EBA/ITS/2017/01

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# Final Report

## Draft Implementing Standards

## amending Implementing Regulation (EU) No 680/2014

[1] Version amended on 26 April 2017 due to renumbering of Annexes (Annexes 24 and 25 became Annexes 22 and 23 respectively).

# Contents

# 1. Executive summary

Regulation (EU) No 575/2013 (the CRR) mandates the EBA, in, inter alia, Article 99(5) and Article 415(3), to develop uniform reporting requirements. These reporting requirements are included in Regulation (EU) No 680/2014 (Implementing Technical Standards (ITS) on supervisory reporting). These standards are aimed at collecting information on institutions' compliance with prudential requirements as required by the CRR and related technical standards, as well as additional financial information required by competent authorities to perform their supervisory tasks. Therefore, the ITS on supervisory reporting need to be updated whenever prudential or supervisory requirements change.

These ITS introduce amendments to Implementing Regulation (EU) No 680/2014 with regard to the following:

a) new requirements as regards the reporting of information on sovereign exposures;
b) changed requirements as regards reporting on operational risk (OpRisk);
c) changed requirements as regards the reporting of additional monitoring metrics on liquidity (AMM);
d) changed requirements as regards reporting on COREP, IP losses and leverage ratio (technical amendments).

Information on exposures to sovereigns has played a key role in the past and is becoming even more important at a time when the regulatory treatment of these exposures is under review. However, the data on sovereign exposures currently collected in the Reporting Regulation suffer from several shortcomings, which means that additional ad hoc data collections are required of several competent authorities. To overcome these shortcomings, it is proposed that additional information is proposed be included in the Reporting Regulation.

Improvements are also necessary to the reported information on OpRisk to allow supervisors to monitor the losses due to OpRisk events, and to analyse the drivers behind those events that lead to material losses. This is particularly important for significant institutions that pose a bigger risk to the financial stability of the financial system. Institutions' costs due to operational risk events have increased significantly in recent years, with substantial impact on many firms' profitability. Figures from the EBA's last risk assessment report point to a wide range of institutions substantially affected by misconduct costs, which have increased substantially since the financial year 2007/2008. Therefore, operational risk remains high on supervisors' agendas and a close monitoring of institutions' operational risk losses is required.

The proposed amendments both to sovereigns and OpRisk have been consulted on[2] in December 2016. Based on the feedback received during the consultation, major structural and content-

[2] http://www.eba.europa.eu/news-press/calendar?p_p_id=8&_8_struts_action=%2Fcalendar%2Fview_event&_8_eventId=1658497

related changes have been made to the templates and instructions on exposures to sovereigns, and minor changes to those on operational risk.

In accordance with the request from the European Commission, the amendments regarding the AMM primarily consist of the reintroduction of a maturity ladder, aligned with the Delegated Regulation (EU) 2015/61 (LCR Delegated Act, or LCR DA) where necessary and proportionate. Compared with the December 2013 EBA publication, the maturity ladder in these ITS requires less detail on assets other than high-quality liquid assets. Improvements have been made by the introduction of a section which captures the outflows from committed facilities as well as outflows due to downgrade triggers, which are items that align with the contingencies in the liquidity coverage ratio (LCR). Furthermore, the composition of the time buckets has been amended and the number of rows reduced.

For the non-maturity ladder templates and instructions of the AMM, the amendments made reflect the guidance provided in several relevant reporting Q&As published in December 2015, and take into account issues raised in other draft Q&As received afterwards. Also, the amendments of templates and instructions ensure consistency between the different parts of the ITS, particularly to take into account the updates in the maturity ladder.

The proposed amendments to AMM have been consulted on[3] for a 6-week consultation period (the Consultation Paper version of these ITS was published on 16 November 2016). Based on the feedback received during the consultation, minor content-related changes have been made to the templates and instructions.

Given the scope of the changes introduced by these draft ITS in the instructions and templates, the relevant annexes are replaced in whole with those set out in these draft ITS, in order to provide a consolidated version of the updated draft ITS package. The relevant annexes are Annexes I, II, VII, XI, XIV, XV, XVIII to XXIII of Regulation (EU) No 680/2014.

## Next steps

The draft implementing technical standards will be submitted to the Commission for endorsement before being published in the *Official Journal of the European Union*. The technical standards will apply from March 2018 (reporting reference date 31 March 2018).

[3] http://www.eba.europa.eu/regulation-and-policy/liquidity-risk/implementing-technical-standards-its-amending-its-on-additional-liquidity-monitoring-metrics

# 2. Background and rationale

### Importance of uniform reporting requirements

Uniform reporting requirements in all Member States ensure data availability and comparability and hence facilitate a proper functioning of cross-border supervision. This is particularly important for the EBA and the European Systemic Risk Board (ESRB), which rely on comparable data from competent authorities in performing the tasks with which they have been entrusted. Uniform reporting requirements are also crucial for the European Central Bank (ECB) in its role of supervising institutions in the euro area.

### Part of a single rulebook

One of the main responses to the latest financial crisis was the establishment of a single rulebook in Europe aimed at ensuring a robust and uniform regulatory framework to facilitate the functioning of the internal market and to prevent regulatory arbitrage opportunities. A single rulebook also reduces regulatory complexity and firms' compliance costs, especially for institutions operating on a cross-border basis. The ITS on supervisory reporting form part of this single rulebook in Europe and become directly applicable in all Member States once adopted by the European Commission and published in the *Official Journal of the European Union*.

### Maintenance and updating of the ITS

The ITS on supervisory reporting reflect the single rulebook at the reporting level. Therefore, the ITS on supervisory reporting need to be updated whenever the underlying requirements of the single rulebook change.

The completion of technical standards by the EBA, as well as answers to questions raised in the context of the single rulebook Q&A mechanism, have contributed to a more complete and seamless application of the single rulebook. This has led in turn to more precise or otherwise changed reporting instructions and definitions. Experiences of using the reported data for supervision, as well as issues with data quality and feedback from institutions compiling data, have indicated a need to review some of the requirements. In addition, further changes to the reporting requirements were triggered by the identification, during the preparation for the application of the reporting requirements, of typos, erroneous references and formatting inconsistencies.

## 2.1 New requirements as regards the reporting of information on sovereign exposures

1. Data on exposures to sovereigns have played a key role in the past and are becoming even more important at a time when the regulatory treatment of these exposures is under review. However, the data currently collected on sovereign exposures in the Reporting Regulation suffer from several shortcomings.

2. First of all, the granularity of information available in the Reporting Regulation on sovereign exposures is low compared with the information available as part of ad hoc data collection run by supervisors that are based on the templates used for the stress tests and transparency exercises (for instance data collected from institutions under the aegis of the SSM as part of the short-term exercise). Information in particular lacks analytically valuable measures and breakdowns that are needed for an appropriate assessment of institutions' risk profile by supervisors. Second, the different exposure classes that are used to report data on sovereigns in FINREP and COREP do not match exactly in terms of content. Third, a comprehensive view of exposures to sovereigns across the regulatory approaches is missing in COREP, since some sovereign exposures may also be included in other exposure classes (e.g. regional governments reported as institutions).

3. Information on sovereign exposures has indeed been a key feature of both the supervisory assessment of banks' vulnerabilities and of the various data releases from the EBA since 2011, and investors and analysts have repeatedly confirmed their interest in this important piece of information. Due to the abovementioned limitations in the information available in the Reporting Regulation, ad hoc information on sovereign exposures was requested in each of the aforementioned exercises to achieve a more comprehensive view of the banking system's involvement with the public sector, which increased the burden on institutions. The EBA aims to conduct future transparency exercises with data derived entirely from regular data submissions, to ensure better data quality and to reduce the burden on banks.

4. Implementing information on sovereign exposures in the regular supervisory reporting will significantly improve the ability of supervisors and the EBA to monitor exposures to sovereigns and their risks while streamlining the reporting burden of institutions. Doing so will replace the need for ad hoc data collections for purposes such as transparency exercises, enhance the analytical possibilities when assessing various options for the regulatory treatment of sovereign exposures, and ensure that investors and analysts continue to benefit from the same level of information.

### Summary of the new requirements

5. The existing reporting requirements should be supplemented with one new template. Template C 33.00 will provide relevant detailed information by residence of the obligor and accounting portfolio, with breakdown by regulatory treatment and residual maturity.

6. The reporting template has been structured with the aim of:

    a. providing supervisors with relevant information on exposures to sovereigns that are required to perform regular risk assessments;

b. assisting in the analysis on sovereign exposures as part of stress testing;

c. assisting in the assessment of the impact of any change to the regulatory and risk-weighting treatment of sovereign exposures;

d. facilitating the disclosure of information on sovereign exposures as part of transparency exercises, ensuring consistency with current disclosures in order to allow the building of time series.

7. The template has also been designed with the following aims:

    a. minimising the burden for banks by aligning as closely as possible with previous data collection requirements (for banks participating in previous exercises) and current reporting requirements (for all banks);

    b. covering all institutions with relevant sovereign exposures, striking the right balance with respect to proportionality;

    c. updating to IFRS 9 implementation;

    d. simultaneous coverage of IFRS and GAAP banks.

8. The template shall be reported with a semi-annual frequency, which is the minimum frequency required to perform transparency exercises. While a quarterly frequency would facilitate a better usage of the information in the regular risk monitoring by supervisors in general and the calculation of key risk indicators in particular, applying a semi-annual frequency was seen as a step towards reducing the reporting burden.

9. The inclusion of the new template in the EBA reporting framework would replace data collections on sovereign exposures that are currently performed by several competent authorities and would lead to a harmonisation of collected information.

### Additional features of the proposal

#### Scope: definition of sovereign exposures

10. The definition of sovereign exposures sets the scope of the reported information. All exposures to general governments as defined in paragraph 42 (b) of Annex V of Regulation 680/2014 are to be reported in the new templates. This definition includes central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity (which shall be reported under ‘non-financial corporations’), social security funds and international organisations, such as the European Union, the International Monetary Fund and the Bank for International Settlements.

11. As regards the prudential treatment of sovereign exposures, there is no direct mapping to one specific exposure class. Sovereign exposures can be found in several exposure classes (as defined in the CRR).

12. The definition of general governments was preferred over the definition used in previous stress test and transparency exercise disclosures, which included 'exposures to central, regional and local governments on immediate borrower basis. Sovereign exposures in that context exclude exposures to central banks, exposures to other counterparts with full or partial government guarantees, financial and non-financial government owned companies, and supra-national organisations'. Future transparency exercises will also use the concept of general governments as defined in Annex V of Regulation 680/2014. In addition, this allows for a better mapping with the accounting portfolios, as proposed in the template.

### Proportionality

13. The new reporting requirements take account of the mostly domestic nature of sovereign exposures in small banks. In the case of mostly domestic sovereign exposures, the reporting of a geographical breakdown might indeed appear superfluous. At the same time, supervisors assessment of institutions' risk profile and the past stress tests and transparency exercises have revealed cases of institutions with sizeable exposures to their domestic sovereign, which is a valuable piece of information.

14. Therefore, to limit the reporting burden while keeping collected data relevant, a combination of thresholds is proposed:

    a. Institutions that have sovereign exposures of at least 1% of total 'debts securities and loans receivables' are requested to report the information as specified in templates C 33.00.

    b. Institutions that meet the criterion in (a) and that hold non-domestic sovereign exposures of 10% or more compared to total sovereign exposures shall report a full country breakdown.

    c. Institutions that meet the criterion in (a) and that do not hold non-domestic sovereign exposures of 10% or more compared with total sovereign exposures shall report the information included in the two new templates for exposures aggregated at (i) total level and (ii) domestic level.

## 2.2 Changed requirements as regards reporting on OpRisk

15. Institutions' costs due to operational risk events have increased significantly in recent years, with substantial impact on many firms' profitability. Figures from the EBA's last risk assessment report point to a wide range of institutions substantially affected by misconduct costs. The share of institutions indicating that they have paid out more than EUR 1 billion in compensation, litigation and similar payments since the financial year 2007/2008 has increased to 32%. In the financial year 2016, nearly 20% of responding banks have paid out more than EUR 500 million in compensation, litigation and similar payments. Therefore, operational risk remains high on supervisors' agendas and a close monitoring of institutions' operational risk losses is required.

16. However, information currently included in the Reporting Regulation as regards operational risk losses does not allow for a complete assessment and monitoring of operational risk. This is particularly important for institutions that pose a bigger risk to the stability of the financial

system. Therefore, some changes to the operational risk reporting requirements are deemed necessary.

### Summary of the proposal

17. The following changes were made to the current OpRisk reporting requirements:

    a. redefine scope of institutions subject to obligation to report OpRisk loss data;

    b. separate loss impacts in current reporting period relating to events from previous reporting periods; and

    c. collect detailed information on the largest losses from the previous year.

#### Redefine scope of institutions subject to obligation to report OpRisk loss data

18. Currently, some institutions applying TSA and institutions applying BIA to calculate their OpRisk capital requirements are exempt from reporting the full sheet C 17.00 on OpRisk loss data according to Article 5(b)(2)of the EBA ITS on supervisory reporting. This also includes some institutions which are deemed significant by their respective competent authority. However, without basic information on OpRisk losses, the supervisory assessment of OpRisk is heavily constrained. Notably, the EBA SREP Guidelines require competent authorities to consider the level of and change in OpRisk losses over the past years for their assessment, irrespective of the approach. Therefore, these exceptions should be limited.

#### Separate loss impacts in current reporting period relating to events from previous reporting periods

19. Currently, it is not possible to distinguish between loss impacts from current events and those relating to older events. This has caused several issues with the reported data. These issues would be solved by adding separate rows capturing loss impacts in the current reporting period relating to events from previous reporting periods, and by adding separate rows capturing direct recoveries and insurance recoveries, while excluding these impacts from the remaining rows.

20. This would provide a number of benefits, such as (i) reducing the risk of underestimating the current level of losses of an institution, (ii) solving inconsistencies, (iii) revealing potential underprovisioning for OpRisk events and (iv) distinguishing between gross loss amounts and recoveries.

21. The proposal results in a few changes to template C 17.01 (a revised version of which is included in Annex 1). These:

    a. clarify that the number of events and the gross loss amount as reported in rows X1X and X2X considers only values relating to OpRisk events 'accounted for the first time' within the reporting period;

    b. include new rows X30 and X40 to collect (positive or negative) loss adjustments 'accounted for the first time' within the reporting period but relating to OpRisk events 'accounted for the first time' in previous reporting periods;

c. include new rows 945 to 946 to collect the breakdown of loss adjustments by type of the adjustment (positive/negative);

d. clarify that rows X10 to X40 do not include any recoveries;

e. clarify that the maximum single loss and the sum of the five largest losses do not include any recoveries;

f. differentiate between direct recoveries (row X70) and recoveries from insurance and other risk transfer mechanisms (row X80) and collect this information, irrespective of when the original event occurred;

g. clarify that boundary credit-related OpRisk events should not be reported in the template, provided that the institution is required to continue to treat them as credit risk for the purposes of calculating own funds requirements.

22. Applying the above changes will increase the number of data points to be reported from (up to) 482 to (up to) 754 but will bring the following benefits:

a. allowing a clear allocation of impacts to root events to be established, and the development of losses from previous years to be monitored;

b. reducing the risk of underestimating the current level of losses of an institution. Where an institution has both lots of current losses and a large provision write-back relating to past events, the amounts would offset each other when calculating the total loss amount, which would be relatively small. Notably, the provision write-back would not be captured in the rows for 'Recovery' as there is no inflow from a first or third party;

c. revealing potential under-provisioning for OpRisk events if there are large impacts in the current reporting period relating to events first accounted for in previous reporting periods;

d. clearly distinguishing between gross loss amounts, loss amounts net of direct recoveries and insurance recoveries without mixing direct and insurance recoveries which have to be treated differently (Article 323 of the CRR, BCBS 196 paragraph 24, Draft RTS on AMA Article 27(b)).

### Collect detailed information on the largest losses from the last year

23. Currently, only aggregated information on OpRisk losses is collected. However, this does not allow for a clear understanding of the actual causes of events. More detailed information is required on the nature of the largest loss incidents in particular to allow supervisors to capture the risk drivers. Previous high-severity events are an important factor for the analysis on current risk drivers according to Articles 242 and 243 of EBA/GL/2014/13.

24. As such important information should be collected in a consistent way, the introduction of a new template is proposed. To reduce the reporting burden on smaller institutions, a threshold is set.

25.A new template C 17.02 is included in Annex 1 which aims at collecting detailed information on the largest OpRisk loss incidents in the past year.

26.To reduce the reporting burden, the criteria set for the OpRisk loss reporting apply also for the new templates. Also, only the largest incidents for each event type and the 10 largest incidents of the institution shall be reported if the gross loss amount is ≥ EUR 100 000 (up to 17 events in total).

### Proportionality

27.In order to reduce the reporting burden for smaller and less complex institutions, the information on OpRisk losses should only be required to be reported by institutions which are considered to be significant. Significant institutions are defined in paragraph (2) of Article 5(b) of the revised Reporting Regulation (see section 4 below) and will have to report OpRisk loss data irrespective of the prudential approach used to calculate OpRisk capital requirements, while smaller institutions would still not be required to report any OpRisk loss data.

28.The reporting obligations can be summarised as follows:

| | Precondition | Reporting obligation* |
|---|---|---|
| AMA | None | Report C 17.01 and C 17.02 in full (always) |
| TSA/ASA | At least one of the conditions listed in Article 5(b)(2)(b) of the ITS is met | Report C 17.01 and C 17.02 in full |
| | None of the conditions listed in Article 5(b)(2)(b) of the ITS is met | Report at least the following cells of C 17.01: {r910, c080), {r920, c080}, {r930, c080}, {r940, c080}, {r950, c080}, {r960, c080}, {r970, c080} and report C 17.02 |
| BIA | At least one of the conditions listed in Article 5(b)(2)(b)(ii), (iii), (iv) or (v) of the ITS is met | Report C 17.01 and C 17 02 in full |
| | None of the conditions listed in Article 5(b)(2)(b)(ii), (iii), (iv) and (v) of the ITS is met | None |

* More extensive reporting is allowed on a voluntary basis for TSA/ASA and BIA institutions.

## 2.3 Changed requirements as regards the reporting of additional liquidity monitoring metrics (AMM)

29.On 18 December 2013 the EBA published and submitted to the European Commission the ITS on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013 (the CRR). A slightly updated submission took place on 24 July 2014. The metrics relating to the additional monitoring tools are designed to complement the supervision of an institution's liquidity risk beyond the scenario for which the LCR is defined.

30.On 13 August 2015 the European Commission informed the EBA that, acting in accordance with the procedure set out in the fifth subparagraph of Article 15(1) of Regulation (EU) No 1093/2010, it intended to amend the draft ITS submitted by the EBA. Particularly, the Commission informed the EBA of its intention to remove the maturity ladder templates and instructions. This is based on the fact that the maturity ladder in the December 2013 version of the ITS was based on the provisional approach of reporting requirements set out in Article 416 of the CRR concerning liquid assets, and needed to be adapted to the detailed definitions of liquid assets set by Commission Delegated Regulation (EU) 2015/61 (the LCR Delegated Act) which became applicable on 1 October 2015. In the view of the Commission, this avoids unnecessary regulatory burden and the duplication of implementation costs for the industry.

31.The European Commission also communicated its intention to provide some other minor redrafts and to amend the proposed date of application from 1 July 2015 to 1 January 2016, and to invite the EBA to update the maturity ladder in line with the detailed information of liquid assets set by Commission Delegated Regulation (EU) 2015/61.

32.As explained in detail in EBA/Op/2015/16, an Opinion published on 23 September 2015, the EBA has dissented to the Commission's proposed amendment to remove the maturity ladder.

33.Nonetheless the Commission, by way of implementing Regulation (EU) 2016/313 of 1 March 2016, has adopted the ITS on AMM without the maturity ladder, and has asked the EBA to update the maturity ladder based on a reporting fully aligned with Delegated Regulation (EU) 2015/61 and to submit to the Commission for adoption.

34.The harmonised maturity ladder in the draft standard published by the EBA for consultation is meant to ensure harmonised reporting to replace this additional reporting.

## Background and regulatory approach followed in the draft ITS

35.In January 2013, the BCBS published its revised text on the LCR and liquidity risk monitoring tools. These monitoring tools, together with the LCR standard, provide the cornerstone of information that aids supervisors in assessing the liquidity risk of an institution, because they can help competent authorities identify potential liquidity difficulties signalled through a negative trend in the metrics or through an absolute result of the metrics.

