AFME Response:

EBA Consultation Paper on Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation (EU) No 575/2013 concerning output floor, credit risk, market risk and leverage ratio.

March 2024

Comments and recommendations:

AFME and its members welcome the opportunity to comment on the EBA consultation on supervisory reporting. As an industry, we strongly support the EBA's work to ensure that the regulatory reporting framework remains effective and efficient and that it reflects the underlying policy intent of associated prudential standards.

As an initial overarching observation we appreciate that using the current market risk reporting requirements would not work with the introduction of the changes envisaged under the Fundamental Review of the Trading Book but we would continue to note that the templates proposed nevertheless would front-run the introduction of the actual capital requirements in this area which could cause confusion. We understand that adjustments to these templates could be made to reflect changes to the underlying prudential standards in this area and it will be important that there is sufficient clarity around any such changes and that banks are given sufficient time to meet the associated reporting requirements.

More widely, while we understand the EBA's aim of updating the current reporting framework as soon as possible to have it in place by the application of date of CRR3, this will in practice be very difficult for institutions to implement, with the associated risks to the quality of submissions.

In particular, the timeline between the expected delivery of the final technical pack, being that of Q3 2024, relating to Taxonomy 4.0, and first reference period of reporting being Q1 2025 is very short and limited , given that the changes under CRR3 are significant in size and complexity (like CRR2 under Taxonomy 3.0). It does not, therefore, leave sufficient room for proper change management activities like refinement, technical implementation, testing and reporting.

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 for the standardized approaches from the scratch. For those firms that use external reporting solutions provided by vendors, the implementation timeline is further condensed, given that the vendors themselves will not provide test versions before the relevant DPM is published and would typically require on average 6-8 weeks to implement the changes to their platforms, which in-turn does not provide adequate time for firms themselves to undertake robust technical implementation and testing activities, in readiness for reporting. Supplementing this, and in relation to the intricacies of CRR3, various applications must be submitted to the Regulator and approved before a fully-fledged CRR3 reporting submission can be made, for example, the usage of certain approaches like the SA-CVA or the return to less sophisticated approaches from internal models before first-time application. Until that and depending on the time it will take for the Regulator(s) to respond, it will not be clear which approach shall be the basis for reporting.

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Therefore, we strongly suggest EBA to consider following ways to support banks handling all changes in such a challenging (if not impossible) implementation deadline:

- Publish as soon as possible the final updated ITS and relevant DPM;
- Extend the submission period for the first two reference dates by 2 months.
- Increased data quality tolerance for the first two reference dates, e.g., classify all EBA validation rules to "warning" only.

Track changes Final draft ITS

The respondents noticed that when final versions of ITSs are published on the EBA's website the track changes versions of the templates (Excel) and instructions (Word) provided are the ones between the former ITSs and the amended ITSs.

No track changes versions of templates / instructions are provided between draft ITSs consultation and final draft ITSs.

In this sense, to ease the comparison between the consultation versions and the final amended versions, could the EBA:

1. Continue to provide the track changes versions of templates/disclosures between the current ITSs in application and the amended ITSs to be applied? (as is currently the case).

2. Also provide the track changes versions of templates and instructions between draft ITSs submit to consultation and final draft ITSs.

We set out our more detailed observations in the section below.

More detailed observations/areas for clarification

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

Reporting requirements if FRTB is postponed:

Instructions should clearly clarify the COREP reporting requirements for all templates if FRTB application for OFR calculation is postponed.

Information on 'Unique identifier' c0015 on securitization templates C 14.00 and C 14.01:

Each securitization shall be assigned a unique identifier composed of the incremental elements, in sequential order on C 14.00 and C 14.01. The first item is composed by the LEI of the reporting entity.

Respondents ask for clarification regarding this unique ID. What should institutions use to define the unique ID?

i. the LEI code of the booking entity (individual) or
ii. the LEI code of the reporting entity at top consolidation level (when reporting COREP at Group level) and LEI code of reporting entity at sub-group level (when reporting COREP at sub-group level)?

In case ii., we would have different unique identifiers depending on the level of the reporting (consolidated vs sub-groups).

Regarding the two-digit number, the respondents warn of the fact that they might have batch of issuances where three-digit numbers should be filled. The reporting should allow consequently to report three-digit numbers.

Templates C 13.01 and C 14.01: Memo items for Output floor: RWEA related to the impact of transitional provisions of Art. 465 (5b) CRR3

On template C 13.01 columns 0940 to 0960 and on template C 14.01 columns 0451 to 0453, the RWEA related to the impact of transitional provisions shall be reported for the SEC-IRBA approach, the IAA approach, and the Specific treatment of senior tranches in qualifying NPE securitizations.

