FÉDÉRATION BANCAIRE FRANÇAISE

14.03.2024

FBF RESPONSE TO THE CONSULTATION PAPER ON DRAFT IMPLEMENTING TECHNICAL STANDARDS 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 (EBA/CP/2023/39)

I - General comments:

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorised as banks and doing business in France, i.e. more than 340 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 340,000 people in France and around the world and serve 48 million customers.

The French Banking Federation is pleased to address you for the answers to the questions addressed to improve the risk control of the European financial system and to strengthen its stability. We welcome the work done to provide the proposals throw that consultation.

Output floor fully loaded ratios and TREAs

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.

- It is all the more unwelcome now that we know that the US will further delay their reform; such disclosure could be particularly detrimental to EU banks that would be forced to show an excessively depleted ratio.

- 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 preserve the competitiveness of EU banks insofar as they concern among other things:

- 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 recognized 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 this 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 this information as part of COREP would be made publicly available via EBA Transparency Exercise.

We know from experience that the 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 P3 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%.

- **TIMELINE**

The timeline between the expected delivery of the final DPM 4.0 ITS pack (3Q 2024) and first reference period of reporting (1Q 2025) is very short. As the change under CRR3 is significant in size and complexity, it does not leave enough 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.

Moreover, 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 CRR3 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 will not even be clear which approach shall be the basis for the reporting.

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?

II –Answers to the questions related to the consultation.

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

While instructions and templates are in general clear, we have questions for clarification concerning few templates.

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' C015 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).

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?

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?

- On output floor and capital ratios:
  - Europe has recognized the need for long transitional measures, some of which could be further extended or even made permanent. This is to allow banks to adapt to the international context despite the lack of relevance of the far too high loss measurements which constituted their basis (notably on residential real estate).
  - The multiplication of ratios ((i) "normal" and (ii) "fully loaded" without the phasing of the output floor and (iii) "full fully loaded" without the application of the transitional measures, far from bringing transparency, generates confusion and non-experts systematically align themselves with the least favorable ratios for banks.
  - We do not share the choice of option 3b which would go completely against the European text. 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.
  - It's a major attention point for French banks.

- On TREA
  - Article 92(3) requires the calculation of the TREA (TREA=max (U TREA; x S TREA)) at institution level and on the sum of all risks (Articles 92.4 & 5).
  - But Article 438(d) require the calculation of the TREA to be broken down the different risk categories or exposure classes for the disclosure of own funds requirements and risk-weighted exposure amounts.
  - We identify inconsistency inside the regulatory text and incapacity to implement this feeding into reporting and disclosure because the TREA is calculated only at Group level or solo level with the sum of risks and because none allocation rules defined anywhere.
  - So Template C02 column 10 should be modified and clarified → We expect to have the restitution of U-TREA in column C10.

- On Asset Classes :
  - CRR3 in article 112 (i) defines new asset class "Exposures secured by mortgages on immovable property and ADC exposures". When we study the mapping tool between reporting and Pillar 3, we discover creation of several asset class (named S000XX) corresponding to the additional row in COREP C02 / C08.
  - We consider that ITS go beyond the request of CRR3 on this topic and the proposal is not homogeneous. In regard of the timeline very short for the first step of ITS CRR3 reporting evolution, the non-mandatory definition of this new class in CRR3, we recommend the abrogation of this assets class in the final version and take time to be consistent between reporting and Pillar 3 in the second step of the consultation.

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 – Counterparty risk

- 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.

- On C34.02 reporting instruction, column 230 & 240, it is written "…in accordance with Article 92(54) of Regulation (EU) No 575/2013." → This article doesn't exist in Regulation (EU) No 575/2013.

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

Output floor. Breakdown by assets or type of assets

The Output floor is a global calculation and should not be broken down by assets or type of assets. When there are IRB measures in a bank, this involves showing the total standard RWA at 100% (which should be detailed separately) and displaying the formula with 72.5% to produce the impact of the output floor in a unique single figure which depends on all the components of risks used.