36.The CRR provisions relating to liquidity reporting translate these BCBS proposals into EU law. Thus, in addition to the LCR, institutions will have to report to their competent authorities information relating to additional metrics. In this context, the CRR also provides, in Article 415(3)(b), that the EBA shall develop draft ITS to specify the additional liquidity monitoring metrics required to allow competent authorities to obtain a comprehensive view of an institution's liquidity risk profile, proportionate to the nature, scale and complexity of its activities.

37.These draft ITS contains the EBA's proposal for changes to the adopted version of the supervisory reporting of additional monitoring metrics for liquidity.

38.The EBA's proposed revisions to the regulation include the following:

- introduction of a maturity ladder (template and instructions) aligned with the LCR DA. In the adopted version of the ITS there is no maturity ladder;
- selective revisions to the additional monitoring tools (templates and instructions) relating to:
    - concentration of funding by counterparty
    - concentration of funding by product type
    - concentration of counterbalancing capacity by issuer/counterparty
    - prices for various lengths of funding
    - rollover of funding.

39.The metric relating to the maturity ladder is similar to that published by the EBA on 18 December 2013, and submitted to the European Commission, in the following ways:

- The template developed in the ITS is designed to show the maturity mismatch of an institution's balance sheet, and, as such, is referred to as the 'maturity ladder'. These maturity mismatches indicate how much liquidity a bank would potentially need to raise in each of various time bands if all outflows occurred at the earliest possible date. This metric provides an insight into the extent to which the bank relies on maturity transformation under its current contracts. The maturity ladder forms part of the package of 'monitoring tools' which the EBA has designed.
- The maturity ladder is a monitoring tool which comprises a template for contractual flows. These flows result from legally binding agreements and should be reported in accordance with the provisions of these agreements.
- The maturity of the outflows and inflows to be reported range from overnight up to greater than 5 years.

40.Key changes to the December 2013 EBA version of the maturity ladder are:

- The data items on counterbalancing capacity (section 3 of the maturity ladder template), in terms of rows, are aligned with the definition of liquid assets in the Delegated Act. The choice of data items in section 3 are then mirrored in sections 1 and 2 of the template regarding collateral used for secured transactions being relevant for outflows and inflows.
- The approach chosen is to include in the template at least the main HQLA items from the LCR, and at the same time include some items that are central bank eligible or tradable but do not qualify as HQLA. This latter category of non-HQLA is provided for in section 3.6 and includes: central government (CQS1), central government (CQS2 and CQS3), shares, covered bonds, ABS and other. The reason for having such a breakdown is that the maturity ladder is also intended for horizons longer than 30 days, which means a longer horizon in which to mobilise counterbalancing capacity.

- However, to keep excessive granularity at bay, this granularity is not required in the SFT sections of section 1.2 ('Liabilities from secured lending and capital market-driven transactions collateralised by') and 2.1 ('Monies due from secured lending and capital market-driven transactions collateralised by') but is captured in a single 'Other tradable assets' row (sections 1.2.4 and 2.1.4). Additionally, there is a single row in section 3 to capture non-tradable assets eligible for central banks.

- An addition, compared with the 18 December 2013 draft version of the maturity ladder, is section 4 on contingencies, which captures the outflows from committed facilities as well as outflows due to downgrade triggers (in case of a severe downgrade), which are items that align with the contingencies in the LCR.

- Three rows cover outflows/inflows, where the counterparty is a parent or a subsidiary of the institution or another subsidiary of the same parent, or linked to the credit institution by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC, or where the counterparty is a member of the same institutional protection scheme referred to in Article 113(7) of Regulation (EU) No 575/2013 or the central institution of an affiliate of a network or cooperative group, as referred to in Article 10 of Regulation (EU) No 575/2013.

- Two rows provide information on the central bank eligibility of counterbalancing capacity.

- Three memorandum items capture going concern outflows and inflows from a behavioural perspective.

- While keeping the total number of time buckets the same, the 3- to 6-month bucket has been split up into a 3-month bucket, 4-month bucket, 5-month bucket and 6-month bucket at the expense of the granularity at the end of the horizon, which finishes with 'greater than 2 years up to 5 years' as the penultimate time bucket and 'over 5 years' as the last. This change allows for assessing horizons of 4 months, 5 months and 6 months. Also, for better alignment with the LCR, the 3- to 4-week bucket has been replaced by a 3-week to 30-day bucket and the 4- to 5-week bucket by a 30-day to 5-week bucket.

41. To increase the readability of the template, the EBA has decided to move many 'of which items' included in the December 2013 version to a memorandum section at the end of the template.

42. Other clarifications have also been made:

- The definition of maturity of contracts with optionality (e.g. prepayment) has been expanded.

- The row for central bank reserves has been greyed out beyond overnight. Conceptually it would belong to the inflow section, but it was decided to keep it in section 3, on counterbalancing capacity, as that is also the approach taken in the LCR.

- The definition of unencumbered has been aligned with the DA.

- The deposits breakdown has been amended to follow the LCR logic.

- The LCR approach has been taken for the treatment of assets prepositioned with the central bank, to clarify when the assets themselves shall be reported or rather the capacity of the facility.

43. There are fewer rows than in the original maturity ladder, with 122 rows where the December 2013 version had 143.

44. In addition to the changes to C 66.00, minor revisions have also been made to C 67.00 to C 71.00 in response to the Q&As received on these templates. These revisions include the aspects mentioned below.

45. Template C 67.00 on concentration of funding by counterparty, which allows the identification of those sources of wholesale and retail funding of major significance, is proposed to be amended as follows:

- concept of initial maturity replaced by original maturity, as it is preferable to avoid multiple definitions for maturity.

46. Template C 68.00 on funding by product type, which seeks to collect information about the institution's significant concentrations of funding by product type, is proposed to be amended as follows:

- concept of initial maturity replaced by original maturity, as it is preferable to avoid multiple definitions for maturity;
- the lines on total retail and total wholesale funding ungreyed to capture items that cannot be allocated to the sub-items;
- removal of some sub-items considered less material.

47. Template C 69.00 on prices for various lengths of funding, which seeks to collect information about the average transaction volume and prices paid by institutions for funding with different maturities ranging from overnight to 10 years, is proposed to be amended as follows:

- clarification that for off-balance-sheet commitments both volume and spread should be determined at the end of the period;
- clarification that for funding that has rolled over during the reporting period the end of period spread shall be reported (for the purposes of C 69.00, funding that rolled over and is still present at the end of the reporting period shall be considered to count towards the volume of new funding);
- clarification that the volume and spread of sight deposits shall only be reported for those sight deposits that were not present in the previous reporting period, and that the volume and spread should relate to that at the end of period.

48. Template C 70.00 on the rollover of funding, which seeks to collect information about the volume of funds maturing and new funding obtained, i.e. 'Rollover of funding', on a daily basis over a monthly time horizon, is proposed to be amended as follows:

- for C70.00, clarification that original maturity is the basis instead of residual maturity;

- removal of column 330 as this column is considered to be of limited use and would need a concept of maturity (i.e. residual maturity) different from that used elsewhere in the template.

49. Template C 71.00 on concentration of counterbalancing capacity by issuer/counterparty, which seeks to collect information about the reporting institutions' concentration of counterbalancing capacity by the 10 largest holdings of assets or liquidity lines granted to each institution for this purpose, is proposed to be amended as follows:

    - clarification that counterbalancing capacity in C 71.00 is the same as in C 66.00, with the qualification that the assets reported as counterbalancing capacity for the purposes of C 71.00 must be unencumbered to be available for the institution to convert into cash on the reporting reference date;

    - clarification that when an issuer/counterparty belongs to several groups of connected clients, it shall be reported only once in the group with the higher counterbalancing capacity concentration;

    - for column 060, clarification that in case a multicurrency line is part of a concentration in counterbalancing capacity, the line shall be counted in the currency that is predominant in the rest of the concentration if possible;

    - addition of a step for non-rated issuers;

    - exclusion from this template of concentrations of counterbalancing capacity on central banks, as these tend to be already visible in the new maturity ladder template (C 66.00).

50. The ITS have been developed to provide competent authorities with harmonised information on institutions' liquidity risk profile, taking into account the nature, scale and complexity of institutions' activities.

51. The general proportionality threshold of subparagraph (a) of paragraph 16b(2) of the ITS on reporting (allowing a quarterly frequency instead of monthly) will continue to apply to the ITS on AMM templates, which means that the opportunity to report with a reduced frequency for some institutions will also be available with respect to template C 66.00 (maturity ladder). Some clarifications have been made on the exact wording of this threshold to enhance consistency of application.

# 3. Draft implementing standards

In between the text of the draft RTS/ITS/Guidelines/advice that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

**COMMISSION DELEGATED REGULATION (EU) No …/..**

**of XXX**

**[…]**

**implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,
Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[4] and in particular the fourth subparagraph of Article 99(5), the fourth subparagraph of Article 99(6), the third subparagraph of Article 101(4) and the third subparagraph of Article 394(4) thereof,
Whereas:

(1) Commission Implementing Regulation (EU) No 680/2014[5] specifies the modalities according to which institutions are required to report information relevant to their compliance with Regulation (EU) No 575/2013. Given that the regulatory framework established by Regulation (EU) No 575/2013 is gradually being supplemented and amended in its non-essential elements by the adoption of regulatory technical standards, then Implementing Regulation (EU) No 680/2014 needs to be updated accordingly to reflect those rules.

(2) Given that the regulatory framework established by Regulation (EU) No 575/2013 is gradually being supplemented and amended in its non-essential elements by the adoption of regulatory technical standards, and in this case by Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the liquidity coverage requirement[6], then Implementing Regulation (EU) No 680/2014 should be updated accordingly to reflect those rules and to provide further precision in the instructions and definitions used for the purposes of the institutions' supervisory reporting, also with regard to a maturity ladder, which would allow the maturity mismatch of an institution's balance sheet to be captured; and to correct typos, erroneous references and formatting inconsistencies which were discovered in the course of the application of that Regulation.

[4] OJ L 176, 27.6.2013, p. 1.

[5] Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 (OJ L 191, 28.6.2014, p. 1).

[6] Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 with regard to liquidity coverage requirement for Credit Institutions.

(3) Amendments to Implementing Regulation (EU) 680/2014 are also required to reflect competent authorities' ability to effectively monitor and assess the institutions' risk profile and to obtain a view on the risks posed to the financial sector, which requires changes to the reporting requirements in the areas of operational risk, credit risk and with regard to institutions' exposures towards sovereigns.

(4) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority (EBA) to the Commission.

(5) The European Banking Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010[7].

(1) Implementing Regulation (EU) No 680/2014 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

*Article 1*

Implementing Regulation (EU) No 680/2014 is amended as follows:

1. Paragraph (2) of Article 5 (b) is replaced by the following:

(2) "the information on material losses regarding operational risk in the following manner:

(a) institutions which calculate own funds requirements relating to operational risk according to Chapter 4 of Title III of Part Three of Regulation (EU) No 575/2013 shall report this information as specified in template 17.01 and 17.02 of Annex I, according to the instructions in Part II point 4.2 of Annex II;

(b) institutions which calculate the own funds requirements relating to operational risk according to Chapter 3 of Title III of Part Three of Regulation (EU) No 575/2013 and that meet at least one of the following criteria shall report this information as specified in templates 17.01 and 17.02 of Annex I, according to the instructions in point 4.2 of Part II of Annex II:

i. the ratio of the individual balance sheet total to the sum of individual balance sheet totals of all institutions within the same Member State is equal to or above 1 %, where balance sheet total figures being based on year-end figures for the year before the year preceding the reporting reference date;

ii. the total value of the institution's assets exceeds € 30 billion;

iii. the total value of the institution's assets exceeds both € 5 billion and 20% of the GDP of the country where it is established;

[7] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

iv. the institution is one of the three largest institutions established in a particular country measured by the total value of its assets.

v. the institution is the parent of subsidiaries, which are themselves credit institutions, established in more than one Member State other than the Member State where the institution has its head office, the total value of the institution's consolidated assets exceeds € 5 billion, and more than 20% of either the institution's consolidated assets or the institution's consolidated liabilities as reported in template 1.1 respectively template 1.2 of Annex III or IV, as applicable, relates to activities where the counterparty is located in a Member State other than the Member State where the institution has its head office.

(c) (c) Institutions which calculate the own funds requirements relating to operational risk according to Chapter 3 of Title III of Part Three of Regulation (EU) No 575/2013 and for which none of the conditions (i) to (v) of lit. (b) is met, shall report the information mentioned in points (i) and (ii) below in accordance with the instructions in point 4.2 of Part II of Annex II:

i. The information as specified for column 080 of template 17.01 of Annex I for the following rows:

- number of events (new events) (row 910);
- gross loss amount (new events) (row 920);
- number of events subject to loss adjustments (row 930)
- loss adjustments relating to previous reporting periods (row 940)
- maximum single loss (row 950);
- sum of the five largest losses (row 960);
- total direct loss recovery (except insurance and other risk transfer mechanisms) (row 970)
- total recoveries from insurance and other risk transfer mechanisms (row 980)

ii. The information as specified in template 17.02 of Annex I

(d) The institutions referred to in lit. (c) may report the complete set of information as specified in templates 17.01 and 17.02 of Annex I, according to the instructions in point 4.2 of Part II of Annex II.

(e) Institutions which calculate the own funds requirements relating to operational risk according to Chapter 2 of Title III of Part Three of Regulation (EU) No 575/2013 and that meet at least one of the criteria (ii) to (v) of lit. (b) shall report this information as specified in templates 17.01 and 17.02 of Annex I, according to the instructions in point 4.2 of Part II of Annex II.

(f) Institutions which calculate the own funds requirements relating to operational risk according to Chapter 2 of Title III of Part Three of Regulation (EU) No 575/2013 and for which none of the criteria set out in points (ii) to (v) of lit. (b) are met, may report the information referred to in templates 17.01 and 17.02 of Annex I, according to the instructions in point 4.2 of Part II of Annex II.''

(g) The entry and exit criteria of Article 4 shall apply.

2. The following Article 5 (b) (3) is inserted:

(3) "the information on sovereign exposures in the following manner:

(a) institutions shall report the information specified in template C 33.00 according to the instructions in Part II point 6 of Annex II where the aggregate carrying amount of financial assets from the counterparty sector General governments is equal or higher than 1 % of the sum of total carrying amount for Debt securities and Loans and advances. Institutions must follow the instructions in Annex III or Annex IV, as applicable, for template 4 to compute these values;

(b) institutions that meet the criterion referred to in point (a) and where the value reported for domestic exposures of non-derivative financial assets as defined in row 10, column 10 of template 33.00 is less than 90 % of the value reported for domestic and non-domestic exposures for the same data point, shall report the information specified in templates C 33.00 according to the instructions in Part II point 6 of Annex II but with a full country breakdown;

(c) institutions that meet the criterion referred to in point (a) but do not meet the criterion referred in point (b), shall report the information specified in templates C 33.00 according to the instructions in Part II point 6 of Annex II but with exposures aggregated at (i) a total level and (ii) a domestic level.''

3. In Article 16 (b), the following point (c) is added: "(c) the information specified in Annex XXII in accordance with the instructions in Annex XXIII."

4. In Article 16 (b) (2), subparagraph (a) is changed as follows: "(a) the institution does not form part of a group comprising credit institutions, investment firms or financial institutions with subsidiaries or parent institutions located in jurisdictions other than the institution's jurisdiction of incorporation".

5. Annex I to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex I to this Regulation.

6. Annex II to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex II to this Regulation.

7. Annex VII to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex III to this Regulation

8. Annex IX to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex IV to this Regulation.

9. Annex XIV to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex V to this Regulation.

10. Annex XV to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex VI to this Regulation.

11. Annex XVIII to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex VII to this Regulation.

12. Annex XIX to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex VIII to this Regulation.
13. Annex XX to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex IX to this Regulation.
14. Annex XXI to Implementing Regulation (EU) No 680/2014 is replaced by the text set out in Annex X to this Regulation.
15. A new Annex XXII is added to Implementing Regulation (EU) No 680/2014 in accordance with the text set out in Annex XI to this Regulation.
16. A new Annex XXIII is added to Implementing Regulation (EU) No 680/2014 in accordance with the text set out in Annex XII to this Regulation.

*Article 2*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall apply from 1 March 2018.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission*
*The President*

*[For the Commission*
*On behalf of the President*

*[Position]*

# ANNEX

***[where necessary]***

# 4. Accompanying documents

## 4.1 New requirements as regards the reporting of information on sovereign exposures and changed requirements as regards reporting on operational risk (OpRisk)

### 4.1.1 Draft cost-benefit analysis/impact assessment

Article 99 of the CRR mandates the EBA to collect supervisory data under a harmonised reporting framework to obtain a comprehensive view of risk profile of institutions' activities and risk profiles in relation to the financial sector and the real economy. The mandate allows the EBA to amend and update the reporting standards to align with the prudential supervisory objectives of the CRR.

Article 16 of the EBA Regulation (EU) No 1093/2010 provides the EBA with the responsibility to establish consistent, efficient and effective supervisory practices, within the European System of Financial Supervisors (ESFS), to ensure the common, uniform and consistent application of EU law, and to issue guidelines and recommendations addressed to competent authorities or financial institutions.

As per Article 15(1) subparagraph (2) of the EBA Regulation (Regulation (EU) No 1093/2010, any draft technical standards developed by the EBA will have to be accompanied by a separate note on Impact Assessment (IA) which analyses the potential related costs and benefits. The present IA aims to provide the reader with an overview of the technical options as regards the updating of the ITS on COREP, and to assess their potential incremental impact for both supervisors and institutions.

#### A. Problem identification

The current framework for supervisory reporting is outdated and omits several sets of information that the competent authorities need to carry out effective prudential supervision and to accurately capture the risk profiles of institutions. The scope is related to the data on sovereign exposures and operational risk.

Current reporting templates do not cover information on the breakdown of sovereign exposures by residence of the obligor alongside the regulatory treatment of these exposures and their maturity. Such information is fundamental in the assessment of risk profiles of institutions. The evidence shows that, for risk analysis purposes (e.g. transparency exercises, stress tests), the competent authorities have recently carried out ad hoc data collection exercises to fill the information gaps in the reporting templates. Therefore, the current framework does not provide supervisors with most relevant information on sovereign exposures that are required to perform regular risk assessments.

Secondly, the design of COREP in relation to information on sovereign exposures is neither consistent nor in line with the information on sovereign exposures in FINREP. This does not allow supervisors to merge the two standards and exploit them simultaneously.

In addition, the current framework is missing a comprehensive view of sovereign exposures across the regulatory approaches, e.g. regional governments reposted as institutions.

Furthermore, in terms of operational risk, the current framework does not provide supervisors with the most relevant information and data to accurately assess the risk profiles of institutions. For example, the current framework applies an exemption for all institutions that use BIA and some institutions that use TSA. However, the evidence shows that some of these institutions are significant, and competent authorities rely on further data collection to capture risk profiles of these institutions. Similarly, the current information provided in COREP does not allow the differentiation between loss impacts from current events and those relating to older events.

As previously mentioned, in order to mitigate the abovementioned information and data issues the competent authorities carry out ad hoc data collection exercises. This approach causes an administrative burden for both the supervisors and the institutions, and also creates an uneven playing field for supervisory reporting across institutions and jurisdictions.

### B. Objectives

The main objective of the current draft ITS is to provide the competent authorities with necessary information and tools to carry out accurate and effective risk assessments. More particularly, the draft ITS amend the current regulatory framework so that the risk assessments account for the counterparty and maturity of sovereign exposures, on the one hand, and more specific and extended information for the calculation of operational risk, on the other.

The amended and updated ITS are expected to reduce the administrative burden that results from the data collection exercises carried out by the competent authorities on an ad hoc basis, and to harmonise supervisory reporting across jurisdictions.

The following lists the general and the specific objectives of the draft ITS.

The general objectives of these ITS are to:

- assist institutions in fulfilling their reporting requirements under Article 99 of the CRR;
- reduce asymmetries of supervisory information between authorities and institutions;
- increase the effectiveness of the monitoring and risk assessment;

- ensure data availability and comparability across EU jurisdictions and hence facilitate a proper functioning of cross-border supervision.

The specific objectives of these ITS are to:

- make adequate amendments to the current ITS on supervisory reporting on COREP to properly account for sovereign exposures and operational risk;
- ensure that competent authorities receive all the supervisory information needed to obtain a comprehensive view of institutions' risk profiles and systemic risks posed by institutions;
- design clear and fit for purpose ITS that will avoid burdensome reporting for financial institutions and excessive operational costs for supervisors.

## C. Options considered

This section presents the major discussion points that arose during the drafting of the current ITS.

