other Assets” should be stated gross. Offsetting related to tax assets or liabilities should be reversed. We would suggest inserting a separate row in Template C47.00 “LRCalc” to increase transparency on the amounts reversed.

***Question 24: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?***

With regards to reporting requirements in LRCalc (C47.00): 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 respective reporting requirements should be removed. At the very least, it would be welcomed if the reporting requirements for cash pooling arrangement that can be netted prudentially are removed from the templates as they have no effect on the actual calculation of the Leverage Ratio Exposure.

Besides the additional reporting requirements on public development, credit institutions 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 introduce a separate template 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).

**Large exposures**

***Question 25: Are the instructions and templates clear to the respondents?***

With reference to chapter 5.1 referred to C 27.00 template, column 10 “Code”, we would recommend specifying how the cell should be fulfilled in case of missing or unknown LEI Code.

In fact, it is stated:

*“For other entities the code shall be the LEI code, or if not available, a national code.”* This could however be in contrast with the sentence *“The code shall be unique and used consistently across the templates and across time”*. In case an Entity receive the LEI code after being reported with the national code, then if the reporting code will be changed from National Code to LEI, this code would be different to the codes previously reported.

Additionally, for institutions, the LEI code is always required and it is not specified how the cell should be fulfilled in case of missing or unknown LEI Code.

As a consequence, we would propose the following:

Provided that both codes, national and LEI code are unique and used consistently across the templates:

* At the time of entry into force of this draft ITS, customers with only a local ID must be reported in c010.
* Later on, when those customers finally receive a unique LEI code, LEI has to be used in c010.

However, when we use also c035 and continue providing the national code here together with LEI code in c010, Central Banks will be able to map the customers which got switched to LEI reporting later.

In order to work as intended, c035 “National code column” should be changed to “Institutions **shall** […]”

With reference to template C 27, field 030 – Type of code, where it required to identify the type of code reported in the column 010 as a LEI code or National code, clarification is sought if banks are required to insert the LEI code/national code or some other codes or abbreviations (such as  letters I or U) will be provided as it is done for other similar columns of the template, which do not require to insert a description

Furthermore, additional guidance is required for C 28.00 (LE2) Column 200.

In particular we would ask to clarify if the EBA Q&A 2014\_787 is still valid due to article 390 (6) e) of CRR2 and is it correct that also voluntary deducted items of CET1 or AT1 in accordance to article 36 and 56 CRR need to be included in this column and reduce the total exposure.

The description of the columns 240-290 (template C28.00) in comparison to column 300 is not clear, as the substitution of financial collateral with the issuer is in general mandatory under CRR 2.

Are columns 240-290 only referring to a 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 those are the exposure reducing columns, the haircuts decrease the market value of the collaterals, while this haircut reduced part as risk mitigation effect should be the indirect exposure to the collateral issuer. So, the word *“increased”* should be *“decreased”* (instruction of row 300).

A haircut within the FCCM decreases the value of the collateral. An increased value (market value + haircut) on the issuer is not mentioned in Article 401 (1) and makes no economic sense as the potential loss in the collateral cannot overrun the mitigation effect on the original exposure. This does not fit too to the description of columns 120-170 as it states that the amount of reducing the direct exposure must be the amount of the exposure of the collateral issuer.

The reference in columns 120-170 to Article 403 (3) CRR might be wrong as this article refers to specialized triparty business.

Finally in general with reference to Point 15 ‘Exposures’ with reference to the sentence “*The definitions here may not differ in any possible respect from the definitions provided in the basic act*” we would please ask EBA if it is foreseen to be launched a working group on the “indirect Exposures” topic, currently not present in EBA Roadmap.

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

We identified a discrepancy in chapter 7.1 referred to C 29.00 template in which the column 40 *“Type of Connection”* has been deleted.

This seems in contrast with article 4(1)(39) of CRR as further developed in the EBA Guidelines on connected clients under Article 4(1)(39) of Regulation (EU) No 575/2013 (EBA/GL/2017/15), which requires to represent the economic connection which can lead to a multiple mapping of the entity in more than a Group of Connected Clients – GCC.

***Question 27: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?***

Agree.

**NSFR**

***Question 28: Paragraph 4 of Article 428d in the CRR2 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 CRR2 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?***

As far as regards the netting of derivatives in different currency, is this allowed only for the one that involve a full exchange of principal amounts on the same date (CCS)? For example, in case of two IRS derivatives in EUR (Euribor rate) and USD (Libor rate) with the same counterparty with netting agreement and opposite Mark to Market, could these not be netted?

As it is shown by this example with the IRS derivatives, there might be netting sets without settlement currency.