See answer in question 2.

NPE Loss coverage

Related COREP templates (C35.00, C35.01, C35.02) have not been modified whereas CRR 3 amended Article 47c to exempt NPE backed by OECA and lighten prudential provisioning requirements for some guaranteed NPE.

These templates should be amended in order to reflect amendments on Article 47c.

Question 4 - 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,
▪ 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,
▪ offer suggestions on alternative ways to achieve the same/a similar result with lower cost of compliance for you.
▪ what are your views on introducing more granular reporting in Step 2 in credit risk IRB templates C 08.XX to include obligor or loan level reporting? Explain the nature/source of the cost and the benefits.

More granular reporting in step 2 in credit risk IRB templates with inclusion of obligor or loan level reporting is not well understand. Current reportings are not well design for that change and would have to be totally rebuilt. That will be source of more cost to make them design with quality.
We will have to multiplicate calculation run that have not been anticipate for now. It is too a very expensive and complex change. This project is on discussion and should not have to be in step 2.
Of course, a more granular reporting on obligor or loan level would massively increase the cost for the reporting. On this aspect of granularity, our understanding is this topic should be included in the context of BIRD and IReF
for statistical and social reportings and IRS for prudential and resolution reporting. There are many aspects to clarify before asking to include this granularity level into one COREP template → it's not made sense.

OUTPUT FLOOR

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

In addition to the reporting of standardised total risk exposure amounts in template C 02.00, column 0020 for the subset of SA and IRB exposure classes, a separate template C 10.00 is introduced to report IRB exposures subject to the output floor, broken down by SA exposure classes and reflecting the main steps of the calculation of the standardised risk weighted exposure amounts and capture the impact of transitional provisions for S-TREA.
Do you identify any issues regarding the introduction of this template? 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?

Based on all considerations detailed in general remarks, it is considered that C10.00 Template should not require to report impact of the application of transitional provisions related to exposures secured by residential mortgages and unrated corporates. Considering that this 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.

- The introduction of this template to report IRB exposures subject to the output floor broken down by SA exposure classes and reflecting the main steps of the calculation

of the standardized risk weighted exposure amounts and capture the impact of transitional provisions for S-TREA is welcome.
It gives clarity on the comparison between capital requirements determined by the IRB approach and the SA.

- On C10 reporting instruction, section 92, It is written “Columns 0100-0120 collect information on the impact of transitional provisions related to the output floor for these exposures.” → It should be right to read “Columns 090-0110” instead “Columns 0100-0120”

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

In COREP, the reported data reflects the applicable provisions at the reference date including the effect of transitional provisions. The effect of transitional provisions with an impact on own funds is reported in C 05.01. With regard to the output floor transitional provisions set out in Article 465 of Regulation (EU) No 575/2013, it is deemed more convenient for the analysis to include the impact of transitional provisions in each of the templates comprising the impact of those transitional provisions.
• In C 02.00 column 0020 ‘Output floor S-TREA’ include the effect of transitional provisions for modelled approaches for the output floor (on mortgages, unrated corporates, CCR, securitisation);
• In C 02.00 row 0035 ‘Of which: Floor adjustment’ includes the effect of the transitional percentage (50% -72.5% phasing-in) and of the transitional cap of 125%;
• In C 03.00 rows 0010-0060 reflect the effect of transitional provisions on capital ratios, besides, memorandum items rows 0070-0090 capture the unfloored capital ratios. Moreover, memorandum items rows 0330-0350 collect information on the fully-loaded capital ratios and rows 0360-0380 on the capital ratios without EU-specific transitional provisions on S-TREA;
• In C 04.00, memorandum items: amounts of the floor adjustment before transitional cap, after transitional cap, fully-loaded floor adjustment and output floor applied are added;
• In C 10.00 columns 0090-0110 collect information on the impact of transitional provisions applicable to internally modelled mortgages and unrated corporates for the computation of S-TREA. Besides, other templates including modelled reporting data (C13.01, C14.01 on securitisation, C34.02 on counterparty credit risk) have been updated to include information on the impact of the transitional provisions for the output floor.
Is the design for the reporting of transitional provisions for the output floor clear enough? If you identify any issues, please specify the related templates and instructions.