In developing the current proposal for new requirements as regards the reporting of information on sovereign exposures, the following options were considered.

### a. The content of the ITS as regards sovereign exposures

**Option 1a**: Status quo

**Option 1b**: Introduction of new elements to the ITS

### b. Proportionality: application of a threshold for sovereign exposures

**Option 2a**: Threshold based on the proportion of non-domestic over total sovereign exposures

**Option 2b**: Threshold based on the proportion of sovereign exposures over total banking and trading book exposures

In developing the current proposal for changed requirements as regards the reporting of information on operational risk, the following options were considered.

### c. The content of the ITS as regards operational risk

**Option 3a**: Status quo

**Option 3b**: Introduction of new detail as regards material losses

### d. Proportionality: application of a threshold for OpRisk loss details

**Option 4a**: Status quo

**Option 4b**: Introduction of significance criteria

## D. Assessment of the options

This section assesses the impact of the proposal by identifying the expected cost arising from the implementation of the new requirements in comparison with the benefits to be obtained for the options considered.

### a. The content of the ITS as regards sovereign exposures

**Option 1a: Status quo**

Under Option 1a, the problems identified under the current framework are expected to remain. The option fails to meet the fundamental requirements of the mandate of the CRR under Article 99, and therefore the EBA eliminates this option.

**Option 1b: Introduction of new elements to the ITS**

The new elements are related to the granularity of data on sovereign exposures. The combination of country-level data reported in FINREP template F 20.4 'Geographical breakdown of assets by residence of the counterparty', for the 'General governments' category, with FINREP templates F 04.01 to F 04.04 and F 04.06 to F 04.10 'Breakdown of financial assets by instrument and by counterparty sector' for the various accounting portfolios of the same category, is the most similar existing information. However, analysis of these templates shows significant loopholes that hinder their analytical value, in particular:

- absence of residual maturity breakdown
- impossibility of computation of net exposure (net of short positions)
- lack of breakdown by accounting portfolios at a country level
- lack of reporting of indirect positions.

In addition, the performance of ad hoc collections such as those carried out by the EBA and also by some competent authorities (e.g. the SSM's short-term exercise) lacks the benefits of a sound mechanical process, including a data quality-checking infrastructure.

The evidence outlined above suggests the necessity of adopting the new template C 32.00, which provides relevant detailed information by residence of the obligor, with breakdown by residual maturity similar to that currently collected and used, with minimum comparative burden for the banks. This is the due to the adoption of an information structure similar to that of current collections and a closer reliance on existing reporting concepts (i.e. the definition of general governments and IFRS 9 accounting portfolios).

As regards the introduction of additional information due to the further breakdown by regulatory treatment (including risk, regulatory approach and exposure classes), the reason lies with the identified need for a comprehensive view of sovereign exposures across the regulatory approaches, which is missing in COREP. This is of particular importance for a more comprehensive view of the banking system's involvement with the public sector. Such information will be essential at a time when the regulatory treatment of sovereign exposures is under discussion, but also for defining additional key risk indicators to be used and shared among competent authorities as benchmark indicators in risk assessments.

Against this backdrop it is worth mentioning that the breakdown by regulatory classes for the identification of the sovereign segment of broader exposure classes (e.g. the segment of the PSE exposure class which is treated as sovereign) is currently implemented by the reporting framework template C 43.00 'Alternative breakdown of leverage ratio exposure measure components'. Thus the cost of implementing these requirements is expected to be limited.

Overall the impact for banks is expected to be low, based on maximal alignment with definitions and concepts already present in current requirements. In addition, the fact that 123 consolidated entities have already participated in one of the stress tests or transparency exercises conducted by the EBA, and that around 170 institutions regularly take part in the SSM's short-term exercise, will reduce the costs for many institutions. Once information is available via regular data submissions, the respective data collections will no longer be necessary.

The maintenance of the semi-annual frequency, rather than the quarterly frequency called for by other requirements, and an additional consideration of proportionality, as detailed in the next section, have been introduced to alleviate undue burdens for institutions.

## b. Proportionality: application of a threshold for sovereign exposures

The following thresholds have been considered with the aim of ensuring adequate proportionality and limiting the burden for institutions with negligible sovereign exposures. The design of such thresholds has been investigated based on both previous collections and past reporting information.

**Option 2a: Threshold based on the proportion of non-domestic over total sovereign exposures**

Aiming to achieve an appropriate level of proportionality, a threshold based on the proportion of non-domestic to total sovereign exposures was explored. In order to be consistent with existing limits defined in Article 5(4) of the ITS on supervisory reporting, and with reference to the limits for reporting non-domestic exposures, the potential impact of the application of a 10% threshold was analysed.

There was a concern regarding the reporting of granular information by small banks, taking into account that small banks' exposures are mostly towards their domestic sovereigns. For mostly domestic sovereign exposures, the reporting of a geographical breakdown could seem superfluous. On the other hand, there was a risk that those institutions could still hold sizeable exposures to their domestic sovereign that would be exempted from reporting, thus preventing supervisors from carrying out a proper assessment from both micro- and macroprudential perspectives.

Based on data collected by the EBA for the period December 2010-December 2015, it was revealed that the application of the 10% threshold on non-domestic exposures to determine the obligation to report any country-level data would hide significant information, hampering appropriate assessment of banks' sovereign risk.

Figure **1** and Table **1** show that an average of 23.5% of institutions, ranging from 14.9% to 32.3% across various reference dates, would be exempt from reporting any country-level data. Likewise an average of EUR 260 billion (based on the various reporting samples) would not be subject to supervisory scrutiny. This amount reached its maximum in December 2014, at EUR 348 billion. Expressed as a percentage relative to total volume, this fluctuates around an average of 10.7%, ranging between 5.5% and 15.7%.

Figure 1 Domestic gross sovereign exposure of banks below the 10% threshold for exposure to non-domestic countries (December 2010-December 2015)

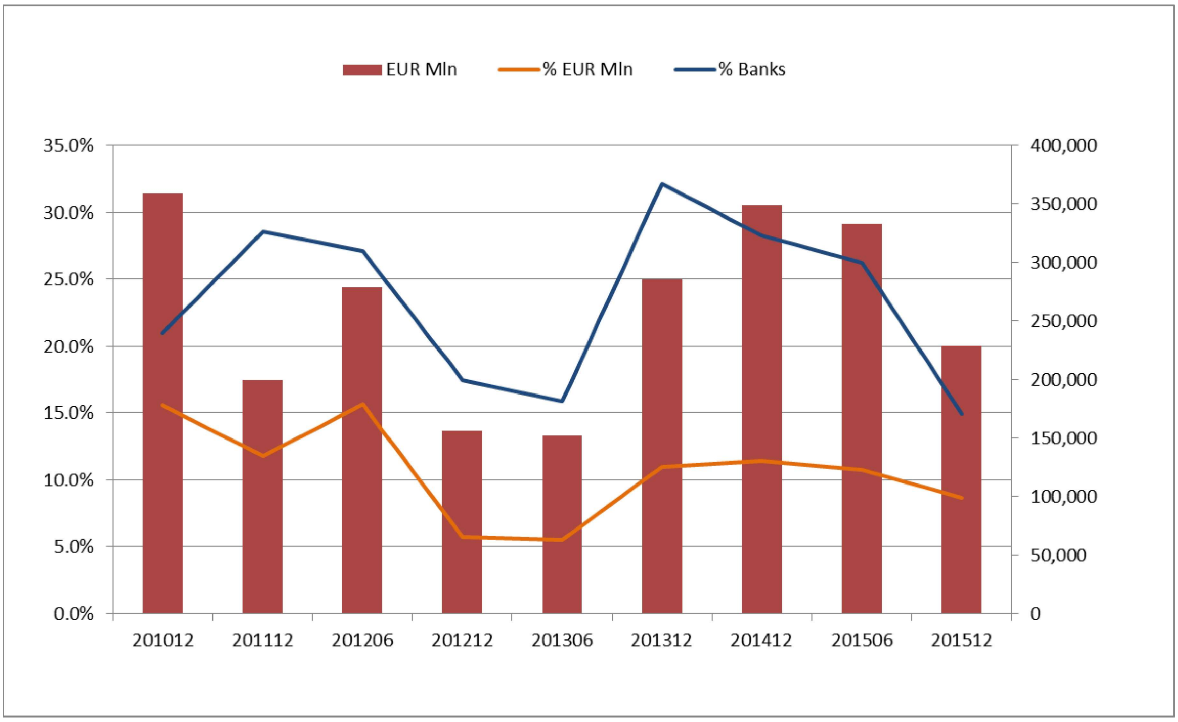



Table 1 Domestic gross sovereign exposure for banks with less than 10% towards non-domestic countries (December 2010-December 2015)

| Date | 201012 | 201112 | 201206 | 201212 | 201306 | 201312 | 201412 | 201506 | 201512 | Average |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR Mln | **358,957** | **199,669** | **278,909** | **156,774** | **152,116** | **285,465** | **348,677** | **332,968** | **228,861** | **260,266** |
| Total | 2,306,752 | 1,694,276 | 1,779,469 | 2,724,959 | 2,752,208 | 2,593,802 | 3,055,019 | 3,096,897 | 2,644,153 | 2,516,393 |
| % EUR Mln | **15.6%** | **11.8%** | **15.7%** | **5.8%** | **5.5%** | **11.0%** | **11.4%** | **10.8%** | **8.7%** | **10.7%** |
| Banks | 13 | 18 | 16 | 11 | 10 | 28 | 28 | 26 | 7 | 17.4 |
| % Banks | **21.0%** | **28.6%** | **27.1%** | **17.5%** | **15.9%** | **32.2%** | **28.3%** | **26.3%** | **14.9%** | **23.5%** |
| Total Banks | 62 | 63 | 59 | 63 | 63 | 87 | 99 | 99 | 47 | 71.3 |

**Option 2b: Threshold based on the proportion of sovereign exposures over total exposures for debt securities and loans and receivables**

As a second option, the possibility of including a different threshold based on the relative importance of sovereign exposures in comparison with overall exposures of the institution to any type of counterparty was also examined. The rationale of this new limit is to ensure that banks with negligible exposures are not unduly burdened with the complexity of these new requirements. However, it should be constrained to very limited cases since an extensive coverage from a macroprudential perspective must also be considered.

To assess this, data from FINREP reporting covering the maximum period available (September 2014-June 2016) were analysed. In particular, information contained in the quarterly reported templates F 04.01 to F 04.04 and F 04.06 to F 04.10 ‘Breakdown of financial assets by instrument and by counterparty sector’ was used. The aim was to identify the bank by proportion of gross carrying amount for ‘central governments’ for all accounting portfolios with respect to total gross carrying amount for ‘debt securities’ and ‘loans and receivables’. Assessing the relative importance of sovereign exposures using ‘total assets’ was also considered, but the former option was preferred for the sake of accuracy and to avoid potential interferences introduced by other elements outside the trading and banking books (e.g. intangible assets).

Table **2** displays an analysis on the volumes and the number of banks below the selected thresholds for the different reference dates and average values.

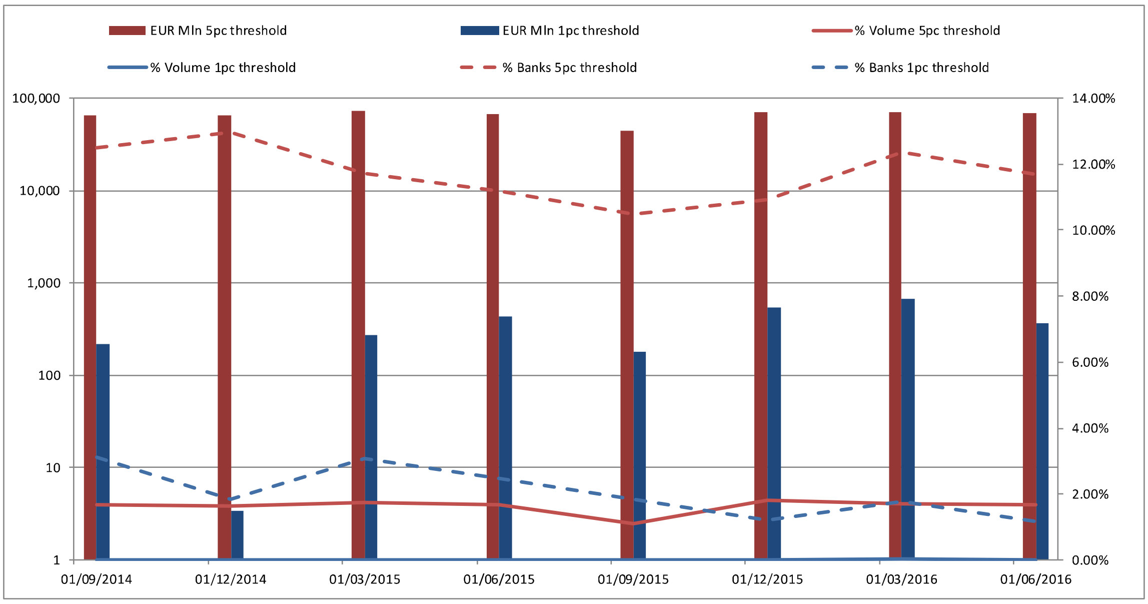
Table 2 Proportion of ‘General governments’ to total gross carrying amount (September 2014-June 2016)

| | Threshold | % Volume | EUR Mln | % Banks | Number banks | | Threshold | % Volume | EUR Mln | % Banks | Number banks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1% | 0.01% | 217 | 3.13% | 5 | | 1% | 0.00% | 3 | 1.85% | 3 |
| | 2% | 0.12% | 4,829 | 5.00% | 8 | | 2% | 0.02% | 784 | 3.09% | 5 |
| | 3% | 0.35% | 13,698 | 6.88% | 11 | | 3% | 0.23% | 9,214 | 6.17% | 10 |
| | 4% | 0.65% | 25,469 | 10.00% | 16 | | 4% | 1.14% | 45,042 | 11.11% | 18 |
| 30/09/2014 | 5% | 1.68% | 65,833 | 12.50% | 20 | 31/12/2014 | 5% | 1.64% | 65,094 | 12.96% | 21 |
| | 10% | 22.02% | 864,547 | 31.88% | 51 | | 10% | 17.16% | 680,741 | 30.25% | 49 |
| | 25% | 85.30% | 3,348,483 | 82.50% | 132 | | 25% | 86.54% | 3,433,236 | 80.86% | 131 |
| | 50% | 95.24% | 3,738,661 | 98.13% | 157 | | 50% | 95.35% | 3,782,873 | 98.15% | 159 |
| | 75% | 100.00% | 3,925,476 | 100.00% | 160 | | 75% | 100.00% | 3,967,242 | 100.00% | 162 |
| | Threshold | % Volume | EUR Mln | % Banks | Number banks | | Threshold | % Volume | EUR Mln | % Banks | Number banks |
| | 1% | 0.01% | 273 | 3.09% | 5 | | 1% | 0.01% | 428 | 2.48% | 4 |
| | 2% | 0.09% | 3,769 | 3.70% | 6 | | 2% | 0.11% | 4,395 | 3.73% | 6 |
| | 3% | 0.15% | 6,210 | 6.17% | 10 | | 3% | 0.17% | 6,699 | 6.21% | 10 |
| | 4% | 0.85% | 35,027 | 9.26% | 15 | | 4% | 0.92% | 36,782 | 9.32% | 15 |
| 31/03/2015 | 5% | 1.76% | 72,365 | 11.73% | 19 | 30/06/2015 | 5% | 1.69% | 67,398 | 11.18% | 18 |
| | 10% | 20.18% | 831,777 | 28.40% | 46 | | 10% | 13.71% | 548,445 | 27.95% | 45 |
| | 25% | 87.17% | 3,593,441 | 82.72% | 134 | | 25% | 87.71% | 3,507,976 | 83.85% | 135 |
| | 50% | 95.39% | 3,932,306 | 98.15% | 159 | | 50% | 95.37% | 3,814,499 | 98.14% | 158 |
| | 75% | 100.00% | 4,122,186 | 100.00% | 162 | | 75% | 100.00% | 3,999,736 | 100.00% | 161 |
| | Threshold | % Volume | EUR Mln | % Banks | Number banks | | Threshold | % Volume | EUR Mln | % Banks | Number banks |
| | 1% | 0.00% | 178 | 1.85% | 3 | | 1% | 0.01% | 543 | 1.21% | 2 |
| | 2% | 0.09% | 3,622 | 3.09% | 5 | | 2% | 0.10% | 4,125 | 2.42% | 4 |
| | 3% | 0.38% | 15,358 | 7.41% | 12 | | 3% | 0.41% | 16,237 | 6.06% | 10 |
| | 4% | 1.02% | 40,885 | 9.26% | 15 | | 4% | 1.00% | 39,923 | 8.48% | 14 |
| 30/09/2015 | 5% | 1.12% | 44,688 | 10.49% | 17 | 31/12/2015 | 5% | 1.80% | 71,616 | 10.91% | 18 |
| | 10% | 13.91% | 556,461 | 27.78% | 45 | | 10% | 13.25% | 528,280 | 25.45% | 42 |
| | 25% | 87.92% | 3,518,131 | 82.72% | 134 | | 25% | 86.67% | 3,456,903 | 82.42% | 136 |
| | 50% | 95.47% | 3,820,172 | 98.15% | 159 | | 50% | 95.53% | 3,809,937 | 98.18% | 162 |
| | 75% | 100.00% | 4,001,317 | 100.00% | 162 | | 75% | 100.00% | 3,988,354 | 100.00% | 165 |
| | Threshold | % Volume | EUR Mln | % Banks | Number banks | | Threshold | % Volume | EUR Mln | % Banks | Number banks |
| | 1% | 0.02% | 673 | 1.76% | 3 | | 1% | 0.01% | 371 | 1.17% | 2 |
| | 2% | 0.13% | 5,217 | 3.53% | 6 | | 2% | 0.14% | 5,830 | 3.51% | 6 |
| | 3% | 0.54% | 22,259 | 7.06% | 12 | | 3% | 0.41% | 16,944 | 5.26% | 9 |
| | 4% | 1.01% | 41,681 | 9.41% | 16 | | 4% | 1.23% | 50,542 | 9.36% | 16 |
| 31/03/2016 | 5% | 1.69% | 69,930 | 12.35% | 21 | 30/06/2016 | 5% | 1.69% | 69,460 | 11.70% | 20 |
| | 10% | 13.11% | 540,891 | 28.24% | 48 | | 10% | 15.30% | 630,603 | 28.65% | 49 |
| | 25% | 85.87% | 3,542,949 | 79.41% | 135 | | 25% | 86.04% | 3,546,275 | 80.12% | 137 |
| | 50% | 95.62% | 3,945,445 | 97.65% | 166 | | 50% | 95.67% | 3,942,992 | 98.25% | 168 |
| | 75% | 100.00% | 4,126,181 | 100.00% | 170 | | 75% | 100.00% | 4,121,623 | 100.00% | 171 |

| | Threshold | % Volume | EUR Mln | % Banks | Number banks |
|---|---|---|---|---|---|
| | 1% | 0.01% | 336 | 2.07% | 3.4 |
| | 2% | 0.10% | 4,072 | 3.51% | 5.8 |
| | 3% | 0.33% | 13,327 | 6.40% | 10.5 |
| | 4% | 0.98% | 39,419 | 9.52% | 15.6 |
| Average | 5% | 1.63% | 65,798 | 11.73% | 19.3 |
| | 10% | 16.08% | 647,718 | 28.57% | 46.9 |
| | 25% | 86.65% | 3,493,424 | 81.83% | 134.3 |
| | 50% | 95.46% | 3,848,361 | 98.10% | 161.0 |
| | 75% | 100.00% | 4,031,514 | 100.00% | 164.1 |

Using the results, two main alternatives were identified based on the maximum tolerance in terms of banks or volumes: 1% and 5% thresholds (see Figure **2**).

Figure 2 Proportion of 'General governments' to total gross carrying amount at 1% and 5% thresholds (September 2014-June 2016)




*NOTE: EUR Mln represented using a logarithmic scale*

The selection of 1% as threshold below which institutions would be exempted from the new reporting requirements would allow a close to full coverage of volumes (99.99%), while still allowing a significant number of institutions (2.07%) to remain outside the reporting sample. It is worth explaining at this stage the limitations of the sample, which covers the 160 largest consolidated groups, while thresholds are to be computed to the full reporting sample at a consolidated level (around 4 000 institutions) which will then apply for the reporting of consolidated and solo data.

On the other hand, the selection of a higher threshold, i.e. 5%, would still allow the coverage of a fairly high share of overall volume (98.4%) while exempting a much larger share of banks (11.7%).

