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QUESTIONS – EBA CP ITS FRTB REPORTING

Question 1 – Offsetting group-based reporting

- a) Did you identify any issues regarding the implementation and use of the offsetting group concept of Article 325b CRR in the context of these ITS?**

No, we believe that the offsetting group definition is adequate. However, we consider the Supervisor (in the authorization for using the different offsetting groups) should allow institutions using their internal resolution and consolidation defined groups.

- b) Are instructions regarding the reporting by offsetting group clear? If you identify any issues, please include suggestions how to rectify them.**

Yes.

Question 2– CIU reporting

- a) Is it clear how positions in CIUs are to be reflected in the three template groups (SBM, RRAO, DRC) of the A-SA templates? If you identify any issues, please suggest how to clarify their treatment in the templates and/or instructions.**

Yes.

Question 3– Comments on the overall A-SA reporting

- a) Did you identify any issues regarding the representation of A-SA (policy) framework in the reporting templates?**

Yes.

We believe that there might be a redundancy when reporting both weighted and unweighted sensitivities. As the weights to apply are “static” in the sense that are dependent on the regulatory parameters applied, and these sensitivities will be reported under the allocated bucket, we can deduct the weight to apply.

In addition, we consider that the unweighted sensitivities are the right measure to report, as the calculation of the weighted sensitivity is very simple and would not add additional information of value to the capital calculation process. Instead, the calculation of each raw sensitivity is where the real difficulty lays.



b) Are

- a. the scope of application of the requirement to report the different templates,**
- b. the scope of positions/instruments/profits and losses etc. included in the scope of every template,**
- c. the template itself and**
- d. the instructions clear?**

If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

Although these are clear and based on data and metrics already used in the calculation of FRTB-SA capital, we believe that the number of templates and granularity of information required add complexity, burden, and implementation costs to current COREP requirements.

In general, we consider reasonable to report the own funds requirements at consolidated level for a financial Group and its individual offsetting groups. However, we believe the proposed breakdown by each of the risk classes would add further complexity and burden due to the high number of templates and the granularity of the information, the extra time required to fulfill the information and the validation processes to be implemented; especially in case more granular COREPs for each of the sensitivities would be required.

In this case, we would suggest that these specific and more granular information COREPs' shall be, if required, elaborated on an ad-hoc and not on a regular basis.

From a specific COREP template standpoint, we have identified the following detailed comments:

- a) Reporting of unweighted and weighted sensitivities. The templates per risk class (templates 92.01 – 92.07) require reporting both the weighted and unweighted sensitivities.

We believe that reporting both measures is unnecessary because the calculation is obvious depending on which bucket the different sensitivity is allocated due to the features of the underlying risk factor. Therefore, this would add more reporting burdensome that adds, under our perspective, only more work and no valuable information to the supervisory authorities. We believe that the unweighted sensitivity is where the real value is contained, so we suggest reporting only this measure.

- b) Reporting of the RRAO (template 93): we consider that the breakdown requested by the regulator is not supported by the regulation. In calculating the RRAO there is no allocation to the different risk classes of the SBM, but an identification of the underlying according to the features of the security. While it is possible to perform such classification, the methodology to calculate the RRAO does not require such allocation. We also believe that the valuable information that could provide is very small. Therefore, we suggest eliminating the fields 0060 – 0100 from the template.



We also believe that the requested breakdown of RRAO-exempted positions adds little additional information. We believe that providing the aggregated nominal value of the positions exempted is enough, as every RRAO trade is different from one another. Therefore, to truly understand if the trades are correctly exempted, we would need to dive at a trade level, which is totally un-practical from a reporting perspective. Consequently, our proposal is to eliminate fields 0020 – 0040.

Question 4– Comments on the overall A-IMA reporting

a) Did you identify any issues regarding the representation of A-IMA (policy) framework in the reporting templates?

No.

b) Are

- a. the scope of application of the requirement to report the different templates,**
- b. the scope of positions/instruments/profits and losses etc. included in the scope of every template,**
- c. the template itself and**
- d. the instructions clear?**

If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

Yes, no additional clarity is needed.

Question 5– Profit and loss data

The objective of this template is to obtain (economic) profit and loss values, that can be compared to the own funds requirements calculated on the basis of the FRTB approaches, i.e. which are, at least to some extent, conceptually compatible with the latter. Against this background, and as explained above, the instructions specify only certain 'minimum requirements' regarding the profit and loss data to be reported. Beyond those minimum requirements, institutions are free to make their own methodological choices.