<u>On the template C02:</u>

- Currently the reporting is fed by C07 and C08
- For the integration of CRR3 evolution In column C20, the S-TREA for standard portfolio is not restituted in detailed C07 template.
- The link between column 20 of C02 template and C07 template is not possible for class exposures concern by article 465.
    - The link between C07 template and CMS1 & CMS2 template are not possible for class exposures concern by article 465.
    - Synthetic report (as C02) and detailed reporting (as C07) should be stay linked.
    - Row 35: restitution of floor adjustment in TREA column causes confusion within reporting and the column TREA which should be modified.

<u>On template C03 :</u>

- Lines 330 to 380 are capital ratios without application of the transitional provisions on the output floor (article 465).

- To be consistent with arguments developed around the position on output floor fully loaded, we consider that lines 330 to 380 in the memorandum items don't make sense.
- Transitional provisions should be applicated and thus capital ratios should not be calculated and restituted without application of the transitional provisions on the output floor.

On templates C04 and C10 reporting: clear, no additional comment.

On template C14: the column 300 « *Legal final maturity date* » is missing. It should be added.

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?

We have no comments.

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

The Output floor is an overall calculation and depends on all risk components used in the relevant banking entity. The output floor therefore has the original characteristic of being non-additive so as to consolidate.

In the case of a group where the Member State authorizes the exemption from the application of the output floor at the level of the sub-entities making up the group in its country, it will be very important to specify the absence of declaration of output floor elements at the level of these exempt entities. Indeed, they are not relevant at the highest level of consolidation as there will be this specific calculation at this group level.

On this question, the EBA indicated during the virtual public hearing on January 23 that the reporting would only apply at consolidated level and that they will consider making this clear in the instructions.
Accordingly, we would welcome that this clarification is added to the ITS instructions.

CREDIT RISK STANDARDISED APPROACH

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

The following subset of exposure classes has been introduced in reporting for the exposure class referred to in Article 112, point (i) of Regulation (EU) No 575/2013:
- exposures secured by residential immovable property (IPRE, non-IPRE (secured, unsecured (risk weighted as not secured by immovable property)),
- exposures secured by commercial property (IPRE, non-IPRE (secured, unsecured (risk weighted as not secured by immovable property)),
- exposures secured by immovable property – Other (IPRE, non-IPRE),
- ADC,
to be reported in C 02.00, C 07.00 (CR SA) and C 09.01 (CR SA – geographical breakdown).

Besides, it should be noted that the approach to assign parts of exposures secured by mortgages on immovable property to other exposure classes (e.g. retail) no longer applies, due to the amendments introduced in Article 124 of Regulation (EU) No 575/2013.
For the rows collecting information on non-IPRE exposures secured by residential or commercial immovable property, the chosen approach consists of reporting in the respective rows the exposures which meet the criteria to be treated in accordance with respectively Article 125(1) or Article 126(1) of Regulation (EU) No 575/2013, i.e. including IPRE exposures which meet the criteria for being treated as non-IPRE exposures. The rationale for this approach is that the RWEAs for those exposures are calculated in accordance with Article 125(1) or Article 126(1) of Regulation (EU) No 575/2013 (so called 'loan splitting approach'), where the IPRE exposures meet the criteria to be treated in accordance with this Article. A more granular design could be considered, that would be to report the above IPRE exposures as an "of which" of the sub-exposure classes 'Secured by mortgages on residential immovable property - non-IPRE' and 'Secured by mortgages on commercial immovable property - non-IPRE'.
Do you identify any issues related to the introduction of this new subset? Is this proposal clear enough? If you identify any issues, please suggest how to clarify the reporting.