Based on the analysis it was concluded that although the loss of volume would be acceptable, the selection of a higher threshold poses a risk due to the excessive number of institutions that would be exempted, limiting the ability of supervisors to react should this risk evolve rapidly. Thus a more conservative approach seems appropriate.

## c. The content of the ITS as regards operational risk

**Option 3a:** Status quo

Under Option 3a, the problems identified under the current framework are expected to remain. More specifically, supervisors will still not be able to identify the drivers behind OpRisk events and material losses.

**Option 3b:** Introduction of new details as regards material losses

More detailed information on the nature of the largest loss incidents would allow supervisors to analyse risk drivers in accordance with provisions set out in the EBA Guidelines on SREP methodologies (Articles 242 and 243 of EBA/GL/2014/13). Harmonised data on loss incidents will probably lead to a greater convergence of supervisory practices in this area, and would replace current data collections. To reduce the reporting burden, the criteria set for the OpRisk loss reporting also apply for the new template. Furthermore, only the largest incidents for each event type and the five largest incidents of the institution should be reported if the gross loss amount is ≥ EUR 100 000. Further incidents should be reported if the gross loss amount is ≥ EUR 10 000 000. In any case, reporting should not cover more than the largest incidents for each event type and 10 additional incidents (17 in total).

### d. Proportionality: application of a threshold for OpRisk loss details

**Option 4a:** Status quo

Under this option, some institutions which are deemed significant by their respective competent authorities are exempt from reporting OpRisk loss data. However, without basic information on OpRisk losses, the supervisory assessment of OpRisk is heavily constrained. Therefore, several competent authorities established additional data collections as regards OpRisk losses for firms that are currently exempt from such reporting under the Reporting Regulation. The problems identified under the current framework are expected to remain, as are additional but unharmonised data collections.

**Option 4b:** Introduction of significance criteria

Under this option, all institutions that are deemed significant are required to report OpRisk loss information to their respective competent authority irrespective of the regulatory approach they use to calculate their OpRisk capital requirements. As such, institutions that are deemed significant and that apply TSA or BIA to calculate their OpRisk capital requirements will also have to report these details. This will provide competent authorities with the required information to effectively perform their duty of supervision, as required by the EBA SREP Guidelines.

Additional data collections on OpRisk losses that are currently required by competent authorities to fulfil their supervisory duties will disappear, to be replaced by harmonised reporting requirements. This is expected to have a positive impact on institutions that are currently required to report additional OpRisk information to several competent authorities with various levels of details and different specifications. Supervisory practices as regards the assessment of OpRisk are also expected to converge and improve once harmonised data in this area are available.

## E. Preferred option

### e. The content of the ITS as regards sovereign

Following the arguments detailed above, **Option 1b** is the preferred option.

### f. Proportionality: application of a threshold

After the assessment of both types of thresholds, including the various potential values to be set, and based on the arguments detailed above, the following were deemed critical to ensuring adequate proportionality:

a. the necessity of including a combination of thresholds on the proportion of non-domestic exposures and a threshold on the proportion of total sovereign exposures;

b. the impossibility of excluding the reporting of relevant domestic exposures;

c. the need to establish a low limit for exempting institutions from the new requirements.

The set of thresholds would work as follows:

a. Institutions that have sovereign exposures of at least 1% of total banking and trading book exposures are requested to report the information as specified in template C 33.00.

b. Institutions that meet the criterion in (a) and that hold non-domestic sovereign exposures of 10% or more compared with total sovereign exposures shall report a full country breakdown.

c. Institutions that meet the criterion in (a) and that do not hold non-domestic sovereign exposures of 10% or more compared with total sovereign exposures shall report the information included in the two new templates for exposures aggregated at (i) total level and (ii) domestic level.

The proposed thresholds are expected to reduce the reporting burden while ensuring that the data collected remain relevant, preventing disproportionate costs to less significant institutions.

### g. The content of the ITS as regards OpRisk

**Option 3b** is the preferred option as this will provide competent authorities with the required information to effectively perform OpRisk assessments, as required by the EBA SREP Guidelines.

Thresholds ensure that only relevant losses are required to be reported.

### h. Proportionality: application of a threshold for OpRisk loss details

**Option 4b** is the preferred option since it ensures that all institutions that are deemed significant are required to report OpRisk loss information to their respective competent authority, irrespective of the regulatory approach they use to calculate their OpRisk capital requirements. This will provide competent authorities with the required information to effectively perform their duty of supervision, as required by the EBA SREP Guidelines.

## 4.1.2 Feedback on the public consultation

The EBA consulted publicly on the draft proposal contained in this paper.

The consultation started on 14 November 2016 and ended on 7 January 2016. Twenty responses were received, of which fourteen were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

In several cases industry bodies made similar comments or the same body repeated its comments in response to different questions, in an introduction or in general comments. In such cases, the comments, and the EBA's analysis, are included in the section of this paper where the EBA considers them most appropriate.

Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

## Summary of key issues and the EBA's response

### General comments

#### Consultation period

One respondent expressed strong concerns on the consultation period, which was less than the usual three-month period granted by the EBA, as stated in the EBA's 'Public Statement on Consultation Practices'. The respondent observed that the consultation gave no reasons to explain this shorter consultation period. Moreover the respondent believed that, since due process requirements had not been met, the European Commission is not legally authorised to endorse any draft ITS which the EBA might submit to it on the subject matter concerned.

As stated in the relevant document, 'the EBA will generally aim at allowing a three-month consultation period for public consultation, unless reasons exist to the contrary' and this continues to be the aim of the EBA as the it reiterates its continued commitment to public consultation, where this would not be disproportionate. To justify the shorter consultation period, indications of urgency were laid out in the Consultation Paper, although they were not explicitly labelled in the words used by the EBA's 'Public Statement on Consultation Practices'. Both topics covered, sovereign and operational risk, are of particular importance for supervisory purposes. In the opinion of the EBA, it is imperative to fix the shortcomings identified in the reporting on both topics if supervisors are to perform adequate monitoring of risks, and do so with urgency, given the timelines for the process. Therefore, it has been deemed crucial to include both issues in the next revised draft ITS to be submitted to the European Commission in March-April 2017, with application envisaged to begin from March 2018. It is also important to note that some of the new requirements with regard to sovereign exposures are very similar to current ad hoc collections of data carried out by the EBA and other competent authorities. In addition, it is proposed that these collections should be removed to alleviate the burden on reporting institutions.

### Implementation challenges

While also appreciating the decision to replace current ad hoc collections with a permanent solution that has the benefits of automating processes and achieving uniform reporting, several respondents commented on the challenges in the implementation of the new requirements.

Several respondents expressed their concerns on the implementation period of one year which is, according to their views, too short given the increase in the granularity of data required and the resource-intensive changes in reporting systems. A postponement in the date of entry into force was suggested.

Some respondents also commented on the costs associated with the full implementation of the new requirements with regard to sovereign exposures. In their opinion the costs would exceed any savings from the substitution of ad hoc requests. Excessive granularity and the combination of accounting and regulatory data were identified as the main drivers of this the increase in costs.

The EBA has tried whenever possible to reduce the complexity of the templates without compromising the objective of the proposal. The final draft has reduced the granularity of the information requested based on technical comments that pointed out the excessive complexity of reporting on some elements, mainly market risk exposures and indirect exposures. The previous two templates have now been consolidated into one as a consequence. The combination of accounting and regulatory data is retained, because of the need to identify the distribution and risks of the different classes of sovereign exposures, but risk exposure amount reporting has been withdrawn from the residual maturity section. Finally, the implementation date cannot, unfortunately, be changed, due to the importance of the information for supervisory purposes.

## Comments as regards the reporting of information on sovereign exposures

### Implementation costs

Most of the respondents commenting on the information on sovereign exposures provided feedback on the implementation costs, although only a very limited number quantified this effort. There was a wide range in the numbers provided but the general view of the respondents is that they expect very significant effort to go into the implementation.

The respondents identified the combination of accounting and regulatory data as the main driver of this cost increase. This would apparently require significant IT and software investments along with other procedural changes to link and reconcile both information sources.

The EBA appreciates the comments and information shared by respondents. As explained above with respect to the EBA’s response to implementation challenges, a few aspects of the proposal where the costs exceeded the benefits have been identified. It has been possible to carry out a reduction in the requirements for those aspects without notably jeopardising the overall objective. The EBA trusts that these improvements will help to reduce the burden for institutions.

### Proportionality

There was a general support from respondents on the suitability of the defined thresholds and their appropriateness to address proportionality. Nevertheless, a few remarks were also made with regard to the reporting of individual countries. The obligation to report each individual country exposure (regardless of its size as percentage of the total) for banks above all thresholds was identified as the most problematic issue. Amendments suggested include exemption from reporting, grouping exposures below 1% of total exposures or limiting the reporting to consolidated level only.

The EBA acknowledges the positive feedback on the threshold structure. On the obligation to report individual country information for institutions above the threshold, it is fully understood that in some cases the obligation to report for small proportions, which may be of low relevance for overall exposures, might be less efficient for some institutions, especially at a consolidated level. However, the need to identify risks from both a micro- (also subsidiary level) and a macroprudential perspective, and the apparent lack of noteworthy additional costs in comparison with less granular country information (as expressed in relation to Question 4), support the decision to keep this requirement unchanged.

### Changes, clarifications and simplifications throughout the instructions and templates

Respondents also provided technical comments on the proposal that, once assessed, resulted in changes and clarifications to instructions and templates. The main ones are the following.

**Risk exposure amount information.** Among the challenges introduced by the combination of FINREP and COREP information, the alignment of accounting carrying amounts and risk exposure amounts has been identified as particularly difficult to obtain with reference to residual maturity and market risk. Moreover, its reporting would most likely lack uniformity, given the need to resort to concepts not currently in place in the reporting framework.

As a result, risk exposure amount reporting has been removed from the market risk and residual maturity section.

**Market risk information.** Several respondents identified problems with the breakdown requested for the market risk framework categories (rows 160 to 260), as these categories are not defined in the current COREP framework and model calculations are calculated on a diversified portfolio. In addition, another respondent mentioned that the accounting classification of the balance is also not currently recorded in their market risk systems, as it is irrelevant to the calculation.

As a result the breakdown of exposures by regulatory approach and asset class for market risk has been withdrawn from the requirements due to the fact that using instruments under the internal model method, which estimate risk on a portfolio basis, such classification is not considered and is irrelevant to the computation of capital requirements regardless of the regulatory approach. Nevertheless, the obligation to report accounting values for overall market risk positions remains because it is considered that those positions, regardless of the restrictions in computing risk and prudential requirements, need to be properly identified in accounting systems, as do positions under the credit framework.

**Indirect exposures.** A few respondents mentioned that instructions are insufficient on what constitutes indirect position, since FINREP does not use the concept of indirect exposures. Moreover it was highlighted that the collection of these data and amending reporting and underlying data warehouses would add material build, implementation and ongoing costs, which would be disproportionate to the limited increase in transparency achieved.

The EBA acknowledged that the different nature of indirect exposures, which in some cases may pose difficulties and create duplications in the implementation of systems to identify data, can impose excessive burdens on institutions. In addition, the concept is not included as such in the current reporting framework. On the other hand, there is the clear need to track a source of risk that cannot be disregarded. Therefore, and due to the fact that guarantees and short positions can be identified in current reporting requirements (e.g. as credit risk migration techniques), the obligation will be limited to the credit derivatives sold, which is the most relevant source of risk.

### Comments as regards the reporting of information on operational risk

#### Overall implementation costs

On the proposal as regards the revised reporting on losses related to operational risk, 19 respondents provided feedback, 10 of which offered quantitative information on the implementation costs. The initial implementation costs were estimated to amount to 20-66 person days, while three respondents indicated higher one-off costs, and the recurring costs to be between 0.5 and 5 person days (one respondent indicated higher recurring costs). Based on the feedback received, the overall implementation cost related to the revised reporting requirements on operational risk are considered moderate.

The proposed changes which were considered most complex and burdensome by the respondents to the consultation, i.e. the assignment of loss adjustments to ranges, have been removed (see below), after gauging them against the added value this information would have provided from a supervisory and analytical point of view. Therefore, the final OpRisk requirements ensure that benefits clearly outweigh costs and will not lead to disproportionate implementation costs.

#### Allocation of loss adjustments to ranges — implementation costs and challenges

As regards the details of the approach for allocating loss adjustments to ranges, several respondents either explicitly asked for examples or indicated potential issues[8]. Several comments were received on the difference in approaches chosen for the number of events subject to loss adjustments (always to be reported as positive figure) and the loss adjustment amounts themselves (reported as positive or negative). This difference in approaches was deemed necessary because, as stated correctly by some respondents, positive loss adjustments and negative loss adjustments allocated to the same loss range could partially or totally offset, which

[8] Among the issues raised were the mix of gross loss amounts with amounts of loss adjustments (mix of stocks and flows), the meaning of 'original loss amount' in case of events with multiple adjustments, and the interpretation of 'net adjustment'.

may bias the interpretation of the reported amounts. Against this background, the ‘gross’ view on the number of events would thus have served as a complementary warning signal, yielding information on potentially large-scale offsetting effects.

Specific insights were sought on the relationship between costs and benefits of the proposed reporting on loss adjustments, namely the allocation of loss adjustments to certain ranges. No quantitative estimates were provided by respondents. Two respondents deemed the costs to be acceptable in comparison to the benefits. However, the majority of those respondents providing an opinion stressed that the proposed allocation of loss adjustments to ranges accounts for the biggest share of implementation cost associated with the amended requirements on operational risk. Two respondents indicated that certain elements of the proposal would entail the need for manual adjustments to retrieved data on a permanent basis.

The proposed approach for the allocation of loss adjustments to ranges was deemed to extraordinarily complex to implement by some respondents, among other reasons because information both on the original loss amount and the adjusted loss amount had to be carried along in and retrieved from the operational risk databases. The alternative proposals raised — such as the allocation of loss adjustments to sizes based only on the loss amount before or after the adjustment — had been considered before this consultation was launched. However, those approaches are not at all suited to providing an indication of the accumulated distribution of losses by ranges as of the reporting reference date, and were therefore disregarded.

The approach presented in the Consultation Paper was deemed best, although still not optimal, for obtaining a view on the distribution of losses after adjustments. However, based in particular on the comments related to the implementation costs, the requirement to allocate events to ranges has been dropped. It has been replaced by a breakdown between positive and negative loss adjustments which is deemed to remedy the offsetting issue described above while entailing a smaller implementation burden.

### Scope of events captured in template C 17.02

**‘New’ versus ‘old’ events.** Several respondents required a clarification of whether template C 17.02 should capture only ‘new’ events (those accounted for the first time within the reporting reference period or not yet reported in previous reports) or all events, irrespective of the date of accounting. It has been clarified in the instructions that only ‘new’ events shall be included in C 17.02.

**Threshold.** The Consultation Paper provided three options as regards a potential threshold for inclusion of events into template C 17.02: (a) ‘17 largest losses’, (b) ‘17 largest losses if above EUR 100 000 per loss event’ or (c) a ‘combined threshold’. Of the 12 respondents voicing an explicit preference, 11 were in favour of either option (a) or (b), with a slight majority supporting option (b). In the light of that, option (b) has been incorporated into the final draft ITS.