The EBA refers to the transitional provisions described in Art.465(5b) CRR3 which refers to the application of a 45% RW until 31 December 2029 to any remaining part of exposures secured by mortgages on residential property up to 80 % of the property value.

The respondents do not see a connection with securitization topics and presume an error of the CRR3 reference mentioned. Isn't the EBA rather referring to transitional provisions described in Article 465(7) CRR3 (related to the p factor)? If yes, instructions and templates should be amended accordingly.

If the CRR3 reference is correct, could the EBA provide more details about the impact expected on this specific point? Which type of securitization instrument/part/scope is covered on this section of the template? Is the EBA targeting the underlying exposures?

COREP C14.00: Securitizations:

More clarity would be welcome on the updated instructions, considering additional information is expected to be fulfilled.

"1. Because of Article 5 of Regulation (EU) 2017/2402, which establishes that institutions investing in securitisation positions shall acquire a great deal of information on them in order to comply with due diligence requirements, the reporting scope of the template shall be applied to investors to a limited extent. In particular, they shall report columns 0010-0040; 0070-0110; 0160; 0181; 0190; 0223; 0230-0285; 0290-0300; 0310-0470"

We would appreciate whether the new instructions refer to investor positions, excluding the other positions of the originated securitisation on which we are investing in or whether for columns 230, 240, 250, 260, 270 and 280 whether institutions are expected to report the outstanding amount at the reporting date of all current securitisation exposures originated in the securitisation transaction, irrespective of who holds the positions. As such, on-balance sheet securitisation exposures (e.g. bonds, subordinated loans) as well as off-balance sheet exposures and derivatives)

In addition, more clarity would be provided to confirm if columns 230, 240, 250, 260, 270 and 280 could be reported with the same balance that columns 310, 320, 330, 340, 350 and 360 (C14 01).

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?

In template C 34.02, column 0250, some cells should be greyed as the alpha factor only applies in the calculation of exposure for transactions calculated with IMM method, and that are not SWWR (Specific Wrong-Way risk). Therefore, for column 0250, the lines 0010, 0020, 0030, 0080, 0090, 0100, 0120 should be greyed.

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

- *Templates C35.01.02.03 – NPE loss coverage:*

  These templates should be amended in order to allow to reflect amendments provided by CRR 3 to Article 47c of CRR:

  ⇨ Introductory part of paragraph 4 is amended as follows:

  'By way of derogation from paragraph 3 of this Article, the following factors shall apply to the part of the non-performing exposure guaranteed or counter-guaranteed by an eligible protection provider referred to in points (a) to (e) of Article 201(1), unsecured exposures to which would be assigned a risk weight of 0 % under Chapter 2 of Title II of Part 3

  ⇨ (ii) point (b) has been replaced by the following:

  1 for the secured part of the non-performing exposure to be applied as of the first day of the eighth year following its classification as non-performing, unless the eligible protection provider agreed to fulfill all payment obligations of the obligor towards the institution in full and in accordance with the original contractual payment schedule, in which case a factor of 0 for the secured part of the non-performing exposure will apply

  ⇨ The following paragraph has been inserted

  4a. By way of derogation from paragraph 3 of this Article, the part of the non-performing exposure guaranteed or insured by an official export credit agency shall not be subject to the requirements laid down in this article.

- *Template C 34.02:*

  In this template, column 0250, some cells should be greyed as the alpha factor only applies in the calculation of exposure for transactions calculated with IMM method, and that are not SWWR (Specific Wrong-Way risk). Therefore, for column 0250, the lines 0010, 0020, 0030, 0080, 0090, 0100, 0120 should be greyed.

5.3.1 Output Floor

Question 5 - separate template C10.00 – IRB exposures subject to the output floor:

Would it be more useful to report the information in C 08.01 to directly compare between capital requirements determined by the IRB approach and the SA?

This would lead to the preparation of a very complex template, although we do recognise the possible usefulness of including one column with the RWA under the SA.

The introduction of the separate template C10.00 for the reporting of the IRB exposures subject to the output floor does not introduce additional issues to the extent that this would be the case in the reporting of this information in the C08.01 template.

Based on all considerations detailed in response to question 6, it is considered that C10.00 Template should not require the reporting of the impact of the application of transitional provisions related to exposures secured by residential mortgages and unrated corporates. Considering that these information should be subject to ad hoc data collection to allow EBA and EU co-legislators to monitor and evaluate impacts and appropriateness of these transitional arrangements.

Question 6 - reporting of transitional provisions for the output floor (Article 465 of Regulation(EU) No 575/2013):

Is the design for the reporting of transitional provisions for the output floor clear enough?

