

POSITION PAPER



ESBG response to the EBA consultation to amend standards on benchmarking of internal models

ESBG (European Savings and Retail Banking Group)

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Dear Sir/Madam,

Thank you for the opportunity to comment on the EBA consultation on its amendments to standards on benchmarking of internal models. We would like to share with you the following reflections that we hope will be considered by the EBA.

General comments:

Banks spend a lot of resources carrying out these types of exercises, but usually do not receive any feedback from the EBA on how they are doing compared to their peers. An important purpose of this exercise is harmonized risk measurement. In that respect, banks should in ESBG's view know how they are doing compared to peers so that the banks can consider doing relevant adjustments.

More specifically, we believe that the EBA should report back to the banks on information such as:

- The bank's reported numbers compared to those of other banks for common clients (for individual clients where possible, otherwise on an aggregated level where not possible due to anonymisation);
- The bank's reported numbers compared to those of peers on aggregate level, e.g. per asset class.

We would like to point out that, in its Final Report on the Draft ITS on Supervisory Reporting in June 2020, the EBA did not expect the institutions to provide information on margins of conservatism (MoCs) as of the 31 December 2021 reference date. It gave the late publication of the Guidelines (p. 75) as the reason for this. We believe that the same policy should apply to benchmarking reports.

We also believe that voluntary reporting for low-default portfolios (LDP) should not begin until the 31 December 2022 deadline at the earliest, as there will not yet be any supervisory approval for 2022. The use of models based on the Guidelines on PD/LGD estimation (EBA/GL/2017/16) will start at the beginning of 2022 at the earliest. The values may also not yet be used in the bank for this reason. An earlier deadline would effectively result in the reporting of figures that are not yet approved by the banking supervisory authorities. This in turn results in the development of parallel structures, which would involve an extremely high effort.



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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