## Summary of responses to the consultation and the EBA's analysis

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| **General comments** | | | |
| Consultation period | One respondent mentioned that the consultation period of less than 2 months was not in accordance with the EBA's 'Public Statement on Consultation Practices' of 25 September 2012, which states that the EBA will allow those consulted adequate time to respond, according to the complexity of the issue and the time available. The document states that the EBA aims at allowing a 3-month consultation period for public consultation, unless reasons exist to the contrary, for example where an external timetable is imposed or the measure requires urgent action. The consultation makes no mention of reasons to the contrary which would require the consultation period to be restricted to less than 1 month. The respondent believed that, under European Administrative Law, agencies which claim that there would be cogent reasons justifying any departure from their internal rules are obliged to be specific, concluding that due process requirements have not been met and that, as a consequence, the European Commission is not legally authorised to endorse any draft ITS | As stated in the relevant document, 'the EBA will generally aim at allowing a three-month consultation period for public consultation, unless reasons exist to the contrary', and this continues to be the aim of the EBA as it reiterates its continued commitment to public consultation, where this would not be disproportionate. To justify the shorter consultation period, indications of urgency were laid out in the Consultation Paper, although they were not explicitly labelled in the words used by the EBA's 'Public Statement on Consultation Practices': those included the fact that the amendments to the ITS refer to two topics of particular importance for supervisory purposes, both of which have proven highly relevant in the past: sovereign and operational risk. For both of those, in the opinion of the EBA, it is imperative to fix the shortcomings identified in reporting if supervisors are to perform an adequate monitoring of risks, and to do so with urgency, given the timelines for the process. Therefore, it has been deemed crucial to include both issues in the next revised draft ITS to be submitted to the European | No change in the consultation period |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | which the EBA might submit to it on the subject matter concerned. | Commission in March-April 2017, with envisaged application from March 2018. It is also important to note that part of the new requirements with regard to sovereign exposures are very similar to current ad hoc collections of data carried out by the EBA and other competent authorities. In addition, it is proposed that these collections should be removed to alleviate the burden on reporting institutions. | |
| Substitution of ad hoc collections by new requirements | Appreciative feedback was received from several respondents on the decision to replace current ad hoc collections with a permanent solution allowing for automation of processes. Respondents also welcomed uniform reporting requirements that guarantee comparability among banks' loss profiles, avoiding different reporting implementations. Another respondent also mentioned the positive impact of further increase in cross-border transparency in reporting. | N/A | N/A |
| Period for the implementation | Four respondents expressed their view that the implementation period of one year after publication of the final ITS may be too short, due the increase in the granularity of data required and resource-intensive changes in reporting systems. Moreover early 2018 is the point of adoption of other regulations such as IFRS 9 and other regulatory initiatives. In their | The EBA acknowledges the need for sufficient implementation time. The EBA also understands that the existence of similar requirements via current ad hoc collections, which will be replaced, will put institutions in a good starting position for the first remittance date, Q2 2018. In addition, the introduction of certain amendments to the proposal, which reduce | No amendments to the proposal |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | opinion it would be reasonable and appropriate to allow institutions more time for preparing and validating the required information. One of these respondents believed that it would be important to assess how the proposed reporting requirements interact with other rules and, in particular, with the FRTB framework and the new IFRS 9 rules. Various alternative dates were suggested: early 2019, for example, waiting until the entering into force of the Fundamental Review of the Trading Book (FRTB) in 2020, or splitting the implementation dates for credit and market risk sections. | reporting requirements, is expected to alleviate the burden for its implementation. A delay in this first remittance date which would deprive supervisors of adequate information for a long period and thus cannot be considered at this stage. | |
| Implementation costs | Several respondents commented in the General Comments section on the costs associated with the full implementation of the new requirements with regard to sovereign exposures. In their opinion costs would exceed any savings from the substitution of ad hoc requests. These comments, which were repeated and expanded with estimations in response to Question 2 and Question 4, expressed the concerns of some respondents on the excessive costs that institutions would have to bear. Excessive granularity and the combination of accounting and regulatory data were identified as the main drivers of this | As detailed in the response to Q2, the EBA has conducted a further cost-benefit analysis to identify the elements that could be withdrawn without significantly affecting the objective of the proposal. While it is acknowledged that the combination of FINREP and COREP information is demanding, this element cannot be eliminated due to the need to fulfil the objective of the proposal. Moreover, the reconciliation of accounting and prudential figures is mandatory for banks. However, a few amendments have been adopted to alleviate the burden to institutions by restricting the information required in the section | Changes in the scope of the proposal |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | increase in costs. In one respondent's opinion, the fact that one single reporting template C 33.01 covers all types of risk within the same kind of exposure makes the process technically complex, without adding any significant value. Another respondent believed that template C 33.02 requires a maturity analysis which is not currently available in FINREP (or other reported) templates and would require a significant change to processes and reporting systems, which would need material financial investment.<br>One respondent proposed the request of two distinct templates, one containing only accounting information on general governments in total by country (i.e. not by rows 20 to 260 as proposed), the other containing RWAs (and potentially other COREP information) on general governments, analysed as proposed in rows 20 to 150 of template C 33.01, again by country. | corresponding to previous template C 32 02. Additional amendments have been carried out to reduce the granularity by reducing market risk and indirect exposures, as detailed below in response to Question 5. | |
| Consistency and comparability | One respondent believed that the proposed templates contain definitions which are not consistent with other templates included in the COREP package for credit and market (e.g. derivative exposure split carrying amount and notional amount for items with positive and negative fair value) and that better alignment is needed. Therefore, if the template is to be | The EBA concurs on the need to produce clear instructions and templates. Some modifications and further clarifications have been added as a result of the consultation, to ensure an appropriate degree of detail. In any case, specific questions can be addressed via the regular Single rule book Q&A tool after endorsement of the proposal. | |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | included in the COREP package proposal, the definitions must be aligned with those used in other COREP templates. In another respondent's view the comparability of the information is not ensured if institutions fail to apply uniform criteria, as some may report the information based on first accounting data and others on first detection data. Another respondent stressed the need to develop uniform reporting requirements to guarantee comparability and suggested that, to meet this target, it is fundamental to clarify as much as possible the reporting requirements through detailed explanations and basic examples. | | |
| Application of new requirements | One respondent suggested reporting of templates C 33.01 and C 33.02 to be required only at consolidated group level, and solo-level reporting to be required only for those entities which are not part of a consolidated group report, since the EBA's transparency exercises are a key driver for the disclosure of sovereign exposures. | As stated in section 3.1 of the Consultation Paper, the use of the data for transparency purposes is simply an additional reason for the new requirements, the main one being to provide supervisors with relevant information to assess banks' vulnerabilities with respect to sovereign risks. These vulnerabilities may be hidden at a consolidated level while being present a subsidiary level. Therefore, there is a need to make no exceptions within the scope of reporting, and these templates will need to be reported at a subsidiary level in accordance with the current regulation. | No change in the scope of the proposal |
| Clarity in the requirements | A few respondents included in the General Comments suggestions related to clarity in the | These comments have been added and addressed in the section for Question 5. | See Question 5 section |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | requirements; these were repeated and expanded in response to Question 5. These comments covered topics such as market risk, maturity, substitution effects and indirect effects. | | |
| **Responses to questions in Consultation Paper EBA/CP/2016/20 — Sovereign exposures** | | | |
| Question 2 — Sovereign exposures: Could you please quantify the implementation costs (expressed in person days) that would arise when implementing the new reporting requirements on sovereign exposures as part the regular reporting framework? How would these implementation costs compare to a situation in which institutions were required to comply with ad hoc data requests that are required (i) to comply with the EBA's transparency exercises and (ii) to comply with competent authorities' requests on institutions' sovereign exposures (e.g. SSM short-term exercise)? | | | |
| Implementation costs | Eight respondents provided feedback on the implementation costs for the proposed new requirements with regard to sovereign exposures, with only three of them quantifying this effort. Despite the low number of contributors these estimations vary from 40 to 2 400 person days for the implementation phase, and from 1 to 600 person days for the recurrent production of the reporting output. An additional respondent estimated the length of the project at between 9 and 12 months. While several respondents expressed their preference for standardised reporting over ad hoc collections, and two mentioned the similar burden of the new recurring reporting requirements with respect to current ad hoc | The reduced number of respondents that provided estimations, and the range of those estimations, do not permit a robust measure of the effort required. Nevertheless, qualitative comments, along with others received as general comments, allow inferring the costs associated with the implementation of the proposal by institutions. For the reasons stated in section 3.1 of the Consultative Paper, and in particular the need to provide supervisors with relevant information which is currently missing, it is imperative to move from ad hoc collections to a permanent solution, and this was welcomed by respondents. Nevertheless, it is also the intention of the proposal to be restricted as much as possible to the elements needed to alleviate the burden for institutions. | Changes in the scope of the proposal |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | collections, they also estimated the effort of implementation as very high.<br>The respondents identified the combination of accounting and regulatory data as the main driver of this cost increase. This would apparently require significant IT and software investments along with other procedural changes to link and reconcile both information sources. Correspondence between 'General governments' and COREP classes, level of granularity (particularly in market risk exposures) and maturity breakdown are also cited as challenging aspects for the adoption of the new requirements. | Thus, based on the comments from the consultation and after a further cost-benefit analysis, a few elements have been with withdrawn or reduced: elimination of prudential information in the section corresponding to previous template C 32.02 and reduction of the granularity of market risk and indirect exposures to be reported. | |
| Question 3 — Sovereign exposures: The threshold defined in Article 5(b)3(a) exempts institutions that fall short of the threshold from the new requirements. Do you think that this threshold is appropriate so that (i) institutions with material sovereign exposures are required to report (and hence supervisors will have the relevant information for their assessments) while (ii) smaller and less complex institutions are more likely to be exempt from the new reporting requirements? | | | |
| Proportionality | Seven respondents provided feedback on the appropriateness of the thresholds designed to address proportionality in the application of the new requirements. Four of them explicitly shared their positive view of the suitability of the defined thresholds. In particular one respondent pointed out that proposed limits enhance reporting for significant institutions as defined in EU Regulation 575/2013.<br>Nevertheless, a few remarks were made with regard to reporting for individual countries. | According to the responses received there is wide support for the thresholds defined, which seem to ensure proportionality in the application of the requirements. Therefore, there is no apparent reason to modify the percentages established.<br>The obligation to report individual country information for institutions above the threshold is one of the main reasons for putting forward this proposal, since the lack of this information was identified as a one the most relevant | No amendment of the proposal |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | One respondent, while acknowledging the incentives for banks to invest abroad in search of higher yields, suggested that the obligation of reporting for all countries would be too burdensome. Another respondent had a similar view, arguing that the reporting of each individual country exposure (regardless of its size as percentage of total) may lead to unwarranted costs when countries have immaterial exposures. A third respondent mentioned that the application of the thresholds for cross-border institutions with small subsidiary banks would mean that those smaller subsidiary banks would still need to identify the data for consolidation in the group submission, thus not benefitting from any exception related to non-significant exposures. Amendments suggested include exemption from reporting, grouping exposures below 1% of total exposures or limiting the reporting to consolidated level only.<br>One responded suggested moving the obligation to report from 1% to 10% or 20% of total exposure.<br>Finally, another respondent pointed out that the combination of FINREP and COREP data (as mentioned in Q2) and, in particular the fact that the concept of 'General | shortcomings of current requirements. It is fully understood that in some cases the obligation to report for small portions, which may be of low relevance for overall exposures, can be less efficient for some institutions. However, there are several additional reasons supporting the need to keep this requirement unchanged:<br>a) the need to compute values per country to properly apply the thresholds;<br>b) the fact that this will most likely have an effect in more complex institutions whose data infrastructure is more advanced;<br>c) the apparent lack of noteworthy additional costs in comparison with less country granular information (as expressed in relation to Question 4);<br>d) the value added to identify risks and main trends from a macroprudential perspective, in addition to pure microprudential and supervisory interest;<br>e) current incentives for high-yield investments.<br><br>In particular the proposal to group countries below a certain limit cannot be taken on board since an additional threshold would need to introduced to limit this group, resulting in excessive complication. In addition, it would be confusing to include different countries for different institutions in the same group. | |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | governments' is not defined in COREP will create, in his opinion, difficulties in computing the thresholds. | | |
| Question 4 — Sovereign exposures: Is there a noteworthy difference in terms of costs between point (b) which requires a full country breakdown and point (c) which limits the breakdown to a total and domestic country? If there is a noteworthy difference, please try to quantify the cost difference and put it into context with the overall implementation costs that you expect with the new reporting requirements on sovereign exposures. | | | |
| Additional cost of individual country reporting | Six respondents provided feedback on the potential cost difference between full country breakdown and total and domestic reporting only. Four of them stated that there is no noteworthy difference in terms of costs, while the remaining two identified higher costs for the reporting of a country breakdown, due to higher operational impacts on IT systems and greater involvement of reporting personnel, who have to complete and validate every report. However, one of these two last respondents also stated that, technically speaking, the information would always have to be collected to calculate the thresholds. | Although a few potential sources of increasing costs have been identified, the general view of respondents, as well as the assessment of the nature of those sources, does not suggest any need to remove the requirement for a full country breakdown (see also Question 3 above) . | No amendments to the proposal |
| Question 5 — Sovereign exposures: Are the reporting templates related to sovereign exposures (C 33.01 and C 33.02) as set out in Annex I and related instructions in Annex II sufficiently clear? In case of uncertainties on what needs to be reported, please provide clear references to the respective columns/rows of a given template as well as specific examples that highlight the need for further clarifications. | | | |
| Instructions and templates | Combination of FINREP and COREP information. Several respondents commented again on the challenges introduced by the combination of FINREP and COREP | As stated in the general section in relation to the costs of implementation, it is acknowledged that the combination of FINREP and COREP information is a highly demanding feature of | Amendments to the instructions and templates |

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| | information. In particular the required split by both FINREP and COREP classifications is understood to increase the complexity of the new requirements and firms will find it hard to interpret the requirements. According to one respondent it will be challenging to compare or reconcile both sources with the risk of not receiving uniform and comparable reporting from institutions. Additional challenges due to the fact that carrying values (in columns) are not used as the basis of regulatory exposure calculations were also reported. | the new requirements but cannot be eliminated due to the need to fulfil the objective of the proposal. However, a few amendments have been adopted to alleviate the burden to institutions, as detailed below in response to specific comments on Question 5. | |
| Instructions and templates | IFRS-GAAP. A few respondents believe that it is currently unclear from the guidance provided which parts of the template are applicable to institutions following IFRS and which ones are applicable to institutions reporting under national GAAP. Some respondents suggest expanding the instructions to clarify which columns are applicable to IFRS and national GAAP institutions. Another respondent requested confirmation that sovereign exposures are to be reported at the consolidated level in IFRS or GAAP when applicable. | Although it was considered evident that only GAAP banks were able to report on columns for GAAP portfolios, additional clarification specifying the columns that will only need to be reported by GAAP banks was added for the sake of clarity. | Additional clarification included in the instructions |
| Instructions and templates | Aggregation. One respondent understands that it would be helpful to have further detail on the exact meaning of ‘aggregate’ when applied to the template required. For | Instructions for column 20 have been extended to clarify the aggregation expected. ‘Total carrying amount of non-derivative financial assets (net of direct short positions)’ is the sum | Additional clarification included in the instructions |

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| | instance, in row 010 'Total exposures' are defined as the aggregate of exposures to general governments, the question being whether or not row 10 should include the sum of all exposures as reported in rows 030 to 260. The total created this way may contain double counting with the market risk section above, and will not reconcile to FINREP. | of the columns 030 to 120 minus column 130. If this amount is lower than zero, due to higher value of short positions over the aggregate of carrying amount of financial assets, the amount to be reported shall be zero. | |
| Instructions and templates | Residual maturity. One respondent identified the need for more clarity on how residual maturity for cross-product netting should be reported in template C 32.02, as for cross-product netting this information is not available. In addition, further clarification is needed on reporting risk-weighted exposure to sovereigns by maturity in C 33.02, where the current guidelines are unclear on whether banks should report the exposure by maturity in isolation or the contribution of each maturity bucket to the total exposure. | Cross-product netting is an instrument that affects the computation of maturity in the context of the estimation of capital requirements. The residual maturity requested in the section corresponding to previous template C 32.02 is based on the time remaining until the exposure contractually matures. Therefore, the components of the cross-product netting agreement in the scope of the new reporting requirements must be reported independently in their residual maturity bucket. However, motivated by other comments related to the lack of alignment between maturity breakdown and prudential requirements, and to avoid misleading mismatches between residual maturity reported and regulatory maturity and requirements, column 320 has been removed. The information requested in the section corresponding to previous template C 32.02 will be restricted to accounting information. | Amendments to the instructions and templates |

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| | | Additional clarification in the definition of residual maturity has also been added to the instructions. | |
| Instructions and templates | Market risk. Several respondents identified problems with the breakdown requested for the market risk framework categories (rows 160 to 260), as it exists neither within the current COREP framework nor within their market risk systems and will not be meaningful, given that model calculations are undertaken on a diversified portfolio. In addition, the accounting classification of the balance is also not currently recorded in their market risk systems as it is irrelevant to the calculation. It also seems unclear how banks are expected to report accounting values for instruments subject to both standardised and internal model-based (IMM) market risk assessment. This requires further clarification on how to report accounting values and exposures of such instances within rows 160 to 260, and of whether double count is intended. Another respondent demanded more clarity on how IMM netting has to be handled. In COREP netted future expected exposure values are reported, whereas FINREP does not have such netting and such values. | The requested breakdown of exposures for the market risk is not relevant to the computation of capital requirements. In addition, for instruments under the internal model method, which estimate risk on a portfolio basis, such classification is not considered. Furthermore the reporting of exposures under both the Standardised Approach and the Internal Model Approach is not trivial. For those reasons the breakdown of exposures by regulatory approach and asset class for market risk has been withdrawn, as has the need to report risk exposure amounts. Nevertheless, the obligation to report accounting values for those positions remains, because it is considered that those positions, regardless of the restrictions in computing risk and prudential requirements, need to be properly identified in the accounting system, as do positions under the credit framework. IMM netting is not relevant from an accounting perspective. | Amendments to the instructions and templates |
| Instructions and templates | Short positions. Further clarification is sought on the treatment of direct short positions, | Further clarification has been included on reporting short positions, which must be done | Amendments to the instructions |

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| | especially regarding netting. It is not clear whether netting has to be applied in the specific column or in each column. One recommendation is to remove columns 130 and 140 on short positions, since these are related to financial liabilities. | by residual maturity bucket and by immediate counterparty. Direct short positions will then be used for netting with positions for the same residual maturity and immediate counterparty for the computation of rows 030 to 120. | |
| Instructions and templates | Accumulated negative changes in fair value due to credit risk. Further clarification is needed. Firstly additional information is requested on whether they should be limited to the reporting reference date, since the beginning of the year or to all historical changes related to the current exposures. In addition, there is the question of whether accrued P&L of items that have been sold in the current year is to be reported. Secondly it was also unclear whether column 170 is intended to sum values reported in columns 180 and 190, as per template layout, or to report values over and above. Finally, additional guidance on why column 050 is excluded from the references for columns 180 and 190 but included in the references for column 170 is also requested. | A clarification of the instructions has been made, stating that 'Accumulated negative changes in fair value due to credit risk to be reported' refers to all changes related to current exposures. In addition, clarification on the references to different accounting categories has been added. | Amendments to the instructions |
| Instructions and templates | Derivative exposures. One respondent suggested that, although it is possible to provide carrying values and notional values for both assets and liabilities, these do not currently show a sovereign split, and that | The identification of the counterparties for direct exposures for all financial instruments along with some additional features is crucial for institutions to comply with accounting and prudential requirements. In particular, the | No amendments |

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| | amending reporting and underlying data warehouses would add material build, implementation and ongoing costs, which would be disproportionate. It was thus recommended that these columns are removed. | identification of the sector and the country of residence are crucial to comply with regulatory requirements but also to carry out a proper risk assessment. In addition, this information has been regularly collected for transparency and stress purposes. | |
| Instructions and templates | Indirect exposures. A few respondents commented on the information requested for indirect exposures. It was mentioned that instructions are insufficient on what constitutes indirect position, since FINREP does not use the concept of indirect exposures. Moreover it was highlighted that the collection of these data and amending reporting and underlying data warehouses would add material build, implementation and ongoing costs, which would be disproportionate to the limited increase in transparency achieved. Based on the previous arguments, its removal was requested. In a related comment another respondent requested further clarification to implement a system to identify data for both immediate borrower basis and guarantor basis, where exposures are partially or fully guaranteed by general governments across the accounting IFRS metrics requested. Additional clarification on whether or not indirect exposures require the inclusion of risk-weighted exposure | It is acknowledged that the different nature of indirect exposures, which in some cases may cause difficulties and duplications in the implementation of systems to identify data, can create an excessive burden for institutions. In addition, the concept is not included as such in the current reporting framework. On the other hand, there is the clear need to track a source of risk that cannot be disregarded. Therefore, and due to the fact that guarantees and short positions can be identified in current reporting requirements (e.g. as credit risk migration techniques), the obligation will be limited to the credit derivatives sold, which is the most relevant source of risk. In addition, this will only need to be reported at an aggregate level and by residual maturity. Clarification that these exposures are not to be considered in the reporting of risk-weighted amounts was also added to the instructions. | Amendments to the instructions and templates |

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| | amounts reported in column 320 was also requested. | | |
| Instructions and templates | Inconsistency from substitution effects with respect to risk exposure amount. Some lack of clarity and potential inconsistency was pointed out with regard to substitution effects. The use of FINREP values, e.g. in column 010, which are assumed to be reported prior to substitution or any other mitigation measures, whereas in column 320 RWA values are to be reported after substitution and other mitigation measures, seems inconsistent. | As stated previously the section corresponding to previous template C 32 02 intends to provide a comprehensive set of information on institutions' sovereign exposures to facilitate analysis and control by supervisors. To that end the inclusion of accounting and risk exposure values are considered of utmost importance. However, inconsistencies in the information must be avoided. As was rightly pointed out by respondents, the pure comparison of accounting carrying amount (before substitution effects and other mitigation measures) with risk-weighted exposure amounts (after substitution effects and other mitigation measures) can be misleading and incomplete. Therefore, an additional column for 'Exposure value' will be added to the section corresponding to previous template C 32 01. This column will assist in the separation of the effect of the mitigation measures and the risk of the exposures. | Amendments to the instructions and templates |
| Instructions and templates | Transfer risk inclusion in weighted exposure amount. Regarding its disclosure in column 320, it is apparently not quite clear whether or not transfer risk should be included. | Risk-weighted exposure amount will apply to direct exposures and is to be reported in accordance with CRR requirements. This new reporting template does not introduce any additional capital requirements. | No amendments |

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| Instructions and templates | Drafting suggestions and errors flagged. In addition to the comments above, a few others were received with purely drafting suggestions, or flagging errors in template headings and instructions affecting the majority of columns of the templates. | Several amendments to the instructions and the headings of the templates have been made to improve clarity and fix mistakes. | Amendments to the instructions |
| **Responses to Questions 1 and 6-9 in Consultation Paper EBA/CP/2016/20 — Operational Risk** | | | |
| **General comments** | | | |
| Basel reform | We would also raise the issue of simplicity, since this is one the main rationales of the Standardised Measurement Approach (SMA), introduced by the related BCBS Consultation Document as of March 2016. The new templates C 17.01 and C 17.02 represent an increase in complexity compared with the current C 17.00, although SMA is meant to reduce it. Generally, every dimension in reporting increases the complexity further. In our opinion, some 'dimensions' of information are not necessary and could be abolished in favour of simplification and comparability across the industry. For example, the reporting by Basel business lines (Basel BL) would no longer be necessary if the Standardised Approach (TSA), which is based on Basel BL, were to be replaced by the SMA. | No final agreement on the Basel standard has yet been reached. After finalisation, the respective standards will have to be implemented in the EU. Taking this into account, the revised reporting standards on operational risk as proposed in these final draft ITS will come into force earlier than the revised Basel standard. The EBA considers it important to have clear and harmonised rules in place for the years to come.<br>The currently applicable provisions on operational risk— which will still be applicable when the revised reporting requirements come into effect — take the business lines into account, although in different ways depending on the approach taken to calculating own funds requirements (for TSA/ASA, income and expenses are mapped to business lines; for the AMA and risk management, losses are mapped | None |

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| | | to business lines). Against this background, the breakdown by business lines has been kept unchanged. | |
| Consolidation | It is also important to clearly define how to treat the amounts of provisions, losses, provisions write-backs and recoveries related to proportionally consolidated legal entities. Usually, the amounts are multiplied by the consolidation percentage of the related legal entity. For example, if a legal entity is proportionally consolidated at 40%, then all the related amounts will be multiplied by 40%. | The consolidation principles laid down in the CRR are applicable to supervisory reporting regardless of the specific template used. | None |
| Frequency | Clarification is sought about the frequency of reporting: due to burdensome computation, our understanding (e.g. the first flow with the new format is expected with reference date June 2018) is that the OpRisk loss sheets remain semi-annual. | The frequency of reporting the OPR details templates remains unchanged (semi-annual frequency). | None |
| Objectives of the amendments | Given the additional effort and associated data quality risk of splitting the information in a more manual way, we would seek further clarification on the perceived benefits of the change.<br>We would challenge two points of benefit in particular, that are stated in the Consultation Paper:<br>(i) Reducing the risk of underestimating the current level of losses of an institution | The amended reporting requirements on losses stemming from operational risk reduce the risk of underestimating the current level of losses of an institution by clearly distinguishing between losses related to 'new' (current) events and losses (loss adjustments) related to 'old' events. Among other effects, the offsetting effect between gross losses related to new events of the reporting reference period and negative loss adjustment amounts stemming from older | None |