On the new subset proposal, we identify issues because :

- We consider that ITS go beyond the request of CRR3 on this topic and the proposal is not homogeneous. In regard of the timeline very short for the first step of ITS CRR3 reporting evolution, the non-mandatory definition of this new classes in CRR3, we recommend the abrogation of theses asset classes in the final version and take time to be consistent between reporting and pilar 3 in the second step of the consultation by creation of a dedicated new template for subset of "exposures secured by mortgages on immovable property and ADC exposures"
- According to article 112 of Regulation (EU) No 575/2013, each exposure shall be assigned to several exposure classes, of which (in only one classes'(i) exposures secured by mortgages on immovable property and ADC exposures).
- Article 112.i in CRR3 modified the perimeter of exposure class class "Secured by mortgage on immovable property" to add "ADC" perimeter.
- The sub classes are defined in articles 124 / 125.1 / 126.1 to precise the calculation of theses exposures, but these articles don't define the notion of exposure class in term of reporting.

Concretely in term of impact in the reporting, we should have:

- In C07 : only one exposure class for Secured by mortgage on immovable property and ADC (S0010 before)
- In C08.1 :
    - Suppression of lines 017 / 018 / 019 / 0910 / 0920 / 0930 / 0940 / 0950
    - Creation of a dedicated line for all the exposures link to Secured by mortgage on immovable property and ADC
- In C09.1 : Suppression of lines 091 / 092 / 093 / 094 / 0900 / 0901 / 0902 / 0903 / 0904
- In C02 : Suppression of lines 0151 to 0159

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.

1) On CCF restitution, article 111 of Regulation (EU) No 575/2013 confirms the new 10% CCF for UCC but with the application of a phasing period set out in article 495 (d) of Regulation (EU) No 575/2013.

We consider that ITS are not enough clear with the application phasing period restitution in C 07.00 template. It should be more explicit that the column "others" is for the transitional multiplicators for the 10% CCF (article 495d of regulation (EU) No 575/2013.

2) Breakdown of total exposures by risk weights should be available for all RW including phasing period as 160%; 190%; 220%; 280%; 340% set out on article 495a (1) and 495a (2) of Regulation (EU) No 575/2013

3) Row 20 is unavailable and grey for column 10,30,40 because of article 232(3), point (c) of Regulation (EU) No 575/2013 instruction. However, 70% RW is also use for whole loan approach according to article 126(2) of Regulation (EU) No 575/2013 and row 20 should be available for column 10,30,40.

Question 11 – CIUs under the SA approach
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?

Reporting exposures of CIUs across the existing underlying exposure classes based on a look-through/mandate-based approach under the SA approach is not deemed needful as C07 reporting already proposed sufficient information with risk weights breakdown for underlying exposures. This modification would generate additional work for banks.

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:

Option 1: Current proposal in templates and instructions, with a decision tree
In this proposal, institutions would need to follow a decision tree to allocate the exposures in the sub-exposure classes. Institutions would first allocate their exposures in the exposure classes Specialised Lending and Purchased Receivables, respectively. Under the F-IRB approach the remaining exposures (i.e. the exposure class General Corporates) should be reported in the sub-exposure classes Large Corporates and SME, respectively, if they fulfil the definitions of Art. 142 (1) 5a) CRR3 or Art. 5 point 8 of CRR3. "Corporates – Other" would

include any exposure that is not allocated to the two aforementioned and accordingly the four above mentioned (sub-)exposure classes. Under the A-IRB approach the exposure class General Corporates should be reported in the sub-exposure classes “Corporates – SME” and “Corporates – Other” as Large Corporates are not eligible for the A-IRB treatment unless classified as Specialised Lending.
In order to have a view of the total exposures for Large corporates, an additional row was added in C 08.01 to capture the overlap of exposures to Large corporates that are allocated to the exposure classes Specialised Lending and Purchased Receivables:

Option 2: To have “Large Corporates” and “SMEs” as of which items, to avoid overlap
Under this option, which aims at avoiding overlaps of the breakdown of Corporate exposures, all Corporate exposures are assigned and reported according to the exposure classes of Art. 147 (2) c) CRR3. The exposure class “General Corporates” would include those exposures which are not assigned to the exposure classes “Specialised Lending” or “Purchased Receivables”.
In addition and without affecting the reporting of the calculation of RWEA of Corporate exposures, different from option 1 exposures to corporates which fulfil the CRR3-definitions of SME and Large corporates, respectively, would be reported as “of which” items of the total of F-IRB respectively A-IRB exposures. With this approach, both items would be reported, regardless if they overlap with the Corporates exposure classes. The items ‘of which: Corporates – SME’ and ‘of which: Corporates – Large corporates’ would also be reported separately as sub-exposure classes for templates C 08.0X.
Please note that the breakdown of corporate exposures in template C09.02 considers the approach of reporting exposures in large corporates and SMEs as of- which-positions of ‘corporates’.
Which option would be preferable taking into account the ready available data and reporting costs? Which one would be more advantageous for data analysis?

The option 1, as outlaid in the proposed template appears feasible and is preferred.

Question 13 – IRB retail

Is the breakdown of exposure class ‘Retail’ clear and unambiguous?
Would an “of which” approach analogous to option 2 described in question 12 but referring to “Secured by immovable property” instead of “Large Corporates” be advantageous for data analysis and preferable taking into account the ready available data and reporting costs?

We have no comments.

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

In template C09.02 exposures to corporates are reported according to the exposure classes of Art. 147 (2) c) CRR3 and according to the information needs on the exposures to SMEs and Large Corporates. The breakdown by exposure classes according to Art. 147 (2) c) CRR3 are proposed to be reported as ‘of which’-positions of the Total corporates reported in row 0030.
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?

We are in line with the proposal to include all exposures as ‘of which’ but the list should be reviewed to be exhaustive.

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)?

• 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)? Inversely, should they be reported under the credit risk templates?

• 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).

• 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? Would this add substantial reporting costs? If so, how are those underlying exposures currently reported?

Reporting of CIUs under the IRB approach – Option 2:

The introduction of the new exposure class for CIUs under the IRB approach offers the possibility to revise the way of how CIUs are reported in the ITS on Reporting. Therefore, as a second option it is proposed to introduce a new template for reporting CIUs assigned to the exposure class according to Art. 147 (2) e1) CRR3. Similarily to C 10.01 for equity exposures, this template would include information on those CIU positions, only. Information on SA and IRB exposure classes according to which the risk weighted exposure amounts of the underlying individual (in the case of the look through approach) and individual group of (in the case of the mandate-based approach) exposures are calculated, would be reported in the dimensions of this template. In addition, this template would include depending on the supervisory information needs, among others, the necessary information on risk allocation (breakdown by risk weights for underlying exposures calculated according to SA approach; breakdown by PD, LGD etc. for underlying exposures calculated according to IRB approach).

• 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?

Instructions are clear on how positions of exposure class CIU have to be reflected in the CR-IRB template and why Option 5b has been chosen as the preferred option.

On template C 08.02: the reference to the" double default" should be deleted in the title of the group of columns 150-210 as it is in the template C08.01 for the same group of columns.

On templates C13.01 and C14.01: the title of the group of columns "Memorandum item" refers to paragraph 5d of article 465. It should be modified, and it should refer to paragraph 7 that describes specific transitional provisions related to securitization.

Question 16 – Question on the mortgages breakdown in C 08.01

In template C 08.01 a breakdown on mortgages is added for covering supervisory information needs on residential and commercial real estate as well as IPRE and ADC exposures. In this context, a breakdown for non-IPRE exposures into "secured" and "unsecured" (risk weighted as not secured by immovable property) is introduced referring to Articles 125 (1) respectively 126 (1) CRR3 in order to further align reporting for SA and IRB exposures.
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?