We do not share the choice of option 3b, as this approach would be counterproductive and conflicts with the political objectives adopted by EU co-legislators (preserving a level playing field with other jurisdictions and ensuring a smooth implementation).

We urge the EBA to amend the obligation for institutions to report the "fully loaded" risk-based capital ratio and the risk exposures amounts considering the impact of the output floor excluding the EU transitional arrangements provisions because:

- These transitional measures provide for the production of reports by the EBA that will allow the co-legislators to decide in due time on the final rules; this means that to date, there is no certainty about the final terms of the text after the end of the transition periods. If all or part of the transitional provisions were to be made permanent, we question the appropriateness of disclosing a view that, ultimately, will never materialize.

- Finally, and above all, the transitional provisions of Article 465 of CRR3 seek to reflect certain specificities of the European banking model and can be made permanent by the legislator after an assessment period. These provisions clearly reflect the willingness of the co-legislators to consider several important areas:

• **Residential real estate**: to ensure that the impacts of the output floor on low-risk residential mortgage lending by institutions using IRB approaches are spread over an extensive period (2032) and thus avoid disruptions to that type of lending caused by abrupt massive increases in own funds requirements, the legislators chose to provide for a specific transitional arrangement. During the term of the arrangement, when calculating the output floor, IRB institutions should be able to apply a lower risk weight to the portion of their residential mortgage exposures that is considered to be secured by residential property under the revised SA-CR.

• **Unrated corporates:** during the transitional period until 2032, institutions using IRB approaches should be able to apply favorable treatment when calculating their output floor for investment grade exposures to

unrated corporates. Indeed, most EU corporates, however, do not seek external credit ratings, in particular due to cost reasons. To avoid disruptive effects on bank lending to unrated corporates and to provide sufficient time to implement public or private initiatives to increase coverage of external credit ratings, the legislators have decided that it is necessary to allow for a transitional period to support the rise in the coverage.

• **Securitization:** This transitional arrangement has been set as the introduction of the output floor have a significant impact on own funds requirements for securitization positions held by institutions using the SEC-IRBA, applying SEC SA as is from 2025 for Output floor purpose would affect the economic viability of the securitization operation because of an insufficient prudential benefit of the transfer of risk. This comes at a juncture where the development of the securitization market is part of the action plan on capital markets union and also where originating institutions might need to use securitization more extensively in order to manage more actively their portfolios if they become bound by the output floor. Additionally, the 2032 deadline was precisely set to allow waiting for the implementation of the reform in progress that may lead to another calibration of P factor.

• **SA-CCR:** The calibration issue of the alpha factor raised by the industry and recognised by the US led the co-legislators to set alpha at 1 till 31 December 2029 with the possibility for the EC to issue a legislative proposal that may lead to another calibration.

Based on all considerations detailed above, we consider that inclusion of these fully loaded output floor ratios and related total SA Risk Exposure Amount "fully loaded" would not reflect a forward-looking perspective of institutions' solvency based on target treatment.

We acknowledge that these information may be considered as useful metrics to monitor and evaluate appropriateness of these transitional arrangements, however it is not the purpose of the supervisory reporting, especially as these information as part of COREP would be made publicly available via EBA Transparency Exercise.

We know from experience that this ratio would de facto be the only one considered by the market; this would in practice lead to lose all the benefits expected from the application of these transitional measures, and hence to depriving them of any usefulness.

Hence, we ask to remove the obligation for banks to report the "fully loaded output floor" risk-based capital ratios and related risk exposures amounts excluding the EU transitional arrangements provided by Article 465 (3) to (7) of the CRR 3 text, from both ITS on supervisory reporting and Pillar 3 disclosures, considering that this information should be collected through ad hoc data collection not through supervisory reporting and to limit the notion of "fully loaded output floor" capital ratios to the application of an output floor set at 72.5%.

In relation to template C 02.00 it would be helpful to clarify whether cells corresponding to standardized approach should be in grey, or whether it is expected the same figure that for standardized approach figure for these exposures.

Question 7 – group solvency template C06.02: Do you identify any issues with the new column 0075 introduced in the group solvency template C06.02 to report the floor adjustment of group entities subject to own funds requirements?

For those EU entities subject to new capital and reporting requirements (CRR3), this information will be available. However, for other entities (third country entities), this column will not be completed.

Question 8 – Do you have any other comment on the changes to reporting related to the output floor?

More clarity is needed on the following items:

In the case, for example, of a contract with a balance of 100 where the obligor is treated under IRB, which has an STD guarantor for 80 (20 would be risk weighted under IRB and 80 under STD). For the output floor, should we consider as original exposure only the 20 of the contract that has remained in IRB?