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| | (ii) Revealing potential underprovisioning for OpRisk events<br>We do not believe the first point is addressed by the changes, as loss levels within the period are already reported via the current process.<br>We believe any perceived issues with underprovisioning should be addressed through audit and provisioning policy/standards and not through operational loss reporting. | events, which is a shortcoming of the reporting requirements currently in place, is eliminated.<br>The split between losses related to 'new' events and loss adjustments related to 'old' events also supports the identification of a potential underprovisioning for OpRisk events in terms of timing (e.g. optimistic loss expectations in the period where the event occurred are reflected in significant amounts of loss adjustments in following periods). | |
| Scope of application – reporting institutions | It is not clear:<br>- how the significance filter must be applied to small companies currently adopting the Traditional Standardised Approach or Basic Indicator Approach belonging to an AMA or significant group;<br>- whether or not these subsidiaries contribute to group OpRisk loss reports.<br><br>Therefore, further clarifications are needed:<br>- if these subsidiaries are individually not significant or if they are not subject to Directive 2013/36/EU (CRD IV) and CRR rules individually;<br>- on the exclusion of these non-significant and non-banking subsidiaries from the scope of reporting: if the supervisors expect them to be included, the possibility for them to collect loss data in a simplified way (compliant with | As a general rule, data reported at a consolidated level refer to entities within the supervisory scope of consolidation. If an entity is included in the supervisory scope of consolidation, its loss data have to be included in C 17.01 and C 17.02 at consolidated level, irrespective of the approach to the calculation of own funds requirements that this entity might apply at individual level.<br>Whether any of the criteria of Article 5(b)(2)(b)(i)-(iv) of the ITS are met has to be verified at individual level for individual reports and at consolidated level for consolidated reports. The obligation of a group to submit C 17.01/C 17.02 at consolidated level does not automatically entail the obligation of every single entity included in that group to report at individual level (i.e. there is no 'pulling effect' of the obligation to report at | None |

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| | Annex II instructions) should be made explicit (the local implementation of an OpRisk framework and loss data collection process could be very burdensome, costly and time expensive in comparison with the hypothetical losses these subsidiaries might face).<br>(A second respondent raised similar issues.) | consolidated level). | |
| Challenges of data collection | Our main concern related to the templates is driven by the huge computational effort required (especially for large banks or groups) by the proposed criteria to be implemented in downloading data from local databases, which are far more complicated than those currently in place. | The CRR's provisions and associated technical standards on operational risk require groups of institutions to have an integrated risk management. Against this background, it is expected that the parent institution of a group disposes of the bulk of necessary information on losses related to operational risk. The differences between the reporting requirements in place since June 2015 and the revised requirements are moderate, as the proposal to assign loss adjustments to ranges, which might have been impacted most by potential differences in database structures, has been dropped. | None |
| AMA partial use | In case of AMA partial use institution, it would be useful to specify the scope of the report. In our understanding, the scope includes AMA, TSA and BIA segments of the institution. | In case of a combined use of different approaches for the calculation of own funds requirements for operational risk according to Article 314 of the CRR, all losses and recoveries (except those related to boundary credit events) registered by an institution shall be reported in C 17.02 and C 17.02, irrespective of the approach applied to calculate own funds | Instructions clarified |

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| | | requirements. This has been clarified in the instructions. | |
| Scope of application — reporting institutions | In should be made clear that there should continue to be no requirement for LSIs which use BIA to report OpRisk details and OpRisk losses, and that institutions should be given the option of submitting the reporting templates voluntarily. At best, Article 5(b)2(d) should be reworded so that there is no reporting requirement for LSIs which calculate operational risk in accordance with Chapter 2 of Title III of Part Three of Regulation (EU) No 575/2013. | Article 5(b)2(b)(ii)-(iv) of the draft ITS reflects the main criteria used by the Single Supervisory Mechanism to identify significant institutions. Only BIA institutions which fulfil at least one of those criteria are obliged to report C 17.01 and C 17.02. Compared with the version sent for consultation, the criterion of Article 5(b)2(b)(i) has been eliminated for BIA institutions. Article 5(b)2(d) addresses the possibility of voluntary reporting. | Minor amendment to draft ITS text |
| Boundary credit events [C 17.01] | Consultation Paper paragraph 21(g). Relating to boundary credit events, and considering that they must be excluded from the operational risk database and reported in the specific (credit) databases, it is nonetheless also requested (or suggested) that they should be tracked and monitored in operational risk. In order to have a single view, could you provide a unique definition of boundary events which must be not considered? | Boundary credit events shall be reported in neither template C 17.01 nor C 17.02. However, this does not override the provisions of Article 322(3)(b) of the CRR, i.e. those losses still have to be included in the internal operational risk database of the institution. Equally, the reporting requirements do not constitute a suggestion with regard to the management of operational risks. In line with the principles laid down in Article 322(3)(b) of the CRR, boundary events are those events which are not subject to the operational risk charge, provided that the institution is required to continue to treat them as credit risk for the purposes of calculating own funds requirements. | None |

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| Business lines [C 17.01] | Annex II, paragraph 4.2.2.2, rows 010-880. A confirmation is requested regarding the split of a loss among more business lines and the possibility of not allocating a loss on a specific business line: are there any limitations (particularly regarding the maximum number by which a loss can be divided or the total loss which can be without a specific business line)?<br>Is there a specific criterion under which an institution should decide to not allocate a loss to a specific business line, or is the decision a completely subjective choice? | The option not to allocate losses to any kind of business line is provided only for BIA institutions. As no information on business lines is taken into account in the calculation of own funds requirements for operational risk according to the BIA, those institutions might not be able to retrieve the necessary data without significant cost.<br>BIA institutions should allocate the losses to business lines on a best-effort basis, taking into account, to the extent possible, the definition of the business lines provided in Article 317 of the CRR. | None |
| Business lines [C 17.01] | In cases where the business line of an event changes and the loss amount remains unchanged, it is not totally clear whether or not this adjustment should be reported at all (e.g. where the business line of an existing loss changes from ‘corporate finance’ to ‘trading and sales’; the loss amount of EUR 1 million remains unchanged). | An event shall be reported in the row corresponding to the business line assigned at the reporting reference date.<br>If an event is reassigned to a different business line in a subsequent reporting reference period, but no loss adjustment is made, this event does not have to be reported again.<br>If an event is reassigned to a different business line in a subsequent reporting reference period and a loss adjustment is made, the loss adjustment shall be reported in the row corresponding to the revised business line. | None |
| Business lines [C 17.01] | Annex II, Article 134:<br>Presently, the use of the ‘Corporate items’ row is limited to establishments using the AMA methodology (as Article 322 refers to | The reference to Article 322(3)(b) of the CRR is used to define the business line ‘Corporate items’. Institutions which do not use the AMA to calculate own funds requirements, but which | None |

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| | Article 312(2), dedicated to AMA). In the Consultation Paper, the wording is unchanged (point 134 in the Consultation Paper being equivalent to point 130 of the current Annex 2). However, for COREP consolidation purposes, and as the AMA methodology is to be discarded soon, this row should be made available for all (and not restricted to AMA establishments). | observe the definitions of business lines laid down in Article 317 of the CRR and Article 322(3)(b) of the CRR may allocate losses for the purposes of supervisory reporting to this business line as well. However, allocating losses to this business line shall not be the general default solution if BIA or STA/ASA institutions encounter difficulties with regard to the allocation of losses to business lines. | |
| Date of accounting, date of occurrence [C 17.01] | In addition, further questions arise in connection with the 'date of accounting'. Is this to be understood as the cut-off date for accruals in reporting? This raises the question of how historical cases that have not yet been assigned any 'date of accounting' are to be treated. This may, for example, be the case for migration of data from subsidiaries that have not recorded any booking date. As subsequently recording the date of accounting is highly burdensome, we suggest using the 'date of discovery' instead. In this context, we also suggest changing the 'date of occurrence' to the 'date of first occurrence', since a case may occur several times before it is noticed, e.g. time clock fraud. | The instructions define the 'date of accounting' as the date when a loss or reserve/provision was first recognised in the P&L statement against an operational risk loss. This concept has not been changed compared with the reporting requirements which have been in place since June 2015. Information on the exact date of accounting is only required for reporting of individual events in C 17.02. As this template captures mainly new events, the efforts needed to retrieve the accounting date should be limited.<br>'Date of occurrence' has been changed to 'date of first occurrence' in both the instructions and templates. | Templates/instructions slightly amended with regard to 'date of occurrence' |
| Gross loss amount (new events), loss adjustments [C 17.01] | One respondent required a clarification on the classification of events related to previous periods whose losses had not yet been reported, owing not to a change in their | It is assumed that the reference to both 'fast closing delays' and to 'late bookings' refers to losses recognised (and/or accounted for) just before the reporting reference date. | |

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| | inclusion in the OpRisk scope but to a 'shrinking' or 'fast-closing' delivery date, It was unclear whether those were deemed to be 'current' events (preferred option) or 'previous' ones. Furthermore, the respondent raised the following questions:<br>- whether or not 'the freezing date depends on the single event or on the last date when one of its losses (any recovery excluded) was reported to supervisors';<br>- how to treat loss adjustments accounted for in a previous year which 'could not be reported in advance due to "fast closing" delays'.<br>The respondent argued that 'banks can hardly speed their data collection processes without weakening data quality and assurance' and — with a view to the now-dropped allocation of loss adjustments to ranges — pointed to the need for significant intervention and modifications of database structures, increasing compliance costs.<br>A second respondent sought a confirmation that 'late bookings' have to be considered as part of the gross loss and not as a loss adjustment. | The reported data shall reflect the losses that had occurred as of the reporting reference date. In that sense, reports not taking into account losses accounted for just before the reference date are incorrect, which entails the need to resubmit corrected data without undue delay (see Article 3(5) of the ITS on supervisory reporting).<br>However, it is recognised that especially with regard to operational risk, some new loss events or loss adjustments to existing loss events might not be included in the institution's operational risk databases e.g. due to authorisation delays. In such a case, these losses need to be reported according to their nature as losses or adjustments, respectively, in the following report. Adjustments should only be reported if the event they refer to had been included in a previous report, i.e. it should always be ensured that the first occurrence of an OpRisk event in a supervisory report is presented as a new event/new loss (rows X10 and X20) and every subsequent adjustment as an adjustment (rows X30 and X40). | |
| Internal threshold applied in data collection [C 17.01] | C 17.01, columns 090-100: Should institutions which do not apply a minimum threshold in data collection fill in column 090 with zeros or | The instructions were deemed sufficiently clear. Where all losses from operational risk events are collected in a database irrespective of the | None |

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| | leave blank? | specific loss amount related to those events, the effectively applied threshold is zero, thus a zero should be reported. No values are reported if the institution does not have a specific business line. | |
| Internal threshold applied in data collection [C 17.01] | Internal data collection threshold<br>The internal data collection threshold may be different for each institution, risk category and time span. Thus, information filtered by the internal data collection threshold directly affects comparability between institutions and renders certain variables inaccurate or even useless for trans-institutional statistical analysis and modelling. The comparability may be inaccurate even for the same institution across time if the data collection thresholds are not fixed.<br>The fields based on amount bins ((0, 10 000), (10 000, 20 000) etc.) may provide the capability to homogenise some of the data across institutions for each event type. Nevertheless, in most cases these would not be accurate and could not be homogenised for each business line. | The information provided in templates C 17.01 and C 17.02 is used for both the supervision of individual institutions and cross-institutional analysis/peer reviews. It is acknowledged that certain drawbacks in terms of comparability of reported data between institutions exist. | None |
| Loss adjustments [C 17.01] | - Is there a threshold for loss adjustments? I.e. if a loss has been adjusted by EUR 100, would this loss need to be reported? Or is there a more significant threshold that would need to be considered? | The reporting of loss adjustments is not subject to any kind of threshold, i.e. every adjustment has to be included in the report. | None |

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| | - Please confirm that we should not be reporting any gains or losses below EUR 10 000. | | |
| Loss definition [C 17.01] | The proposed operational reporting risk table (C 17.01) should provide:<br>- either a separate column for conduct risk, or a clear definition on how to allocate conduct risk between existing columns;<br>- guidelines on how to allocate clawbacks (that may be effected) against relevant columns.<br>We consider that the table would benefit from a better definition of mapping of conduct risk (and related recoveries) to existing risk types in table C 17.01, with one current solution being the mapping applied by the UK's PRA (mapped against the 'Clients, products and business practices' category). | The allocation of losses and recoveries in relation to conduct risk depends on the concrete circumstances of the operational risk event; no further guidance can be provided. Clawbacks would usually not be included in template C 17.01, as they are closely enough not related to a specific operational risk event to qualify as recoveries (either direct or from insurance and other risk transfer mechanisms) according to the CRR. Should they be recognisable according to the CRR due to specific circumstances, the allocation in the operational risk event templates would depend on those specific circumstances. No further guidance can be provided. | None |
| Loss definition [C 17.01] | We should also welcome it if examples were added to the explanations so that the approach with regard to special cases becomes clearer, e.g. for losses that do not trigger any booking, such as funding losses or losses recorded in the trading P&L account, the approach in the case of differences between book value and attributable value (e.g. where buildings and works of art are involved); the approach to legal cases (aggregate loss revocation) where legal action | This issue described relates to provisions on operational risk in a general sense, not specifically to reporting on operational risk. Every loss that is considered a loss related to operational risk according to the CRR and related technical standards (see for example the draft Regulatory Technical Standards on the specification of the assessment methodology under which competent authorities permit institutions to use Advanced Measurement Approaches for operational risk in accordance | None |