We consider that ITS go beyond the request of CRR3 on this topic and that the mortgages breakdown is not mandatory for IRB class exposures.
In regard of the timeline very short for the first step of ITS CRR3 reporting evolution, the non-mandatory definition of this new classes in CRR3, we recommend the abrogation of theses breakdown in the final version and in the second step of the consultation by creation of a dedicated new template for subset of "exposures secured by mortgages on immovable property and ADC exposures".
If this split stay in the final version, it will generate cos for the implementation.

Regarding asset Classes, CRR3 in article 112 (i) define new asset class " *Exposures secured by mortgages on immovable property and ADC exposures*". When we study the mapping tool between reporting and Pilar 3, we discover creation of several asset class (named S000XX) corresponding to the additional row in COREP C02 / C08.

We consider that ITS go beyond the request of CRR3 on this topic and the proposal is not homogeneous. In regard of the timeline very short for the first step of ITS CRR3 reporting evolution, the non-mandatory definition of this new class in CRR3, we recommend the abrogation of this assets class in the final version and take time to be consistent between reporting and pilar 3 in the second step of the consultation.

IP LOSSES

Question 17 – revised instructions for template C 15.00

The instructions have been updated to align with the legal references with the new articles introduced in Regulation (EU) No 575/2013 for exposures secured by immovable property and the revised [Article 430a] on specific reporting obligations. The instructions have been clarified on certain aspects. The template has been amended to remove the two columns referring to the mortgage lending value. Are the revised instructions clear enough? If you identify any issues, please suggest how to clarify the reporting.

Revised instructions are clear enough.

CVA

Question 18 – revised template C 25.00

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 reporting is clear enough.
However, 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.

- *C 25.00 (Column 0020) "Own funds requirements for CCR"*
  It is unclear, which positions and values have to be reported here. The instructions make reference to Article 192(4), point (a), of Regulation (EU) No 575/2013 and Part Three, Title VI of Regulation (EU) No 575/2013). The headline suggests that it is expected only own funds requirements for CCR. It is needed to clarify if the filling for column 0020 concern own funds requirements for all transactions subject to CVA risk for:
  - counterparty credit risk and credit valuation adjustment risk or
  - counterparty credit risk only or
  - credit valuation adjustment risk only.

- On C25 reporting instruction, column 290, it is written "Article 92(7), point (b), of Regulation (EU) No 575/2013 → It should be right to read "Article 92(6)" instead "Article 92(7)"

- On C25 reporting instruction, column 20, it is written “Own funds requirements for CCR (Article 92(4), point (a) …” → It should be right to read “Article 92(4), point (f)” instead “Article 92(4), point (a)”

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 not postponed.

In template C 02.00, the EBA should ensure that there is no restricting rule on the total RWA for market risk (line 0520) and on each reporting line (it should be possible to fill lines 0530 and 0581 or lines 0530 and 0585 together), as the combined use of the three methods is allowed by article 325(4) at consolidated level.

The templates C 18.00 to C 23.00, recycled to report the new SSA, should be renamed accordingly to prevent confusion with the reportings under A-SA or current SA.

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.

On the market risk, COREP template C19 is not amended. With FRTB templates, all products will be restituted by type of risk and in some cases, some COREP will be no longer applicable for some bank (depending on the size and the approach).
COREP C19 should be limited to banking book perimeter only (as the trading book is widely restitute on FRTB template).

There seems to be the following typo errors:

- On template **C19:** the column 083 with the "1250%" weighting factor seems to be missing.

- On templates **C18 and C21:** in the instructions, the references to the scaling factor article are not aligned between the column "*Own funds requirements before application of scaling factor"* (reference to article 325.2 point a) and the column *TREA* (article 325. 2. point a(i) and (d))

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?
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.

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 and 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.

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 strongly ask 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.

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 recognized 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 recognized 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.

LEVERAGE RATIO

Question 21 – Do you agree with the changes to the Leverage ratio reporting as implementing the new CRR3 provisions? Do you see any further amendments needed?

We have no comments.