- On the one hand, we understand that yes, because 80 are already risk weighted under STD,
- But on the other hand, COREP of the output floor asks institutions to indicate the original exposure (so that we would consider only 20 for this contract and it would not fit with the original exposure of N008).

5.3.2 Credit Risk SA

Question 9 – new subset of exposure classes for exposures "secured by mortgages on immovable property and ADC exposures":

First, our understanding is that in the new category secured by mortgages on immovable property and ADC exposures for those non-IPRE exposures that are unsecured and shall be risk-weighted as an exposure to the counterparty listed in articles 125(1)(b), 126(1)(b) and 124(3) are reported in template C.07 under the exposure class "secured by mortgages on immovable property and ADC exposures". We would be grateful for confirmation that our assumption is correct.

Second, for those exposures unsecured or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property if they are susceptible to apply CRMT, it should be reflected as entries in the categories of template C.07 by which they are guaranteed.

Third, considering article 124 CRR:

- *124.1 CRR: "non-ADC exposure that does not meet all of the conditions laid down in paragraph 3, or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property, shall be treated as follows:"*
- *124.2 CRR: "non-ADC exposure, up to the nominal amount of the lien on the property" more clarity would be desirable:*

We would welcome clarification from the EBA in each case which options/interpretations are correct to achieve a consistent application among institutions. It is not very clear how reporting should be completed, as two possible interpretations are possible. For example: if we have a contract with a balance of 200 and a non-ADC residential mortgage guarantee worth 150:

Non-IPR - Loan Split:

Option 1

LTV	**Balance**	**RW**
Up to 55%	82,5	20%

Option 2

LTV	**Balance**	**RW**
Up to 55%	82,5	20%

55%-100%	67,5	RW counterparty
>100%	50	RW counterparty

>55%	117,5	RW counterparty

Although in terms of RWA in this case there would be no impact, there is a difference in reporting. Under option 1, we would have in a separate line the amount that exceeds the value of the mortgage collateral (above 150), which in COREP would be registered in this line: "g. Secured by mortgages on immovable property - Other - non-IPRE: Exposures that do not meet the conditions in Article 124(3), or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property referred to in Article 124(1), point (a) of Regulation (EU) No 575/2013."

IPRE: Whole Loan: There would be a LTV =133,33% (200/150), and the applicable RW=105%.

Option 1

LTV	**Balance**	**RW**
Up to the value of the property	150	105%
Over the value of the property	50	150%

Option 2

LTV	**Balance**	**RW**
Whole balnace	200	105%

In this case the RW would not be the same in both options (in option 1, the balance above the value of the mortgage collateral would carry the RW of IPRE of 150%). In COREP the second record of option 1 would go on this line: "h. Secured by mortgages on immovable property - Other – IPRE: Exposures that do not meet the conditions in Article 124(3) or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property, referred to in Article 124(1), point (b) of Regulation (EU) No 575/2013".

Finally, article 127.3 CRR3 states: *"The exposure value remaining after specific credit risk adjustments of non-IPRE exposures secured by residential or commercial immovable property in accordance with Article 125 and 126, respectively, shall be assigned a risk weight of 100 % if a default has occurred in accordance with Article 178".*

Furthermore, *new section "3.2.4.4 Exposure class "Secured by mortgages on immovable property and ADC exposures" requires reporting as non-IPRE the following exposures:*

Secured by mortgages on residential immovable property - non-IPRE (secured):

- *Non-IPRE exposures treated in accordance with Article 125(1), point (a) of Regulation (EU) No 575/2013;*

- *IPRE exposures meeting any of the conditions laid down in Article 124(2), point (a)(ii), points (1) to (4) of Regulation (EU) No 575/2013;*
- *IPRE exposures where the derogation set out in Article 125(2) of Regulation (EU) No 575/2013, subparagraph 2 is applied.*

Secured by mortgages on commercial immovable property - non-IPRE (secured)

- *Non-IPRE exposures treated in accordance with Article 126(1), point (a) of Regulation (EU) No 575/2013;*
- *IPRE exposures where the derogation set out in Article 126(2) of Regulation (EU) No 575/2013, subparagraph 2 is applied.*

We would welcome more clarity whether all these exposures should be considered non IPRE for the purpose of capital requirements calculation in article 127.3 (so that it is understood as a referral to the calculation method loan splitting) or, should the literal wording of the rule apply, and thus, apply the 100% RW only to exposures that are really non IPRE, irrespective of the calculation method. There seems to be no connection in Annex 2 between the classification of section 3.2.4.4 and reporting of exposures in default.