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| | is filed by many individual clients over a period of several years; and the handling of reserves for legal cases that become known in the first half of the year but are only booked at the end of the year. | with Article 312(4)(a) of Regulation (EU) No 575/2013) has to be reported in C 17.01 and C 17.02, as applicable. | |
| Loss events older than 10 years [C 17.01] | Cutting the historical length of time series (for example, signalling adjustments and recoveries only when referred to events with a first accounting date in last 10 years) could be a good solution to cope with computational problems due to huge numbers of events and losses, without seriously affecting the regulator's ability to understand the risk profile of banks. | Template C 17.01 captures loss adjustments irrespective of whether they were accounted for within the last 10 years or before that. In particular, operational risk events entailing higher losses or involving lawsuits may need more than 10 years to be settled. Thus, this historical information is considered relevant. Given that the breakdown by ranges has been dropped, the burden created by reporting loss adjustments related to older events should be limited. | None |
| Losses below EUR 10 000 [C 17.01] | Please consider the following clarifications:<br>- Rows 910, 920, 930, 940 aggregate all loss amounts and number of events to losses, including those below EUR 10 000. | The instructions were deemed sufficiently clear. Rows 910, 920, 930 and 940 capture, in principle, information on all loss events where the related total loss exceeds the internal data collection threshold of the institution (and, in case of negative adjustments, even events the adjusted loss amount of which falls below that threshold). Thus, in those cases where an institution applies an internal data collection threshold below EUR 10 000, the aforementioned rows definitely also include rows with a total loss amount of less than EUR 10 000. | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| Maximum single loss [C 17.01] | Four respondents requested further clarification on the definition of 'maximum single loss', namely on the following two aspects:<br>(i) Can the maximum single loss only be the gross loss amounts related to an event reported for the first time within the current period, or could it also be a loss adjustment (which is related to an event which was accounted for the first time and reported in a previous reporting period)?<br>(ii) Should multiple losses/loss adjustments made within the reporting reference period, but related to one and the same event, be added up to identify the maximum single loss? | Compared with the reporting requirements which have been in place since June 2015, no amendment to the concept of the 'maximum single loss' has been made.<br>On (i): The instructions state that the maximum single loss can stem from:<br>- either an event accounted for the first time within the reporting period or accounted for the first time within a previous reporting period and not yet included in any previous supervisory report (which forms part of the 'gross losses' reported in rows X20 of the template); or<br>- a <u>positive</u> loss adjustment made within the reporting period for an event which had occurred in a previous reporting period (which is reported in rows X40 of the template).<br>Example:<br>Losses related to 'new' events (accounted for the first time within the reporting period):<br>Event N1: EUR 1 000<br>Event N2: EUR 2 000<br>Event N3: EUR 800<br>Losses related to 'old' events (accounted for the first time in a previous reporting period):<br>Event O1: + EUR 4 000 (positive loss adjustment)<br>Event O2: + EUR 900 (positive loss adjustment)<br>Event O3: + EUR 1 500 (positive loss | Instructions clarified |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | | adjustment)<br>Event O4: – EUR 6 300 (negative loss adjustment)<br>The maximum single loss is EUR 4 000 (O1).<br>On (ii): All adjustments made within the reporting period and related to one and the same event are added up to identify potential positive loss adjustments which could qualify as maximum single loss. This has been clarified both in the definition of loss adjustments (given for rows X40) and by introducing a general statement on the grouping of losses related to one (root) event.<br>Example:<br>In year 1, a gross loss amount of EUR 6 000 had been accounted for an event. In year 2, loss adjustments are booked in January (EUR 500), May (EUR 600) and December (EUR 3 900).<br>The loss adjustment that could be reported as maximum single loss (if it was the biggest loss which occurred in the reporting reference period) is EUR 1 100 (= EUR 500 + EUR 600) in the June report of year 2 and EUR 5 000 (= EUR 500 + EUR 600 + EUR 3 900) in the December report. | |
| Number of events (new events) [C 17.01] | - Number of events (e.g. row 010): Unlike the old instructions, the number contains not only events accounted for the first time within the reporting period but all events for which gross | The number of events (rows X10) shall not include the number of events subject to loss adjustments (rows X30). Analogously, no loss adjustments (rows X40) shall be included in the | Instructions clarified, labels amended |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | losses were accounted within the reporting period. In this context, it is not clear whether these figures include the 'Number of events subject to loss adjustments', which is delivered in a separate row (e.g. row 030).<br>- The same goes for rows 910-914, where it is unclear whether or not these figures include the events subject to loss adjustments and whether or not, for those events, the same determinations as in rows 931-934 should be applied.<br>(Another respondent made a similar comment.) | gross loss amount (row X20). Rows X10 and X20 are dedicated to 'new events', while rows X30 and X40 capture 'old' events subject to loss adjustments. | |
| Number of events (new events), Gross loss amount (new events) [C 17.01] | A confirmation is requested about past events previously not included in operational risk perimeter: is it correct to consider them for both number of events and for total amount (here considering the overall amount of loss generated by the event in all its lifecycle) in the first period of inclusion, or should they be considered only for the portion of loss generated in the period but not for number of events (where they occurred in the past)? | When an event which took place in a previous reporting period but had not been reported in that period because it was not considered an operational risk event at that time is reported for the first time, this event has to be reflected both in the number of events (row X10) as one event and in the gross loss amount (row X20), with the total loss accumulated until the reporting reference date (the sum of the original gross loss and any loss adjustments made afterwards). In every subsequent report, this event only has to be considered if a loss adjustment is made within the respective reporting period (then in rows X30 and X40). The same principle applies if an event had not been included in previous reports, because the | Instructions clarified |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | | accumulated loss attributable to it at the previous reporting reference dates did not exceed the internal data collection threshold of the institution. | |
| Number of events (new events), Gross loss amount (new events) [C 17.01] | Instruction is needed on the reporting of loss adjustments related to events pertaining to companies or banks that are acquired by a group and that were previously independent and/or part of a different banking group: do they have to be treated as 'new' events or as 'already reported ones'? We would prefer the first option; in the second one, it could be very difficult to recover the gross loss amount of the event when it was last time reported by the incorporated company (and even when, or if, it was reported). | As the breakdown of loss adjustments by ranges has been dropped, information on the gross loss attributable to the event the last time it was reported by the acquired entity will only occasionally be relevant.<br>If entities are acquired by the reporting institution which were previously independent or part of a different reporting institution, it is not expected that all operational risk events which ever occurred in the acquired entity are included in the next report of the reporting institution (i.e. reporting the 'import of the operational risk database' of the acquired institution is not required).<br>If the losses to an operational risk event 'inherited' from the acquired entity are adjusted, the occurrence of the loss adjustment and the amount of the loss adjustment shall be reported in rows X30 and X40 (i.e. it is not necessary to re-report the gross loss attributable to that event before the adjustment was made, unless the adjusted loss exceeds the internal data collection threshold of the institution for the first time). | None |
| Recoveries [C 17.01] | Template C17.01: | As stated in the comment, both 'Total direct | Instructions |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | The requirements regarding which events need to be included in the rows 'Total direct loss recovery' and 'Total recovery from insurance and other risk transfer mechanisms' regarding the incorporation of new or changed recoveries are unclear in Annex II. The Consultation Paper states that this information is collected irrespective of when the original event occurred. In our opinion, the amount of recoveries shall refer to operational risk events accounted for the first time within the reporting period and accounted for the first time within a previous reporting period, if the event has not been included in any previous supervisory report. Additionally, adjustments (positive or negative) shall also be incorporated (negative values are in this case possible). | loss recovery' and 'Total recovery from insurance and other risk transfer mechanisms' capture all loss recoveries which were accounted for within the period, irrespective of when the operational loss event they refer to occurred. Limiting the scope of these rows to recoveries in relation to events reported as 'new events of the period' (i.e. those events captured in rows X10 and X20) would, on the one hand, allow for a calculation of gross losses net of direct recoveries for those events (as of the reporting date). On the other hand, a significant share of recoveries would not be considered, namely those where the recovery is obtained in a reference period different from that where the event occurred/was reported (e.g. usually, there is a time lag between the occurrence of the loss stemming from the operational risk event, the claim of the reimbursement and the actual payment from an insurance contract). Either with the limitation on 'new events' or without it, the information on recoveries collected via template C 17.01 will not provide a full picture of the 'gross loss net of recoveries' for events of a certain reference period, and more weight was given to obtaining a complete view of the obtained recoveries. The lag in the reported data is acknowledged. However, the instructions have been clarified | clarified |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | | with regard to the inclusion of adjustments to recoveries (both positive or negative). | |
| Recoveries [C 17.01] | Details are requested relating to recoveries belonging to 'other risk transfer mechanism':<br>- Do Alternate Risk Transfer (ART) as full recourse reserve funding, funded letters of credit, surplus relief reinsurance and administrative reinsurance have to be included?<br>- Should all contracts entered into before the loss, such as Service Level Agreement (SLA) with external outsourcers, be considered here?<br>- Do recoveries related to loss deriving from the return of funds to a consumer for which a chargeback process is activated have to be included?<br>Consequently, should all other recoveries that can not be identified as insurance and other risk transfer mechanisms be considered direct recoveries?<br>(Another respondent also requested a clarification of the content of 'risk transfer mechanisms'.) | Short definitions of both 'direct recoveries' and 'insurance and other RTM' have been included in the instructions.<br>Recoveries from insurance and other risk transfer mechanisms are those subject to Article 323 of the CRR. | Instructions clarified |
| Recoveries [C 17.01] | Direct recoveries/Recoveries from insurance and other risk transfer mechanisms:<br>We would like to introduce a negative sign for these rows to be consistent with others lines (template C 17.01, rows X70 and X80) | Recoveries shall be reported with a positive sign, even though a recovery would be deducted from the gross loss to determine a net loss. | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| Recoveries [C 17.01] | Other comments:<br>For some institutions, it will be difficult to separate recoveries from insurance and other recoveries | Both types of recoveries are of very different nature. This difference should result in clear differences in the accounting treatment (respective treatment in operational risk databases) and support a differentiation. | None |
| Sum of the five largest losses [C 17.01] | Four respondents requested further clarification on the definition of 'maximum single loss', namely on the following two aspects:<br>(i) Does the sum of the five largest losses consist only of the five largest gross loss amounts (related to new events) or may it include instead/additionally loss adjustment amounts?<br>(ii) If losses related to 'old' events are included, is the amount of the loss adjustment or the total loss (original loss + all adjustments) considered? | As for the maximum single loss, no amendment to the concept of the 'sum of the five largest losses' has been made compared with the reporting requirements which have been in place since June 2015.<br>On (i): Both gross loss amounts related to 'new' events and loss adjustments related to 'old' events can form part of the sum of the five largest losses.<br>Example:<br>Losses related to 'new' events (accounted for the first time within the reporting period):<br>Event N1: EUR 1 000<br>Event N2: EUR 2 000<br>Event N3: EUR 800<br>Losses related to 'old' events (event accounted for the first time in a previous reporting period):<br>Event O1: + EUR 4 000 (positive loss adjustment)<br>Event O2: + EUR 900 (positive loss adjustment)<br>Event O3: + EUR 1 500 (positive loss adjustment)<br>Event O4: – EUR 6 300 (negative loss adjustment) | Instructions clarified |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | | The sum of the five largest losses is EUR 4 000 (O1) + EUR 2 000 (N2) + EUR 1 500 (O3) + EUR 1 000 (N1) + EUR 900 (O2) = EUR 9 400.<br>Event N3 is not considered, as it is the sixth largest loss.<br>Event O4 cannot form part of the sum of the five largest losses at all, as it is a reversal of a loss.<br>On (ii): In case of 'old' events, the relevant amount is the amount of the loss adjustment itself, not the total loss associated with that event after the loss adjustment (or before the adjustment).<br>Example:<br>In year 1, a gross loss amount of EUR 9 000 had been accounted for. In year 2, a loss adjustment of EUR 1 000 had been made. In the current year 3, another adjustment of EUR 700 was considered necessary.<br>The amount that could form part of the sum of the five largest losses is the adjustment of EUR 700 made in the current year and <u>not</u> the accumulated loss attributable to that event (here:<br>EUR 9 00 + EUR 1 000 + EUR 700 = EUR 10 700) | |
| Threshold for C 17.01 [C 17.01] | We believe furthermore that it would be appropriate to apply the same threshold of EUR 1 million (as proposed by the submitter | Losses below EUR 1 000 000 on a standalone as well as on aggregated basis are relevant from a risk management perspective, for both large | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | for template C 17.02) where the reporting of loss impacts relating to older events in the C 17.01 OPR Details 1 template is concerned. | and small institutions. No harmonised minimum threshold will be applied to template C 17.01. | |
| Total event types [C 17.01] | C 17.01, column 080 'Total event types':<br>The reported lists do not include a reference to the 'Number of events related to loss adjustments', even though the related rows are included in the format. | Instructions have been corrected | Instructions corrected |
| Date of accounting [C 17.01, C 17.02] | One of the objectives pursued by the draft ITS is to ensure comparability. The comparability of the information is, however, not ensured if institutions fail to apply uniform criteria, as some may report the information based on first accounting data and others on first detection data. | The instructions on templates C 17.01 in the draft Annex II clearly indicate that the events which have to be taken into account for the purposes of reporting on operational risk losses are those 'accounted for the first time' within the reporting period (i.e. the first 'date of accounting' of which was in the respective reporting period). | None |
| Loss definition [C 17.01, C 17.02] | In our opinion, it is important to clearly define how to treat the amounts of provisions, losses, provisions write-backs and recoveries related to non-euro currencies. Usually, the non-euro amounts are converted into euros on the basis of the FX rate related to the accounting date. For example, if we have an event with a provision and a provision write-back of the same amount in US dollars, accounted in two different dates within the same year, then we will not observe any loss (or loss adjustment) in US dollars, but we | The issue raised — whether or not a loss occurred under the described circumstances — may be a matter of interpretation of the CRR's rules and other standards and guidelines on operational risk.<br>As a general principle, if a loss is recognised according to the applicable accounting rules, the loss amount is usually also considered in the context of operational risk and has to be included into operational risk databases.<br>The reporting in C 17.01 and C 17.02 reflects, at least in the case of AMA institutions, the | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | could observe a positive or negative loss (or loss adjustment) in euros, on the basis of the different FX rates in the two different accounting dates. | operational risk losses to be considered in accordance with the CRR and associated technical standards. Thus, it was not considered necessary to include separate provisions on that issue in the instructions. | |
| Loss definition [C 17.01, C 17.02] | It could be useful to specify which economic components are included in the gross loss definition. In our understanding, the following are included:<br>• provisions;<br>• losses, including direct charges and settlements;<br>• provisions write-backs. | The definition of losses is the same one used for modelling the operational risk in the case of AMA banks. Provisions, losses in the form of direct charges and settlements and provisions write-backs are relevant components of the gross loss, but an exhaustive list or definition cannot be provided. | None |
| Rapidly recovered loss events [C 17.01, C 17.02] | A confirmation is requested about rapidly recovered events: is it correct to consider in the gross loss the eventual proportion of a rapidly recovered loss for which the recovery arrived after 5 days? (Loss = EUR 100, recovery within 5 days = EUR 70, proportion to be included in gross loss = EUR 30) | The provisions on rapidly recovered loss events have not been amended compared with the reporting requirements which have been in place since June 2015 and are deemed to be sufficiently clear.<br>In case of events that lead to losses that are partly or fully recovered within 5 working days, only the part of the loss that is <u>not</u> fully recovered (i.e. the loss net of the partial rapid recovery) shall be included in the reported gross loss amount. If the recovery is obtained later than within 5 days, both the gross loss (before recovery) and the recovery have to be reported in the template. Only actually obtained recoveries (not recoveries assumed to be obtained) shall be included. | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| Reference period [C 17.01, C 17.02] | Templates C 17.01 and C 17.02:<br>The overview below shows the differentiation regarding the terms 'reporting period' and 'previous reporting period' in both reporting types. It would be appreciated if this differentiation were to be made in Annex II:<br>Half-year report:<br>Reporting period: current half-year<br>Previous reporting period: until previous year-end<br>Year-end report:<br>Reporting period: current complete year<br>Previous reporting period: until previous year end<br>(Another respondent made a similar comment.) | A definition of 'previous reporting reference periods' has been included in the instructions. | Instructions clarified |
| Reporting reference period [C 17.01, C 17.02] | Annex II, paragraph 132. A confirmation is requested of whether, for an institution closing fiscal year at the end of June, the numbers for June can be considered as final and the ones for December as interim, or whether an adjustment in terms of fiscal versus calendar year must be created. | Instructions are clear. OPR Details reporting relates to the calendar year and is independent of the financial year-end. The figures reported in June reflect events/losses occurring between 1 January and 30 June of a given year, figures reported in December the events/losses occurring between 1 July and 31 December. | None |
| Terminology [C 17.01, C 17.02] | As a preliminary remark, a review of terms and definitions is deemed necessary to harmonise them throughout the documents: both in the Consultation Paper and in Annex II the terms 'events', 'loss', 'loss event' and 'event type' are often used indiscriminately, | The terminology has been reviewed and clarified in some places to increase consistency. | Instructions clarified |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | even if they refer to different entities: as the industry assigns specific meanings to each term (e.g. 'event' is an occurrence, 'loss' is one of the possible effects of the occurrence), this could cause misunderstandings in local implementation. | | |
| Business unit [C 17.02] | The following clarifications should be provided for the content of required fields:<br>- Business unit: it is not specified whether the name, or the ID, or both is/are required. | The business unit/corporate division should be specified in way that allows a recipient who is not familiar with the institution's organisational structure (and therefore internally used IDs of organisational units) to understand where the loss occurred, so in general, the full 'name' of the business unit/corporate division should be provided. | None |
| Business unit [C 17.02] | C 17.02, column 190 'Business unit':<br>The purpose of this column is not clear. As different banks adopt different business unit definitions, discrepancies among institutions are to be expected, both in the names and in the level inside the organisation (division, department, sub-department, etc.). | Yes, information provided in this column is only comparable to a very limited extent. However, it supports the understanding of where the operational risk is concentrated in the reporting institution. | None |
| Date of accounting [C 17.02] | The following clarifications should be provided for the content of required fields:<br>- Date of accounting: some format should be specified for date of accounting and other dates, e.g. dd/mm/yyyy, or mm/dd/yyyy, etc. | This will be specified in the technical documents (DPM/EBA XBRL taxonomy). | None |
| Description of event [C 17.02] | With respect to the operational risk reporting template C 17.02, some members have | The description of the event required in column 200 of C 17.02 can be provided in an | Instructions slightly amended |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | concerns about the event description in column 200, and have received legal advice that they should not provide detail of events which are the subject of ongoing legal action.<br>In addition, concerns have been raised about potential data privacy issues if information relating to customers is recorded.<br>The EBA also requires the drivers or causes of the events to be reported, which members generally do not capture as a matter of course. As such we recommend that the guidance is amended to clearly stipulate that reporting should not be in breach of legal limitations or data privacy, and that any description detail provided is left to the discretion of each firm.<br>(A second respondent raised the same issue.) | 'abstract' or anonymised form. No details on individual customers are requested which are subject to data privacy laws. A pending legal action is not considered a sufficient justification for not providing the required information, especially as it is an indicator for the materialisation of operational risk. It should be possible to indicate potential causes that are under investigation without opening an institution to liability.<br>When provided in an anonymised or abstract form, the information should still enable the supervisor to understand what happened, how and why.<br>The information requested is intended exclusively for supervisory purposes, i.e. to assess operational risks and put the supervisor in a position to initiate actions to prepare supervisory measures, where deemed necessary.<br>As with all data required by the ITS on supervisory reporting, the supervisors and the submitted data are subject to national professional secrecy and data secrecy laws. | |
| Description of event [C 17.02] | Three respondents requested further guidance on the description of the event, namely:<br>(i) whether or not there are minimum | The description of the operational loss event provided in column 200 of template C 17.02 should enable the recipient of this information to understand, at least, the nature and sources | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | requirements/information that has to be provided on a mandatory basis; and<br>(ii) whether or not the information should be provided in a specifically structured form.<br>One of those respondents indicated that the requirement to provide a free text explanation without further guidance will lead to 'weak information'. Another respondent proposed to include a predefined list of drivers/causes in the ITS, which could be selected by users in order to promote harmonisation of the information provided. | of the operational risk event (what happened and how/why). Other information (e.g. on non-monetary impacts of the events or response measures taken) could be of interest as well. However, which information might be relevant or of interest depends significantly on the nature of the operational risk event that occurred. Against this background, neither a predefined drop-down list of explanations nor a specific structure of the information to be provided is prescribed. It is acknowledged that this might lead to differences in the kind of information, the degree of detail or the quality of information provided by different institutions. | |
| Description of event [C 17.02] | The language prescribed for filling in free text descriptions (column 200 of C 17.02) should be specified (local language or English); please note that, as local databases are usually in local language and most of the time automatically enriched through flows from further internal tools, this will cause 'ad hoc' translations of these fields. | The language to be used for the description of the event will not be specified in the ITS on supervisory reporting.<br>Where an institution is directly supervised by the SSM and/or where it is included in the EBA's list of institutions, it might be helpful if the explanation was given in English. However, it is acknowledged that institutions' databases are maintained in the local language and that institutions might be obliged to report or prevented from reporting in a specific language. | None |
| Description of event [C 17.02] | Description (column 200 of C 17.02): The internal process of validation of the qualitative data is very burdensome and complex. It is | The information provided in column 200 is of high importance in understanding the nature of an operational risk event, and should be | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | very difficult to meet this need for 17 lines without burdening the process. We propose to make a comment only for the 5 largest losses. | available, at least partially, in internal operational risk loss data collections (which are mandatory at least in STA/ASA and AMA institutions; see Articles 320(a) and Part Three, Title III, Chapter 4 of the CRR). It shall be provided for all events included in template C 17.02. | |
| Description of event [C 17.02] | In the description of C 17.02, column 200, it should be specified whether or not there is a maximum number of characters. | If the number of characters has to be limited, this will be specified in the technical documents (DPM/EBA XBRL taxonomy) or in documents related to national IT solutions. | None |
| Event ID [C 17.02] | The following clarifications should be provided for the content of required fields:<br>- Event ID: the column ‘Event ID’ has the following definition: ‘The event ID is a row identifier and shall be unique for each row in the table. It shall follow the numerical order 1, 2, 3, etc.’. Apart from the requirement for a unique identifier, it is not fully clear which logics should be used to assign the ID. To avoid misunderstandings, it could be useful to specify that the Event ID should be the one used in the OpRisk institution’s database. (Another respondent similarly requested the use of an internal event ID.) | The instructions on the event ID (column 010 of C 17.02) have been amended to allow internally used operational risk event IDs to be reported. | Instructions amended |
| Legal entity/ LEI [C 17.02] | Legal entity name/ID (template C 17.02, columns 170 and 180): As we understand it, the legal entity name and ID refer to the legal | Correct. | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | entity of the bank where the loss occurred and not to the counterparty of the bank. | | |
| Legal entity/LEI [C 17.02] | The following clarifications should be provided for the content of required fields:<br>- Legal entity ID: This is specified as ‘LEI code of the legal entity as reported in column 025 of C 06.02 where the loss — or the greatest share of the loss, if several entities were affected — occurred’. It is not clear what should happen if two or more legal entities have the same share of the loss. | If two or more legal entities account for the same share of the loss, the reporting institution may decide which entity it reports. Ideally, the reported legal entity should be identified based on additional, internal criteria which are stable over time, such as, for example, ‘entity most affected in non-monetary terms’. | None |
| Reference period [C 17.02] | It is not clear if point 132 in Annex 2 refers to template C 17.01: ‘The figures reported in June of the respective year are interim figures, while the final figures are reported in December. Therefore, the figures in June have a 6-month reference period (i.e. from 1 January to 30 June of the calendar year) while the figures in December have a 12-month reference period (i.e. from 1 January to 31 December of the calendar year).’ Can this also be confirmed for template C 17.02? | The instructions on the reference period are placed in the ‘General remarks’ section applicable to both templates. Consequently, yes, both template C 17.01 and C 17.02 have the same reference period (i.e. first half of the year for the June report and whole calendar year for the December report). | |
| Scope of events [C 17.02] | Seven respondents required a clarification of whether template C 17.02 should:<br>(i) capture only events accounted for the first time within the reporting reference period or accounted for the first time within a previous reporting reference period, but not yet | The scope of template C 17.02 relates to ‘new events’, i.e. those for which losses were accounted for during the reporting reference period or accounted for the first time within a previous reporting reference period, but not yet included in any previous supervisory report. The | Instructions clarified |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | included in any previous supervisory report; or (ii) refers to all events irrespective of the date of accounting.<br>For the second case, several follow-up questions were raised. | instructions have been clarified in this regard. With some caveats, this sheds light on most recent and probably most relevant operational risk events from a managerial point of view at the reporting date. | |
| Threshold for data collection [C 17.02] | In template C 17.02, only events the loss amount attributable to which exceeds a certain minimum loss amount (threshold) are reported. Two respondents proposed to increase the minimum loss amount, one suggested EUR 1 000 000 instead of EUR 100 000.<br>Another respondent requested further clarifications on that threshold. | The information requested must enable both the supervisors of larger institutions or institutions more exposed to operational risks and the supervisors of smaller or less exposed institutions to get an idea of the operational risk events which occurred during the reference period and the sources of operational risk relevant for the supervised institution. If operational risk events and related losses are already collected and saved in an operational risk databases, reporting them does not appear to lead to an undue burden. Furthermore, the number of events reported in template C 17.02 is limited to a maximum of 17 events. Against this background, the threshold remains unchanged at EUR 100 000. | None |

# 4.2 Changed requirements as regards the reporting of additional liquidity monitoring metrics (AMM)

## Summary of key issues and the EBA's response

### 4.2.1 Draft cost-benefit analysis/impact assessment

Based on Article 415(3)(b) of Regulation (EU) No 575/2013, the EBA is initially mandated to develop ITS on additional liquidity monitoring metrics. The European Commission, by way of implementing the ITS, has asked the EBA to update and to submit for additional adoption the excluded maturity ladder.

Article 15(1) of the EBA Regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council) provides that when any draft implementing technical standards developed by the EBA are submitted to the Commission for adoption, they should be accompanied by an analysis of 'the potential related costs and benefits'. This analysis should provide an overview of the findings regarding the problem to be dealt with, the solutions proposed and the potential impact of these options.

This note outlines the assessment of the impact on credit institutions and supervisory authorities arising from the amendments to the adopted implementing regulation on AMM, Regulation (EU) 2016/313.

#### A. Problem identification

Liquidity stresses are events of low frequency but extreme severity that are difficult to predict. The Implementing Regulation (EU) 2016/313 addresses these concerns by providing additional liquidity monitoring metrics. The implementing regulation emerged from the initial EBA ITS on AMM proposal under Article 415(3)(b) of Regulation (EU) No 575/2013 in December 2013. It was adopted by the European Commission in March 2016, with significant amendments. The changes result in the exclusion of the maturity ladder, an important reporting tool for monitoring contractual maturity mismatches. Although the EBA agrees with the reasoning behind the adjustment[9], it expressed its dissent (EBA Op/2015/25) on the exclusion of the maturity ladder. The EBA holds the view that the adopted ITS on AMM, including the changes of the Commission, do not meet the initial purpose of complementing liquidity reporting requirements and of

[9] The maturity ladder is based on the provisional approach of reporting requirements set out in Article 416 of the CRR concerning liquid assets. Its liquidity definition should be aligned in granularity with the LCR DA in order to avoid unproportional reporting burden for institutions.

harmonising reporting practices among NCAs[10]. The exclusion of the reporting framework for contractual maturity mismatches results in:

- unharmonised liquidity reporting among competent authorities due to different reporting standards for the maturity ladder tool; and

- incomplete provision of a proportionate tool set for the assessment of institutions' liquidity risk profiles to competent authorities.