***Question 29: Do respondents consider that the “NSFR calculation tool” appropriately translates the use of the different templates for informative purposes?***

Concerning the RSF sections of securities and loans, it should be highlighted that the “NSFR calculation tool” templates are not representing:

* the contractual maturity of the security profile, even if the RSF factor is constant, and
* the split between unencumbered and encumbered below 6 months, despite the RSF factor is constant. The same is valid also for the loans section.

It is suggested to request such details in the template, in order to have a better representation of the liquidity profile of the bank and to be able to better reconcile with the previous template.

***Question 30: Are the instructions and templates clear to the respondents?***

Some details about the treatment of retained covered bonds would be useful, where the bank is issuing and buying back own covered bonds to improve the short-term liquidity positions.

E.g. in the case the Bank is issuing € 1bn own covered bonds and buying it back:

* should be this € 1bn shown as a gross approach in the ASF (row 2.5.3.3 Other liabilities) and in the RSF (row 1.3.3 non-HQLA securities)? Or in a net approach not showing these positions? and
* should be the loans underlying this € 1bn retained funding be considered unencumbered or encumbered?

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

Position "Coins and banknotes" is missing (compared to the current template). We assume these assets should be included in c80.00, r0040, c0010 (respectively c82.00, r0030, c0010). This should be mentioned in the appendant instructions.

In every row of the template there should be a field with the legal reference, like the former NSFR ITS.

***Question 32: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?***

There is express authorization by the Supervisor for the use of IRB method in many banks so these authorized IRB Models are those used to calculate the requirements of own resources and solvency, both from a regulatory perspective and internal risk management procedures and policies. In the same way, and based on the above, it is proposed to use these IRB models accredited by the Supervisor, for the purposes of the segmentation of loans required in the calculation of the Net Stable Funding Ratio (NSFR) defined according to ITS included in DPM 3.0 (Models C80, C81, C82, C83, C84).

**FINREP**

***Question 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 “creditimpaired” of Appendix A (IFRS 9) anymore.***

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

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

***Question 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?***

Clarification is required as to whether these criteria are identical or not in comparison to the existent criteria for identifying performing/non-performing other exposures.

***Question 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.***

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

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

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

Consistency check within F18 templates should be amended accordingly as impairments on cash balances at central banks and other demand deposits are currently mapped with exposures instead of impairments.

***Question 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?***

The additional columns regarding the direct transfers between stages without taking into consideration any intermediate stage implies that the reporting institution shall be able to track all passages between stages during the period and feed the template using simultaneously a Year-to-Date approach and a Quarterly-to-Date approach.

This solution results contradictory with the i) current instructions of F 12.02 and ii) other FINREP flow tables (e.g. Annex V Part 2.239iii: For an exposure that is reclassified multiple times from non-performing to performing or vice versa during the period, the amount of inflows and outflows shall be identified based on a comparison between the status of the exposure (performing or non-performing) at the beginning of the financial year or at initial recognition and its status at the reporting reference date) and may imply additional burden arising from the maintenance of two parallel processes for the feeding of the template.

***Question 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?***

No major challenges but according to IFRS9 the 30 dpd as a backstop to stage 2 is refutable. We thus questioned the relevance of the amendments.

**Other amendments**

***Question 37: Are the instructions and templates clear to the respondents?***

Asset encumbrance:

* ABS replaced by securitisations neither in all ITS templates (remains in the F36.02) nor in the disclosure templates. A clear definition of *“immovable property”* is essential. Is it confirmed that it corresponds to RW<= 35%)?.

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

* 1. Missing of which row for EHQLA in Advanced Templates F36.01/F36.02:

In Template 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. We question whether it is useful to know the reason for leaving out the total EHQLA rows in template F36.02 and 36.0.

* 1. Interpretation of EHQLA as asset quality criterion (F32.01, F32.02, F32.03):

In this context we would like to point out 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, the information of encumberable assets within non-encumbered assets would be more useful for external recipients.

Encumberable unencumbered assets imply further funding potential and give also insights in the risk profile inherent in encumbered assets. Hence, the higher the encumberable unencumbered assets volume is, the lesser risks might occur in stress situations. Nevertheless, HQLA and CBE criterion are good indicators for estimating asset quality in 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. Ultimately, the CBE criterion matters in the very end.

* 1. Label amendments Asset backed securities to Securitizations (F32.01, F32.02, F32.04, F34.00, F36.01, F36.02):

Is there any difference in the definition of asset backed securities and securitizations? Or is it simply an alignment of ITS and labels within the templates.

FINREP - due to the harmonization of the default definition, non-performing exposures in stage 3 will be identical with defaulted exposures. Since POCIs are part of Stage 3 exposures under DPM 2.9, we expect under DPM 3.0 POCIs and Stage 3 exposures the sum of defaulted exposures. Clarification is welcomed.

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

Comparing FINREP and COREP templates, we do hardly see any harmonization effect. Although it seems as if 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 not having a *LEI Code* and voluntarily in the opposite case.

