

Comments

EBA CP – ITS Disclosure (EBA/CP/2023/38)

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

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General remarks

We welcome the EBA effort to consult the disclosure requirements as soon as possible but kindly ask for the next time to ensure that the consultation period doesn't fall into the usual phase of the work on the year-end financial statements and disclosure reports if detailed comments from experts in the banks are requested.

It is well known that the implementation of the new reporting and disclosure requirements needs at least 12 months. Therefore, we ask for the postponement of the first implementation date, especially as the new templates introduce not just minor updates, but comprehensive changes or new approaches. See also Q21.

With regard to the output floor we reject the proposed fully loaded disclosures (option 3b). Such a requirement has no legal basis in the CRR. Given the complexity of the CRR3 text, in the event of publication of two ratios, one being current and the other said to be fully loaded, analysts and investors would align themselves - as was the case in other circumstances - on the weaker ratio and the contribution of transitional measures would be purely erased. Moreover, there are also no corresponding requirements from Basel framework for the disclosure of "fully loaded" CET1 ratios. Accordingly, it is not understandable why the EBA wants to go independently beyond the requirements from Basel as well as the legal basis of the CRR at the expense of the institutions in the EU.

Disclosure requirements should not exceed reporting requirements. If the reporting requirements are removed/reduced (we refer to the consultation on the ITS on reporting), this should be done in parallel in the ITS on disclosure. The mapping tool should also ensure that no unrelated fields are included. See also Q21. At least templates and instructions should be considered as a part of ITS on disclosure even if the final templates in excel-format are published on the EBA website only to ensure an appropriate legislative process on them. See also Q10.

Overview of questions for consultation

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

Question 1: Are the amended/new templates EU OV1, EU KM1, EU CMS1, EU CMS2 and the related instructions clear to the respondents? If no, please motivate your response.

NA

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

NA

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

Disclosure requirements should not exceed reporting requirements.

If the reporting requirements are removed/reduced, this should be done in parallel in the ITS on disclosure. With this in mind, the mapping tool should also ensure that no unrelated fields are included.

Question 4: In particular, regarding the disclosure of the output floor, do respondents agree with the inclusion of rows EU 5c, EU 6c, EU 7c in template EU KM 1 and the column EU d in templates EU CMS1 and EU CMS2? Please provide the rationale behind your answer.

No, we do not agree (see general remarks) In principle, however, it would be conceivable to state the "fully loaded RWA and capital ratios", which relate exclusively to the non-application of the transitional regulations on the Basel output floor (phase-in of the floor factor / 125% CAP). I.e., the calculation of RWA / ratios without application of Art. 465 (1) and (2) CRR3 but with application of the EU exemptions pursuant to Art. 465 (3)-(7) CRR3, for which a proposal for permanent treatment must be submitted by the end of 2031 (see Art. 465 (3) or (5) CRR3).

5.3.2 Disclosure of the use of the standardised approach

Question 5: Are the amended templates EU CR 4, EU CR 5 and the related instructions clear to the respondents? If no, please motivate your response.

NA

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?

NA

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

Disclosure requirements should not exceed reporting requirements.

If the reporting requirements are removed/reduced, this should be done in parallel in the ITS on disclosure. With this in mind, the mapping tool should also ensure that no unrelated fields are included.

Question 8: In particular, for templates EU CR 4 and EU CR 5, do the respondents agree with the reconciliation of the row numbering with the Basel one in the corresponding templates? Please provide the rationale behind your answer.

NA

5.3.3 Disclosure of the use of the IRB approach to credit risk

Question 9: Are the amended templates EU CR 6, EU CR 6-A, EU CR 7, EU CR 7-A and the related instructions clear to the respondents? If no, please motivate your response.

NA

Question 10: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

Issue: Templates not part of the ITS (related not only to credit risk, but in general)

Text No 6 of the consultation paper sets out the idea that the templates and instructions will not be part of the ITS / Commission Implementing Regulation published in the official journal. This is justified by an interpretation of Article 430 paragraph 7, subparagraph 1 as amended by the CRR 3 (concerning reporting), that they would be part of the ITS-related IT tools.

We welcome EBA's efforts to provide the necessary templates and instructions for the reporting as early as possible and in all required languages on the EBA website in order to enable rapid implementation by the institutions, despite the very challenging time schedule. The publication of draft and final tables and templates in excel-format remains very important.

It is acceptable if templates are published in the official journal in pdf and on the EBA website in excel-format if EBA ensures full consistency. However, we cannot accept the interpretation that the templates and instructions should no longer be part of the ITS. The templates and instructions specify the content and thus go far beyond pure IT solutions. In our opinion, content requirements must be legitimized as part of the ITS by the EU legislative bodies and must not be determined solely by the EBA. We interpret Art. 430 para. 7 CRR in such a way that all contents referred to in paragraph 7 must be part of the Implementing Technical Standard. In our opinion, this also applies to the mapping tool created by EBA for mapping content from the reporting templates to the templates for disclosure.