Does this approach work for you? Or do you need any further, or different, guidance regarding the elements of the P&L and the scope of the positions to be covered by that P&L? Which additional specifications could facilitate your compliance with this reporting requirement? Which general methodology would you envisage to allocate P&L to the risk classes of the sensitivities-based method?

We believe that this information is being delivered in other COREP templates, which while unrelated to FRTB, still contain the official risk information and the same measure sought in this proposed report.



Therefore, this potential template would only add more reporting burden and will duplicate the information delivered to supervisory authorities.

Question 6 - Reporting on reclassifications between books

- a) **Did you identify any issues regarding the representation of the prudential framework for reclassifications and the associated own funds requirement in the reporting template?**

No.

- b) **Are the scope of application of the reporting requirement, the scope of transactions to be reported in the template, the template itself and the instructions clear? If you identify any issues, please include suggestions how to rectify them.**

Yes, no additional clarity is needed.

Question 7 - Reporting on the boundary between trading and banking book

- a) **With regard to the data to be provided in such a template, which measures (book value, notional value, market value, other measure) do you deem most appropriate for the monitoring of the boundary between the books?**

We believe the market value for trading book would be sufficient for monitoring purposes, when considering the banking book, the accounting value should be the most appropriate measure.

Which measures do you use or plan to use for your monitoring of the allocation between the two books and can you therefore provide, considering possible breakdowns by instrument type or element of the boundary framework (as per Article 104 of the draft CRR3), accounting treatment and allocation to regulatory books?

Although we are an association, and we cannot reply to this question by ourselves; some of our members have highlighted that they have currently a TB&BB Boundary Policy in place that regulates the allocation of each position and kind of instrument among the Trading and Banking Book. Their corporate policies, when applicable due to their organizational structure, have been transposed locally by each offsetting group market risk unit, which are responsible of applying at local level the boundary criteria.

In addition, some members have indicated they have already in place quarterly internal controls to ensure the Trading Book is well identified:

- Reviewing the trading and banking desk inventory to ensure no banking position is managed in a trading desk or vice versa.



- Reviewing whether the trades between the TB and the BB are IRT (Internal Risk Transfers) or LT (Liquidity Transfers) accepted by internal policy and ensuring that these trades don't lead to any capital savings.

Which breakdowns do you monitor internally, and are there any constraints regarding the use of certain metrics for certain breakdowns?

We believe such level of detail/granularity would not be relevant for FRTB reporting purposes as it is already included in other financial reports.

Our understanding is that only the exceptions to the internal policy should be reported in addition to the trades between the TB and the BB (which could lead to RWAs savings).

b) Which benefits and challenges do you foresee as regards this reporting? Which issues should be taken into account or addressed, to maximise the benefit and reduce the cost of compliance with this particular reporting requirement?

On the benefits side, ensuring that financial institutions fully enforce the regulatory criteria to allocate positions among the trading and banking books, avoiding capital arbitrage through the allocation in the wrong book and reducing the capital requirements.

These would install market discipline and ensure that the FRTB-SA calculation perimeter is correct and comprises all the trading and FX/COMM banking positions and capitalize through the correct macro-prudential rules.

Question 8 - Interactions between the ITS on Supervisory Reporting and these ITS

a) Do you have any comments on the considerations regarding the interactions and links between the ITS on FRTB reporting and the ITS on Supervisory Reporting presented above?

No.

b) Did you identify any other issues regarding the interactions and conceptual links between the ITS on FRTB reporting and the ITS on Supervisory Reporting, either resulting from the CRR or the discussion on the CRR3, that should be considered? If yes, please also include suggestions how to rectify those issues.

No.

Question 9 - Cost of compliance with the reporting requirements.



Is or are there any element(s) of this proposal for new and amended reporting requirements that you expect to trigger a particularly high, or in your view disproportionate, effort or cost of compliance? If yes, please

- **specify which element(s) of the proposal trigger(s) that particularly high cost of compliance,**

As being raised previously, we consider it is challenging and would lead to an administrative burden the high volume/granularity of information that is requested and would also lead to high implementation costs to comply with.

- **explain the nature/source of the cost (i.e. explain what makes it costly to comply with this particular element of the proposal) and specify whether the cost arises as part of the implementation, or as part of the on-going compliance with the reporting requirements,**

While we believe all metrics are already available for reporting, as are integral part of Own Funds requirements (OFR) calculations, we consider additional layers of official reporting analysis and certification/validation, both at local and corporate level, would be required for decentralized financial groups.

- **offer suggestions on alternative ways to achieve the same/a similar result with lower cost of compliance for you**

As suggested, we propose that only offsetting group's reporting is regularly required, and that those more granular COREPs proposed, such as those at metric or risk class level, should not be reported regularly, but on an ad-hoc basis.