In terms of implementation effort, the burden might be low when having a clear definition and accessibility for all group entities (via public register) for the *"National Code"* reporting. Otherwise implementation burden would be multiplied e.g. LEI code admission is costly and not entirely implemented within group entities as well as additional National code selection. Therefore, we rather expect reporting by *LEI Code* and *Entity Code* consistently aligned with COREP and FINREP would be more adequate. Nevertheless, we would highly welcome clarification by EBA about the rationale behind the *"National Code"* as a third code format within FINREP of the definition and reporting method (mandatory/voluntarily).

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

We do agree the objective is achieved.

**ANNEX**

***Clarification #1***

Annex: 1 Solvency

Template code: C01.00

Row: 955

ID: 1.2.9A

Item: (-) Excess of deductions from eligible liabilities over eligible liabilities

Clarification requested:

Please provide more guidance on the calculations

***Clarification #2***

Annex: 1 Solvency

Template code: C03.00

Row: 220

ID: 16

Item: Surplus(+)/Deficit(-) of CET1 capital considering the requirements of Article 92 CRR and 104a CRD

Clarification requested:

Please confirm if our understanding of the requirement (per below) is correct:

> From Total CET1, below items needs to be excluded to determine the Surplus/Deficit;

a) Article 92 CRR after fulfilling the requirement of total Capital (e.g. which will go in range of 4.5% - 8%)

b) Art. 104a CRD V which refers to P2Requirement

***Clarification #3***

Annex: 3 Finrep

Template code: F40.01

Column Name: Code

Clarification requested:

If LEI code or National Code are not available then what else can be entered in Code column?

Is it required that each cell has to be filled or is an empty cell allowed?

As per BuBa requirement, 20-digit LEI code must be entered. If 8-digit borrower code is used instead, this would not fulfil BuBa requirement.  How is this expected to be accommodated?

Is this former requirement still valid or is it now allowed to show a different number of digits dependant on the code (e.g. 20 digits for LEI or 8 digits for the National (Borrower) Code)?

***Clarification #4***

Annex: 3 Finrep

Template code: F40.01

Column Name: Type of Code

Clarification requested:

Does that only apply for Institutions and can be blank for Other Entities?

If we only have the LEI code for Institutions and no National (Borrower) Code, do we have to enter the LEI again although it is already shown in column “Code”?

***Clarification #5***

Annex: 3 Finrep

Template code: F40.01

Column Name: National Code

Clarification requested:

Does “may” in the guidance mean that it’s not a mandatory field and can therefore stay empty?

***Clarification #6***

Annex: 10 Leverage

Template code: C40.00

Row: 71 (Security Financing Transactions)

Column: 040 (Add-on for SFTs)

Clarification requested:

As CRR2 has not changed the requirement for the above data point, was it intentional to block/blank out this cell when Rows 70 and 80 were combined into row 71?  It is recognised that the same cell information is reported on template C47.00 (row 20), but that duplicate reporting exists currently.

***Amendment request #1***

Annex: 10 Leverage

Template code: C47.00

Row: 185-189 (regular way purchases or sales), 190 (Other assets), 193-198 (Cash pooling related)

Amendment requested:

The extensive data collection on regular way purchases or sales (“pending settlements”) 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. In addition, the reporting of on-balance sheet items (excluding SFTs and derivatives) is inconsistent as items that logically belong to row 190 (Other assets) need to be carved out artificially, e.g. accounts subject to daily physical cash pooling.

The respective reporting requirements should therefore be simplified by aligning them to the “Delta” approach used in Pillar 3 disclosures.

*Extract from disclosure template EU LR1:*

|  |  |  |  |
| --- | --- | --- | --- |
| Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures | | |  |
|  |
|  |  |  |  |
|  |  | **a** |  |
|  |  | **Applicable amount** |  |
| 1 | Total assets as per published financial statements |  |  |
|  | … |  |  |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting |  |  |
| 7 | Adjustment for eligible cash pooling transactions |  |  |
|  | … |  |  |

For template C47.00 this would mean:

* Row 190 to include pending settlements (if reflected on-balance sheet, i.e. under trade date accounting) and the accounting values of cash pooling arrangements so that this row reflects all assets (excluding SFT and derivatives) before regulatory adjustments.
* Rows 185-189 and 193-198 to be replaced with the respective “delta” rows. Proposal:
  + Regular-way purchases or sales awaiting settlement under trade date accounting: adjustments to values in accounting framework.
  + Regular-way purchases or sales awaiting settlement under settlement date accounting: effect of recognition as off-balance sheet items after offsetting.
  + Notional cash pooling arrangements: adjustments to values in accounting framework.
  + Physical cash pooling arrangements: adjustments to values in accounting framework.

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