When considering the corresponding Article 434a CRR this will become even clearer in terms of the disclosure of institutions. On the one hand, the reference to "including instructions" here in our opinion clearly refers to the changed process of disclosure via the P3-Data-Hub and not to the content of the disclosure. On the other hand, it becomes evident, particularly regarding the sensitive data on disclosure, that the specification of the content of the disclosure must be legitimated by the EU legislator, because errors here can have very far-reaching negative effects on institutions in the EU.

Question 11: Do the respondents agree that the amended draft ITS fits the purpose of the underlying regulation?

Disclosure requirements should not exceed reporting requirements.

If the reporting requirements are removed/reduced, this should be done in parallel in the ITS on disclosure. With this in mind, the mapping tool should also ensure that no unrelated fields are included.

Question 12: Regarding the template EU CR 7, do the respondents agree with reconciliation of the row numbering with the Basel one in the corresponding templates? Please provide the rationale behind your answer.

NA

Question 13: Do the respondents agree with the deletion of the rows on SMEs in templates EU CR 6-A, EU CR 7 and EU CR 7-A?

NA

5.3.4 Disclosure of use of standardised approach and internal model for market risk

Question 14: Are the amended/new templates EU MRA, EU MRB, EU MR1, EU MR2, EU MR3 and the related instructions clear to the respondents? If no, please motivate your response.

NA

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?

NA

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

NA

Question 17: Regarding the template EU MRB, do the respondents agree with the reconciliation of the row numbering with the Basel one in the corresponding template? Please provide the rationale behind your answer.

NA

5.3.5 Disclosure of credit valuation adjustment (CVA) risk

Question 18: Are the new templates EU CVAA, EU CVA 1, EU CVAB, EU CVA2, EU CVA 3, EU CVA 4 and the related instructions clear to the respondents? If no, please motivate your response.

NA

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?

NA

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

NA

5.3.6 Other questions

Question 21: Do the respondents consider that the “mapping tool” appropriately reflects the mapping of the quantitative disclosure templates with supervisory reporting templates?

Disclosure requirements should not exceed reporting requirements.

If the reporting requirements are removed/reduced, this should be done in parallel in the ITS on disclosure. With this in mind, the mapping tool should also ensure that no unrelated fields are included, see further detailed comments below.

Moreover, regarding the first reference date we strongly ask for a postponement of at least six months (09/30/25).

Typically, banks need more than 12 months for a complete and sound implementation of such extensive changes. Especially the new rules of the “Output Floor” create exhaustive efforts as model banks have to implement the reporting and disclosure for the standardized approaches from the scratch.

The software vendors will not provide test versions before the relevant DPM is published, which will further shorten the time period left for banks to test and implement.

Additionally, various applications have to be submitted and approved before a fully-fledged CRR III reporting can be made, e.g., for the usage of certain approaches like the SA-CVA or the return to less sophisticated approaches from internal models before the first-time application. Until that, it won't even be clear which approach shall be the basis for the reporting and disclosure.

Hence, we expect EBA to stick to the principle that institutions will have at least 12 months to implement significant new requirements from the date of submission of the final updated ITS to the EU Commission and publication of the relevant DPM, which is planned for the third quarter of 2024. Hence, the first reference date for the reporting and disclosure should be end of September 2025. Anyway, the first reference dates for the reporting and disclosure should be aligned.

Finally, some comments on the mapping tool. There are still some incorrect mappings or formulas. Therefore we suggest the establishment of an EBA quick communication channel or tool for an exchange on errors in the mapping tool as the Single Rulebook Q&A process can take up to six months. We also have the following detailed comments on the mapping tool:

EU OV1:

If rows are to be the sum of sub-rows (e.g. EU OV1 row 10 = sum of row 10a to row 10c), we suggest for improved transparency reasons, that sum-rows should always be mapped (as the sum of sub rows) in the current template instead of mapping to another template (e.g. Pillar 1 CoRep). This would also increase the transparency of previously unchanged items (e.g. EU OV1 row 1 = sum of row 2 to row 5). This applies to all affected templates the EBA Mapping Tool.

We understand the addition of 'All offsetting groups' and 'Single offsetting group' (e.g. position EU OV1 (21,a)) in such a way that either 'All offsetting groups' or 'Single offsetting group' must be shown. This also applies to the templates EU CMS1, EU MR1 and EU MR2.

In row 3 „Of which the Foundation IRB (F-IRB) approach" the positions (C 02.00, r0450, c0010) "Collective investments undertakings (CIU)" and (C 02.00, r0450, c0010) „other non credit-obligation assets" are referenced. This mapping is incorrect, as they don't refer to A-IRB/F-IRB but to IRB-approach in general. For the template EU OV1 we therefore recommend a structure based on COREP template C 02.00 (CA2). Separate positions in the template EU OV1 would be preferred for the CA2 positions 0425 (Collective investments undertakings (CIU)) and 0450 (Other non-credit-obligation assets).