The introduction of this new subset appears clear enough as regards the expectations from a reporting perspective. However, the rationale behind the introduction of this new breakdown does not appear clearly. Furthermore, this new subset is introduced similarly to an exposure class instead of an additional breakdown (in template C07 particularly with the requirement of the reporting of a separate sheet for each subset)

Question 10: Do you have any comment on the other changes included in the C 07.00 template? Other changes include a separate exposure class for "Corporates – Specialised lending, an "of which" row for exposures to central banks, revised memorandum item rows to align with the breakdown for exposures secured by immovable property, a new column "other" for transitional CCFs for UCC, and a last column to report the impact of transitional provisions on CCFs for UCC.

The transitional provisions on CCFs provided for in Article 495d are accounted for in the C07.00 template on standardized exposures, however the "Other" column does not appear in the C08.01 template. The respondents would thus need further details on the reporting of CCFs under the IRB approach (referring to columns 0101 to 0107).

Question 11: CIUs under the SA approach – Please also refer to question 16 on the reporting of CIU positions and underlying exposures under the IRB:

Do institutions have information readily at their disposal on underlying exposures of CIUs in order to be reported as it is proposed to be done in C 08.01? Would this add substantial reporting costs?

The reporting of this information would require further explanation as outlaid in the feedback on the questions related to IRB exposures.

5.3.3 Credit Risk IRB

Question 12 – Large corporates:

The additional breakdown on Large corporates was deemed vital in order to guide the correct application of the new rules for such exposures and to cover the information needs on the exposures to SMEs and Large Corporates. However, it implies overlap with the other Corporate exposure classes. Therefore, two options are put forward for respondents to this consultation:

Which option would be preferable taking into account the ready available data and reporting costs?

Our members have expressed a preference for Option 1.

Question 13 – IRB retail: *Is the breakdown of exposure class 'Retail' clear and unambiguous?*

We would appreciate more clarity on:

- whether there is also a decision tree for Retail,
- how we should treat retail – purchased receivables.
- if we should define this asset class before the rest of asset classes, or whether a predefined order is established.

As mentioned, the proposed option 1 as outlaid in the templates appears feasible.

Question 14 – Further question on the corporates breakdown in C 09.02:

Would it be less costly to report the whole breakdown of exposure classes of Art. 147 (2) c) CRR3, i.e. including 'Corporates-other' instead of reporting 'of which' items for Specialised Lending exposures and purchased receivables?

The feedback we have received from members suggests that it would be less costly to have all the detail (all the subcategories within the category of Corporates) in template C 09.02, consistent with the option 1 of question 12.

Question 15 – CIUs according to Art. 147 (2) e1) CRR3:

Question 15.1: Is it clear how positions of exposure class CIU (Art. 147 (2) e1) CRR3 are to be reflected in the CR-IRB templates (C 08.01 to C 08.07)?

The instructions related to the reporting of CIUs are not clear enough from the respondents' standpoint. It is however our understanding that CIUs under the IRB approach and which are eligible to the mandate based or look through approaches would be reported in the C08s while:

- If some of the underlying of the CIUs is treated under SA : the reporting is expected in the SA templates
- for CIUs with equity or securitization underlyings: reporting is expected in the Securitization or equity templates
- for CIUs not meeting the criteria for look-through or mandate-based approach (excluding securitization and equity): reporting is expected in the SA templates

Clarifications are expected on the instructions for this exposure class. To summarize the position, it is expected that the reporting framework for CIUs under the IRB approach would follow the existing framework under the SA for Credit risk.

Question 15.2: Regarding CIU positions whose underlying are securitisations or equity exposures, would it be clearer and easier to report these underlying exposures under the securitisation and equity templates (C 13.01 and C 10.01, respectively)?

It would appear more logical to report CIUs whose underlying are securitisation or equity under the securitisation and equity templates. We do not see the advantages of reporting these exposures under the Credit Risk templates.

It is the respondents' understanding from the information provided in the instructions that the equity and securitization underlying exposures are already expected in the corresponding templates. Could this position be confirmed or corrected.

Question 15.3: If you identify any issues, please suggest how to clarify their treatment in the templates and/or instructions.

Reporting of CIUs under the IRB approach- Option 1:

As described in para 76a of Annex II and as illustrated in the example in chapter 5.1.1 of this Consultation Paper, information on CIUs are reported with the z-axis of template C 08.01 for the exposure class 'CIU' which is relevant for the calculation of the Total risk weighted exposure amount and which is linked to template C 02.00. In addition, in order to receive information on the allocation of underlyings to exposure classes, the underlying individual (in the case of the look through approach) and individual group of (in the case of the mandate-based approach) exposures shall be classified into the corresponding exposure class for considering them in the new section MEMORANDUM ITEMS - BREAKDOWN OF TOTAL EXPOSURES BY APPROACH (CIU).