Template EU CMS1:

In row 1 „Credit risk (excluding counterparty credit risk)", column a „RWEAs for modelled approaches that banks have supervisory approval to use" the position (C 08.01, r0040, c0260, s0001) „RWEA of SFT netting sets" is not deducted. In our opinion this is necessary to fully adjust the credit risk RWEAs for counterparty credit risk.

In row 2 „Counterparty credit risk", column a, the position (C 08.01, r0040, c0260, s0001) „RWEA of SFT netting sets" is not included. In our opinion this is necessary to capture the full amount of RWEA from counterparty credit risk. Further, in column b „RWEAs for portfolios where standardised approaches are used" of the same row, the position (C 07.00, r0090, c0220, s0001) is included twice, which would result in a double-counting. In column d „RWEAs calculated using full standardised approach" the position (C10.00, r0110, c0250) is referenced. This position does not exist. In the last column EU d, it seems that the position (C07.00, r0090, c0220, s0001) which also references RWEAs from SFT netting sets are not included.

EU CMS2:

The exposure classes in template EU CMS2 do not match the exposure classes in other templates. For example, the CRSA exposure class "Institutions" in template EU CMS2 is linked with C07-S0007, but in template EU CR4 with C07-S0008.

In template EU CMS2 position (3,a) is empty. Therefore, a clarification in form of a mapping to Pillar 1-templates would be appreciated.

In row 3 „Equity", in the columns b, d and EU d the row (C10.00, r0240) „Other Items" is referenced. This is incorrect in our opinion and should reference the row (C10.00, r0230) „Equity".

In row 5 „Corporates", column a, not all the sheets referenced in the „of which"-positions in the rows 5.1 to EU 5.2c are included. Further, in column d only the transitional arrangement in (C10.00, c0110) is included, while the transitional arrangements (C10.00, c0090) and (C10.00, c0100) are not. These

are included within the of-which positions for F-IRB and A-IRB which indicates to us, that they should be included.

In row 5.1 „Of which: F-IRB is applied“, column d, a reference to the Position (C10.00, r0100, c0110) „Corporates – Other“ is included which seems to be a mistake as the overall F-IRB Position is already included.

In row 5.2a „Of which: Corporates – General“, column d, the transitional arrangements (C10.00, r0100, c0090) and (C10.00, r0100, c0100) are also not included.

In row EU 5.2b, column d, and row 5.2c, column d, the same issue persists as in row 5.2a, column d.

In row 6 „Retail“, column a, the reference to position (C08.01, r0010 – r0040 – r0050 – r0060, c0260, s0015) is included twice, as it is listed separately as well as included within the first term of the mapping.

In row 6.1b „Of which: Retail – Other“ there is an inconsistency within the referenced data. In column a, positions concerning retail positions secured by immovable property are not included (s0013, s0014) while in column b, d and e and it is not excluded by deducting the position ((C10.00, r0170, c0060) – (C10.00, r0170, c0070)) „Secured by mortgages on immovable property and ADC exposures - Of which: Categorised as Retail - secured by residential real estate in IRB“

EU CR6:

All exposure classes are shown in template EU CR6. In the EBA Mapping Tool only the exposure classes S0001 (total AIRB) and S0002 (total FIRB) are listed. To improve transparency, we suggest that all relevant exposure classes should explicitly be shown in the EBA Mapping Tool and in the instructions. In the EBA Mapping Tool, for example, the exposure class S0001 is explicitly mentioned, although it is currently only disclosed in the total. AIRB-total is also not mentioned in the instructions. Basically, the exposure classes corporate-total, retail-total and AIRB/FIRB-total should not be disclosed if there are no corresponding templates in Pillar 1. In the EBA-file "Annotated Table Layout 330-P1-PILLAR3 3.3.xlsx", for example, the disclosure of the total corporate exposure is required in template EU CCR4 and should be replaced by the corresponding Pillar 1 exposure classes.

The EBA Mapping Tool defines templates in such a way that the total must be shown in each exposure class. Multiple reporting of the same row should be avoided.

Neither a mapping nor a "no mapping available" is shown in the Subtotal and Total rows.

Furthermore, we have some questions of understanding or clarification:

Reporting template C 02.00, row 690 et seq.: According to the mapping tool for CRR3_step1) this row is mapped to the disclosure template OV1, row 1 "credit risk". To our understanding additional "other risk exposure amounts" reported in row 690 et seq. could arise from all kinds of risk categories and are not limited to credit risk. More guidance about what is to be reported in row 690 et. seq. is needed, especially what is to be reported in row 760. Should this row be used for mandatory requirements by competent authorities? Should this row be used for risk exposure amounts which could be assigned to a risk category like credit risk or market risk?

If changes are made in reporting (due to consultation on EBA ITS on reporting or further on), these changes must also be adopted in the mapping tool.