As it is described, this option seems in line with the one already implemented under the Standardized approach and is preferred to the introduction of a new dedicated template which would induce an additional operational cost.

Question 15.4: Do institutions have information readily at their disposal on underlying exposures of CIUs in order to be reported as it is proposed to be done in C 08.01?

We understand that most banks would not have this information immediately available and that additional time would be needed to obtain and present the necessary information.

Please refer to question 15.3

***Question 15.5**: Would it add substantial reporting burden for institutions if these exposures would be reported under a separate template where both the CIU positions and the underlying exposures would be reported under the corresponding exposure class? Would this approach be clearer?*

An additional template for the purpose of reporting CIUs would not bring clarity to the reporting framework. Clarifications on the proposed option (reporting of CIUS in the SA and IRB templates) would be preferred.

Question 16 – Question on the mortgages breakdown in C 08.01

Do institutions – in particular the ones applying own LGD estimates – have information readily at their disposal for providing this further split into "secured" and "unsecured". Would this add substantial reporting costs?

The information is likely to be available across banks but would processes and controls would need to be updated with associated costs.

CVA

Question 18 – revised template C 25.00

Templates C 25.00 (CVA) and C 02.00 (own funds requirements) and have been amended to align with the new 3 approaches set out in the in Regulation (EU) No 575/2013 (standardised, basic, simplified) and to align with the Basel disclosure requirements. In addition the template C 25.00 is designed to capture:

- *The mandatory reporting of own funds requirements calculations for excluded transactions, the reporting;*
- *The discretion to calculate own funds requirements also for excluded transactions, where institution uses eligible hedges;*
- *The reporting of own funds requirements stemming from derivative positions of CIUs.*
- *The derogation to calculate the CVA charge as an amount equal to 50% of the CCR charge is shown as an additional approach for the purpose of reporting only and is reflected as such in the C 02.00 template;*
- *A breakdown by counterparty types for the number of counterparties for transactions subject to the SA-CVA approach is aligned with disclosure requirements for CVA in Regulation (EU) No 575/2013.*
- *The breakdown of own funds requirements by approach and by sub-risk classes is aligned with the disclosure requirements in in Regulation (EU) No 575/2013.*
- *The systematic and idiosyncratic components of CVA risk for the reduced basic approach.*

Are the reporting template C 25.00 and related instructions clear enough? If you identify any issues, please suggest how to clarify the reporting.

The instructions appear clear.

The draft proposal for COREP requires the reporting of the marginal impact of reintegration of exempted transactions for CVA own funds requirement calculations (Template C 25.00, lines 0040 to 0110). This requirement is deemed disproportionate as the CRR requires a review of CVA provisions only every two years (Art. 382 (5)). It also adds compliance complexity and ambiguity, as details on different types of transactions are requested, while macro hedges cannot always be allocated to one single type of transaction. This requires building up allocation rules that are both artificial and complex to implement.

It is proposed to remove lines 0040 to 0110 from template C 25.00 and report only necessary items with an adapted frequency in separate existing reports, such as QIS.

Market risk

Question 19 – Simplified standardized approach, market risk overview in C 02.00 and offsetting group concept in the group solvency templates

a) Did you identify any issues regarding the representation of the (policy) framework regarding the simplified

standardized approach, the overall RWEA for market risk and the offsetting group concept in the templates C 02.00, C 06.02 and C 18.00 to C 23.00? Are further amendments necessary to align the reporting with the CRR3?

b) Are the amended templates and instructions clear?

Reporting requirements if FRTB is postponed

For market risk, the template C 02.00 is broken-down by:

a. New RWEA under SSA (vision OFR calc. under FRTB) => New, would apply once FRTB binding for OFR calculation
b. New RWEA under A-SA (vision OFR calc. under FRTB) => New, would apply once FRTB binding for OFR calculation
c. New RWEA under A-IMA (vision OFR calc. under FRTB) => New, would apply once FRTB binding for OFR calculation
d. RWEA under current IM (vision OFR calc. current) => to be kept, if application of the FRTB as binding framework for the calculation of OFR for market risk is being postponed

The templates C 18.00 to C 23.00 are recycled to report the new SSA (current SA with the application of specific scaling factors) / The template C 24.00 is maintained if FRTB application is being postponed for OFR calculation.

In this sense, if FRTB application for OFR calculation is being postponed, it seems that the EBA only provides the ability to report the Simplified Standardized Approach - 'FRTB SSA' (i.e., no item available to report the current Standardized Approach) and there is no specific information in the instructions regarding the reporting requirements under this scenario.

Respondents understood from the Public Hearing that fields and templates dedicated to the Simplified Standardized Approach ('FRTB SSA') should be filled with a scaling factor 1 in order the reflect the OFRs and detailed OFRs under the current Standardized approach if FRTB is postponed.

Instructions should clearly clarify the COREP reporting requirements if FRTB is postponed.

5.3.7 The boundary between trading book and banking book

Question 20 – Boundary template

a) Did you identify any issues regarding the representation of the (policy) framework for the boundary in templates C 90.05 and C 90.06?

Yes, in case template C90.05 when considering trading positions by risk factor and its breakdown on long and short positions. We believe the required breakdown does not add any value when analysing the boundary of the trading book. Therefore, it would not be justified the extra burden that this would entail for institutions. We would suggest removing this breakdown.

First application date: Template C 24.01 (MOV)

The template C 24.01 initially part of the FRTB reporting will merge into the Supervisory reporting. Respondents understood from the Public Hearing that this template shall be reported once FRTB is binding. Instructions should be amended to precise the 1st application date of this template.

First application date of templates C 90.05 and C 90.06

Regarding the first application date of templates C 90.05 and C 90.06, respondents strongly suggest starting to report them only once FRTB applies.

1. This working assumption would be aligned with the EBA's no-action letter stating and arguing that a front-loaded application of the boundary provisions compared to the rest of the Fundamental Review of the Trading Book (FRTB) framework would create several significant operational issues.

Such two-step implementation of the boundary framework would lead to fragmentation in the regulatory framework and, hence, in the financial markets, as well as potential unlevel playing field issues.

The same reasoning should be followed for the reporting framework since, as specified by the EBA, institutions would be subject to an operationally burdensome complex and costly fragmented two-step implementation of the boundary framework.

2. If the reclassifications template C 24.01 is expected once FRTB is binding, the boundaries templates should also follow the same temporality in order to avoid any asymmetry. In this sense, the reporting of reclassifications, boundaries and the OFR calculation should be aligned.

3. Respondents also underline the very high complexity these two new templates will involve in terms of implementation, as data required implies several new developments in the systems and the creation of new axes of reporting. They also underline the fact that these new templates are not useful from a supervision standpoint in the context of the step 1.

Report long and short positions broken down by main risk drivers requested in template C 90.05 will be very complex. Such additional breakdown will have no added value from a supervision standpoint and is not required on the Level 1 Texts (neither CRR2 nor CRR3). Respondents suggest accordingly to delete this information from the template.

Furthermore, the method for identifying the main risk driver of a position and for determining whether a transaction represents a long or a short position is not clearly defined in the Regulation and the EBA ask institutions to refer to a 'RTS on long and short positions' which has not been published yet.

Therefore, respondents urge the EBA to consider the first application of these 2 templates once FRTB is the binding framework.

b) Are the scope of application of the requirement to report the different templates, the scope of positions/instruments/profits and losses etc. included in the scope of every template, the template itself and the instructions clear? If not, please explain the issues needing clarification, and make a suggestion on how to address them.

Scope of application of templates C 90.05 and C 90.06

Respondents feel that instructions regarding the scope of positions expected by the EBA on templates C 90.05 and C 90.06 could be clarified as the reference to the article 325a, which deals with the SSA and its threshold calculation, and the headers "value to the effect of Article 325a of Regulation (EU) No 575/2013" could be quite misleading and could generate different interpretations by institutions.

- For template C 90.05, the instructions say that "Institutions shall report all positions assigned to the trading book as referred to in Article 4(1), point (85), of Regulation (EU) No 575/2013 in this template, **with the exception of instruments and positions excluded from the calculation of the threshold referred to in Article 325a of Regulation (EU) No 575/2013.".**

- Respondents understand that all trading book positions are in the scope of this template except the positions described in Art.325a(2) point a which are credit derivatives that are recognised as internal hedges against non-trading book credit risk exposures and the credit derivative transactions that perfectly offset the market risk of the internal hedges as referred to in Article 106(3).

- Is the EBA aligned with this interpretation? Can an institution which does not use the SSA, also apply this criterion (i.e., exempt the positions described in art.325a(2) point a from the reporting scope)? Could the EBA add more precision to the instructions regarding the scope of positions which should be reported on template C 90.05?

- For template C 90.06, the instructions say that "Institutions shall report all positions assigned to the non-trading book in this template, **regardless of their inclusions or exclusion from the calculation of the threshold referred to in Article 325a of Regulation (EU) No 575/2013.".**

- Respondents understand that all banking book positions are expected in this template including positions described in Art.325a(2) point a which are credit derivatives that are recognised as internal hedges against non-trading book credit risk exposures and the credit derivative transactions that perfectly offset the market risk of the internal hedges as referred to in Article 106(3).

- Is the EBA aligned with this interpretation? Could the EBA add more precision to the instructions regarding the scope of positions which should be reported on template C 90.06? More specifically, could the EBA add more precisions regarding the inclusions or exclusions of Article 325a CRR it is referring to?

- For columns 0030 and 0040 of template C 90.06 dealing with instruments and positions subject to commodities risk, institutions understand that the header "Value to the effect of Article 325a of Regulation (EU) No 575/2013" refers to the metric to be used to report such banking book instruments. In the same way as the other points raised above, the instructions and the link with the CRR references could be more specific to avoid any misinterpretation.

Additional Areas for Consideration:

Further clarification would be valued on the following areas:

1) <u>For trading positions (Corep C14 01)</u>

While columns 460 and 470 have been removed (according to Excel Annex 1) this has not been updated in Annex 2, which indicates the mandatory fields for trading securitisations.

See para 119. "Securitisation positions in the trading book shall only be reported in columns 0010-0020, 0420, 0430, 0431, 0432, 0440 and 0450-0470. For columns 0420, 0430 and 0440, institutions shall take into account the RW corresponding to the own funds requirement of the net position".

2) <u>For all securitisations, the instructions refer about the Unique Identifier (Corep C14 00 and C14 01)</u>

<u>0015</u>	**<u>UNIQUE IDENTIFIER</u>** **<u>For securitisations</u>** issued on or after 1 January 2019, institutions shall report the unique identifier as defined in Article 11(1) of Commission Delegated Regulation (EU) 2020/1224.

More clarity on how this column should be completed would be welcome.

1) Should this column be completed for investor positions too or only for originator positions? There may be difficulties in compiling this code for investment positions.
2) When in Art 11(1), the instructions indicate: "a) the Legal Entity Identifier of the reporting entity;" is it referred to the LEI code? Or is it referred to the legal entity of the reporting entity or the issuer of the securitisation?

<u>0015</u>	**<u>UNIQUE IDENTIFIER</u>** **<u>For securitisations</u>** issued on or after 1 January 2019, institutions shall report the unique identifier as defined in Article 11(1) of Commission Delegated Regulation (EU) 2020/1224.

<u>3) Slotting approach: Template 8.1:</u>

"In COREP 8.1, row 080 (SPECIALIZED LENDING SLOTTING APPROACH: TOTAL), columns 040, 050, 060, 070 and 080 are blocked.

However, article 236.1.d CRR allows UFPC to be applied to slotting criteria.

1d. Notwithstanding paragraph 1c, institutions that apply to guaranteed exposures the IRB Approach using the method provided for in Article 153(5) shall calculate the risk weight and expected loss applicable to the covered portion of the exposure using the PD, the LGD applicable for a comparable direct exposure to the protection provider as referred to in Article 161(1), in accordance with paragraph 1b, and the same risk weight function as the ones used for a comparable direct exposure to the protection provider, and shall, where applicable, use the maturity M related to the underlying exposure, calculated in accordance with Article 162. For subordinated exposures and non-subordinated unfunded credit protection, the LGD to be applied by institutions to the covered portion of the exposure value is the LGD associated with senior claims and that may account for any collateralisation of the underlying exposure in accordance with this Chapter.';

Likewise, article 236a.4 CRR also allows slotting criteria as valid UFCP:

4. Institution that apply to comparable direct exposures to the protection provider the IRB Approach using the method provided for in Article 153(5), shall apply the risk weight and expected loss applicable to the covered portion of the exposure that correspond to the ones provided in Articles 153(5) and 158(6).

Therefore, we understand that these columns 040, 050, 060, 070 and 080 must be enabled in row 0080".

4) <u>COREP 15 IP Losses:</u>

a. Currently COREP 15 (IP Losses) does not have validation rules, but we would like to know if such validation rules will be created as a result of this consultation. In the Consultation document the EBA says that it will update the validation standards once the final draft of the ITS is available, but there is no further detail on this.

b. The new instructions (Annex 4 file) of COREP 15 of IP Losses refer to Art. 4.1.74a CRR3 for the definition of property value. This definition in turn refers to Art. 229.1 CRR3. In this article it is not clear what is to be interpreted as "property value". In Art. 229.1 of the current CRR there is a paragraph (which disappears with CRR3) in which it is stated that the value of the security interest is the market value or the mortgage value. Art. 229.1 CRR3 introduces a number of requirements to the valuation (such as that it be issued by an independent valuer) but does not say anything about whether it is the market or mortgage value. We would appreciate some clarification on this matter. Wording in art. 229.1 in current CRR: The value of the collateral shall be the market value or mortgage lending value reduced as appropriate to reflect the results of the monitoring required under Article 208(3) and to take account of any prior claims on the immovable property.

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About AFME:

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