The latter highlights the need for the supervision of an institution's liquidity risk beyond the scope of the reports on liquidity coverage and stable funding.
To address these issues, the draft amending ITS on AMM provide changes to the adopted implementing regulation (EU) 2016/313, with focus on the maturity ladder. The draft amending ITS on AMM further clarify the application of the adopted reporting templates (C 67.00 to C 71.00) by reviewing questions from the industry.

## B. Policy objectives

The draft amending ITS outlined in this Consultation Paper introduce a revised maturity ladder template and suggest further minor revisions on the templates capturing the adopted additional monitoring metrics[11]. The changes proposed aim to achieve the following objectives:

- provision of an additional monitoring tool designed to complement the supervision of an institution's liquidity risk beyond the scope of the reports on liquidity coverage and stable funding, and beyond the already implemented templates for AMM;
- align the reporting of the proposed maturity ladder with the reporting standards set in the LCR DA;
- ensure a harmonised maturity ladder template across the EU;
- incorporate Q&A feedback by the industry on the application of the non-maturity ladder reporting templates.

## C. Baseline scenario

The Consultation Paper examined two alternative options for achieving the objectives. The baseline scenario refers to the status quo, which keeps the additional monitoring metrics for liquidity as adopted by the Commission in the Implementing Regulation (EU) 2016/313 in March 2016. This means non-adoption of the maturity ladder template and implementation of the non-maturity ladder templates without the revisions that are meant to clarify application.

[10] For further details see EBA, Opinion of the European Banking Authority on the Commission intention to amend draft Implementing Technical Standards on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013, 23 September 2015.

[11] The non-maturity ladder additional monitoring metrics identifies liquidity risks due to: concentration of funding by counterparty (C 67.00); funding by product type (C 68.00); prices for various lengths of funding (C 69.00); the rollover of funding (C 70.00); and concentration of counterbalancing capacity by issuer/counterparty (C 71.00).

The status quo is considered to be incapable of achieving the outlined objectives. Also, many institutions have already incurred costs in implementing the necessary systems to begin reporting the maturity ladder by July 2015, as originally intended by the draft ITS published by the EBA.
It is expected that competent authorities proceed/continue with a collection of the information needed under a format identical to the initial ITS[12] or under a different format, which may even lead to further costs, duplication of efforts and continuation of unharmonised practices in this area. Under the status quo competent authorities are missing an essential tool to create prudential liquidity regulation.

### D. Options considered

The preferred option is the full adoption of the proposed amendments to the ITS on AMM. It results in the full adoption of a revised maturity ladder as well as in the revision of the templates C 67.00 to C 71.00 based on feedback from the industry.
The revision of the template capturing maturity mismatches (C 66.00) is outlined in section 2.3 of this Consultation Paper and includes:

(a) the adjustment of three sections of the initial maturity ladder by (partly) aligning the definition of 'Inflows', 'Outflows' and 'Counterparty capacity' with those used in the LCR DA;

(b) the inclusion of contingencies items;

(c) the rearrangement of certain information from the 'Inflows', 'Outflows' and 'Counterparty capacity' sections to a separate memorandum section; and

(d) the adjustment of the template columns (time buckets) by focusing on higher granularity in more recent periods.

The adjustments improve the initial EBA 2013 maturity ladder. The included HQLA items provide important information on the institution's capability to transform illiquid liabilities into liquid assets. Beyond the scope of the LCR DA reporting, further central bank items capture broader liquidity horizons, allowing NCAs to evaluate liquidity risks from long-term positions. The alignment of the items with LCR DA and the reduction in granularity decrease the reporting burden for institutions. The adjustments set important standards to the structure and content of liquidity risk reporting and contribute to the objective to create a harmonised standard among EU regulators.
Aligned with the LCR DA, the contingencies items carry important information on the institution's liquidity position under a potential negative event. The memorandum items support the

[12] For the initial proposal of the maturity ladder see: EBA final draft Implementing Technical Standards on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013, 24 July 2014.

estimation of LCR evolution over different time horizons and help identify upcoming volatility of this ratio. The inclusion of contingencies items and memorandum items contribute to the EBA objective to provide a complete set of liquidity risk reporting tools for NCAs.
The adjustment of the time buckets results in a more granular assessment of recent horizons, improving the provision of information needed for NCAs' stress-testing analysis.

The revision of the adopted non-maturity ladder templates clarifies the application of the templates based on the EBA's Q&A process. The changes include minor adjustments to the reporting templates, the clarification of reporting items definition and further editorial changes to allow the efficient collection of data.

## E. Cost-benefit analysis

### Benefits

The preferred option comprehends the full adoption of the new C 66.00 reporting template (maturity ladder) and revisions to the C 67.00 to C 71.00 templates (non-maturity ladder).
The former benefits institutions by reducing compliance costs for liquidity reporting for cross-border institutions by facilitating a harmonised approach within the unit. Further, it provides them with a powerful tool for their resolution processes.

The revised C 66.00 template benefits NCAs by completing the set of prudential regulatory tools. In particular, the maturity ladder exceeds the scope of the LCR by allowing the assessment of liquidity coverage under different scenarios and under different time buckets. It contains information on the institutions' reliance on internal as opposed to external resources, on interest payment flows and capture/reuse of collateral. It is further valuable in estimating the evolution of LCR and identifies the upcoming volatility of the ratio. Therefore, the maturity ladder not only works as an addition to the set of tools capturing institutions' liquidity risk, but also enhances the quality of tools already in place.

The revision of templates C 67.00 to C 71.00 benefits institutions and NCAs by increasing the quality and accountability of reported data. Clear instructions and definitions facilitate the reporting process and thus reduce administrative costs. The common understanding of the templates improves the exchange of information within units of the institutions as well as among competent authorities in different EU jurisdictions.

### Costs

In some jurisdictions, the implementation of the revised maturity ladder is expected to result in the introduction of an additional reporting item. However, in most jurisdictions it will be an adjustment on the reporting framework for monitoring maturity mismatches already (partly) implemented based on the anticipated adoption of the EBA 2013 ITS on AMM. The impact on administrative cost is expected to be low as institutions have already implemented the operational process to produce granular data in order to conform to the LCR DA reporting needs. For data submission and storage, facilities already established under COREP/FINREP can be used. Overall, the additional costs for competent authorities and institutions are expected to be low and the benefits are expected to exceed the costs.

### 4.2.2 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for 6 weeks and ended on 2 January 2017. Eleven responses were received, of which ten were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

In many cases, several industry bodies made similar comments or the same body repeated its comments in response to different questions. In such cases, the comments, and the EBA's analysis, are included in the section of this paper where the EBA considers them most appropriate.

Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

#### Summary of key issues and the EBA's response

Regarding Question 1 on the structure and content of the maturity ladder template as proposed in Annexes XXIV and XXV there was some degree of support for (and no fundamental opposition to) the updated maturity ladder. An exception are some of the memo items, where respondents sometimes disagreed or asked for further reasoning. Particularly, the LCR memo items (1150 to 1190) were seen to be : i) operationally burdensome, and ii) not helpful for forecasting future LCR due to the asymmetric maturity assumptions in the maturity ladder (e.g. sight deposits in overnight). After weighing the added value of the LCR memo items, which could be marginal considering that the maturity ladder itself provides a reasonable degree of insight into future developments, with the potential costs and the possibility of having a risk-based examination under ILAAP/SREP, the EBA has decided to remove the five rows in the final version.

Regarding the behavioural memo items 17 to 19 (1270 to 1290), respondents argued that the underlying 'business as usual' scenario assumption could be interpreted in varying ways in banks' internal approaches. It was also argued that the fact that they did not include stress would make them inappropriate for the purposes of the maturity ladder.

In response, while the EBA acknowledges that some degree of varying interpretation is possible, the meaning should be clear and should lead to sufficiently homogenous reporting. Any institution should be able to have an idea of future cash flows under a 'business as usual' scenario and if a stressed scenario were to be prescribed, the risk of varying interpretations would be much larger.

Regarding memo Items 15 and 16 (1250 and 1260) on the receiving and reusing leg of collateral received reused (receiving leg), the EBA could agree with the feedback received that they are identical (apart from the time bucketing) to the items reported quarterly in the asset encumbrance reporting (F 33.00 'Maturity data'). The items are removed.

Further, clarity on multiple other items in the maturity ladder has been provided, including on the term 'central bank eligibility', and the time bucketing has been better aligned with that in the LCR by making adjustments to '3-week to 30-day' and '30-day to 5-week' buckets.

Regarding Question 2, on the structure and content of the proposed revisions to the templates and instructions of the non-maturity ladder templates Annex XVIII to Annex XXI, there was general support for the proposed corrections (addressing finalised and draft Q&As).

Regarding C 69.00, the question arose of whether or not, for the purposes of the spread calculation (i.e. applying the benchmark), the maturity should reflect the first possible date of withdrawal. This could mean that for funding of a 10-year maturity with a cancellation clause at any time, the spread calculation would be as if it were with a 1 day maturity. On this issue the EBA has agreed to a solution in which the bank is allowed to disregard the optionality (only) for the specific purposes of the spread calculation. Further, regarding C 69.00, for reasons of administrative burden the focus has generally been shifted an to end of period spread/volume calculation.

Regarding C 70.00 ('Rollover of funding'), respondents expressed strong concerns about the reporting burden as well as asking questions about some of the technical aspects. A few respondents suggested deletion. In response to this, the EBA weighed the concerns of the industry with experiences in the review of banks' submissions of C 70.00 data so far. The EBA's view is that C 70.00 continues to be useful, especially in stress situations.

Regarding C 71.00 ('Concentrations in counterbalancing capacity'), some further minor clarifications have been made as a result of consultation feedback.

Regarding the general proportionality threshold of subparagraph (a) of paragraph 16b(2) of the ITS on reporting (allowing a quarterly instead of a monthly frequency), no significant feedback has been received. However, as proportionality is important to the EBA, and the current drafting of the threshold could be ambiguous, as stated in some draft Q&As, clarifications have been made by the EBA.

## Summary of responses to the consultation and the EBA's analysis

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| **General comments** | | | |
| AMM | One respondent comments that the benefits to supervisors of the AMM framework would not always be obvious, taking into account that at the remittance date some information may be dated. | The proposal in the EBA Consultation Paper has kept granularity at a minimum and templates requested are developed to provide the supervisor with highly relevant information. As with most other reporting frameworks, the data refer to past dates and there is no special reason why their value would be diminished for the AMM. | No change |
| Business day versus calendar days in maturity ladder | Three respondents point out that it is unclear whether 'days' are 'calendar days' or otherwise. | As in the LCR DA the EBA proposal foresees calendar days. | It is clarified that 'days' are 'calendar days'. |
| Inconsistent treatment of retail deposits concerning residual maturity in maturity ladder | One respondent points out that in the AMM for C 66.00 and C 68, the residual maturity of retail deposits is derived regardless of the penalty size for early withdrawal, which is in contrast to the LCR approach. The respondent comments that this could complicate data processing. | It seems appropriate to clarify that in case of a significant penalty the retail deposit can be classified according to its full maturity. | Paragraph 12(e) in maturity ladder instructions is adjusted to clarify |
| Proportionality | One respondent suggests an absolute *de minimis* threshold of EUR 50 billion (alongside the 1% limit) for the exemption of small banks of C 67.00, | Currently the threshold is at EUR 30 billion, which is a threshold commonly applied for various purposes). The respondent does not clarify why EUR 50 billion | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | C 68.00 and C 71.00. | would be more appropriate. | |
| Business models with limited or no maturity transformation | Another respondent suggests an exemption for the entire AMM package for business models that solely function as financial market infrastructures (FMI). The business models of the institutions within the group are different from the business models of ordinary banks. | There is no mandate in the CRR for the EBA to determine the applicability of the AMM (or LCR) requirements for different business models. | None |
| **Responses to questions in Consultation Paper EBA/CP/2016/22** | | | |
| Question 1. | Regarding the LCR memo items, two respondents do not support the reason for including them. The amounts to be reported in rows 1160 and 1170 (LCR memorandum items) are not in line with the LCR templates and so this results in asymmetry between these two amounts in the LCR calculation template (C 76.00). Another respondent highlights the LCR memo items as an example of increasing operational burden and as a source of inconsistencies, while providing no additional information. Specifically it is argued that while the evolution of LCR highly depends on rollover, this rollover is not taken into account in the memo items. | After weighing the added value of the LCR memo items, which could be marginal considering that the maturity ladder itself provides a reasonable degree of insight into future developments, with the potential costs and the possibility of having a risk-based examination under ILAAP/SREP, the EBA has decided to remove the five rows in the final version. | Removal |
| | Regarding the maturity ladder time buckets, two respondents note that the proposed time buckets | The EBA has been well aware of the trade-off | Change to a 3-week |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | in the maturity ladder template differ from the established buckets of other regulatory reports (FINREP/COREP). There are varying preferences on this, with one respondent arguing in favour of a higher granularity, and other respondents emphasising additional burden. | between the benefits of higher granularity and additional reporting burden. There does not seem to be a consensus among the responses, nor substantive evidence in one way or the other. As a minor change, however, it seems appropriate to align the time bucketing with the LCR by extending the 3- to 4-week bucket to 30-day, and changing the next bucket to 30-day to 5-week. | to 30-day and 30-day to 5-week buckets |
| | Regarding the memorandum items of the maturity ladder, two respondents note that behavioural elements (rows 1270-1290) would be highly dependent on internal models, and therefore may not be comparable between institutions. One respondent expects operational challenges for firms in seeking to report inflows and outflows. It is also suggested to allow banks to fill the fields on an optional basis, at least for a phase-in period, considering the time needed to adapt internal procedures. | The instructions on the behavioural items indicate that these items should be reported under 'business as usual' assumptions. While there may be some degree of varying interpretation, the meaning should be clear and should lead to sufficiently homogenous reporting. It is also to be noted that any institution should be able to have an idea of future cash flows under a 'business as usual' scenario. If a stressed scenario were to be prescribed, the risk of varying interpretations would be much larger. The EBA considers that given the 'business as usual' assumption underlying these data points, no additional phase-in is needed. | It is clarified that 'business as usual' means 'a situation without any liquidity stress assumption' |
| | One respondent requests confirmation of its assumption that reporting on the maturity ladder would follow the regulatory scope of consolidation while reporting on asset encumbrance reflects the FINREP basis of consolidation. | In Recital 3 of the ITS on AMM (as adopted by the European Commission) the level and scope of the reporting of liquidity coverage and additional monitoring metrics should be aligned.<br><br>The EBA sees the need to have slightly more granular | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | One respondent argues that the credit quality steps referred to regarding HQLA would not fully align with the DA on the LCR. | information on the credit quality steps, which is considered to be important information to supervisors and in line with the mandate to collect information that is additional to the LCR reporting. | None |
| | Two respondents would like to have a column where open trades could be reported, as these transactions are contractually different. | As the treatment between open and overnight is not different (open trades are assumed to have an outflow on day 1,) there is no need for additional granularity here. | None |
| | One respondent mentions that it would be unclear whether market values reported should be clean or dirty. | Inherent to market value is that it should be reported with any accrued interest. | None |
| | One respondent requests clarification on: | | |
| | - forward starting transactions | - The reporting of forward starting transactions has been clarified in the example sheet of the Consultation Paper. | - None |
| | - ‘non-maturing deposits’ | - ‘Non-maturing deposits’ are deposits without a contractual end date. | - None |
| | - the concept of ‘regulated covered bonds’ | - The concept of ‘regulated covered bonds’ has been clarified in row 030 of the instructions to the maturity ladder. | - None |
| | - netting of FX derivatives | - The templates for each significant currency cannot take into account the leg of a FX transaction denominated in a different currency for netting | - None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | | purposes. Also, for reporting purposes only, there is an information value in the gross exposures of these transactions. | |
| | - treatment of stock received as collateral | - The treatment of stock received as collateral has been defined as:<br>‘Assets that the institution received as collateral in reverse repo and SFT can be considered as part of the counterbalancing capacity if they are held at the institution, have not been rehypothecated, and are legally and contractually available for the institution’s use’. The respondent does not indicate why it would not be clear. | - None |
| | - partial collateralisation and other outflows. | - In row 360 derivatives with this feature are extensively described. The respondent does not indicate why it would not be clear. | - None |
| | In addition, one respondent comments that some examples of row 1000 ‘Undrawn committed facilities received’ would be needed for clarification. | This row represents a total of the four rows below it. The first three contain a clear legal reference and the fourth can be considered as a residual. This should be clear already. | None |
| | For row 1090 ‘Outflows from committed facilities’, the level of granularity is not the same as that required under the LCR DA. | The EBA sees the need to have slightly more granular information on the committed facilities, which is considered to be important information to supervisors and in line with the mandate to collect information that is additional to the LCR reporting. The lines refer to separate concepts present in the | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | | LCR DA. | |
| | One respondent notes that totals lines have not been greyed out in the template and that there is a lack of clarity as to whether or not the figures reported as totals should automatically align with the sum of the components submitted. | Typically they do. Please also refer to the Validation Rules that will be in place. | None |
| | One respondent also notes that operational requirements in relation to repo transactions will need to be removed in line with the corrections that will be made under the expected LCR corrigendum. | The EBA does not have the mandate to speculate on future legislative action. The LCR DA applies as far as is relevant for the current mandate on this standard. | None |
| | Concerning memorandum items one respondent points out that the maturity ladder template does not provide a 30-day horizon; instead there is granularity to five weeks. The respondent would propose the alignment of the time buckets with the LCR horizon. The respondent describes the LCR as a short-term ratio which often depends highly on the rollover of treasury operations and that this rollover is not taken into account in the C 66.00 template. | The 3- to 4-week buckets and 4- to 5-week buckets will be replaced to include a 30-day bucket.<br>For the sake of simplicity and consistency the EBA adheres to the concept of contractual maturity, which means that rollover of liabilities cannot be assumed. To compensate, the three behavioural memo items are included, which reflect such business as usual considerations. | Buckets are changed<br>None |
| | Furthermore, according to one respondent, some of the information used to calculate the LCR cannot be obtained from the maturity ladder.<br>Finally, it is not clear whether LCR secured inflows and outflows (rows 1160-1170) should be reported | After weighing the added value of the LCR memo items, which could be marginal considering that the maturity ladder itself provides a reasonable degree of insight into future developments, with the potential costs and the possibility of having a risk-based examination under ILAAP/SREP, the EBA has | Items removed |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | on a net or gross basis. | decided to remove the five rows in the final version. | |
| | Concerning contingencies one respondent mentions that the concept of 'tradable' has not been defined by the ITS, which might be useful to ensure consistent reporting across institutions. Further, one respondent suggests it is necessary to have clarification for the terms 'marketable' and 'non-marketable' which are used by the ECB. | The CRR and LCR DA provide the term 'tradable'. The AMM mandate for the EBA does not include providing a definition on this. The EBA is not in a position to clarify terms used by the ECB. | None |
| | One respondent also requests clarification on why own-issued senior unsecured ABS/RMS securities and covered bonds are excluded in the reporting instructions (rows 920-990). | Own issuances are excluded from the counterbalancing capacity part as the deployment of these assets is typically associated with a degree of stress that is not the focus of the maturity ladder. | It is further clarified that own issuances also cannot be included in row 3.7, but can be included in memo item 14 |
| | Two respondents ask why 'Outflows due to downgrade triggers' (row 1140) are included and other additional LCR outflows have not been included. | Regarding additional outflows, the EBA considers 'Outflows due to downgrade triggers' to be the most material, particularly considering the usefulness of the maturity ladder for stress testing. Also paragraph 181 of the Basel standard includes this additional outflow. | None |
| | One respondent comments that the memorandum section instructions could benefit from further detail on the calculation of those flows. Furthermore it is not clear why the 'contingencies' are broken down in time bands since they are contingent. | The EBA considers that all memo items are provided with extensive instructions and references to the LCR DA where necessary. Regarding the breakdown of contingencies in time buckets, the EBA acknowledges that an occurrence is typically most likely on an overnight basis if triggered. However the | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | | other time buckets are not greyed out in order to also reflect contingencies where only a delayed outflow is possible as a result of notice periods. | |
| | One respondent asks for the rationale for the granularity of the proposed maturity ladder, and how the elements are useful for stress testing in particular. | All data items have been particularly selected to enable supervisors to perform a stress test on the basis of the reported data for most banks. The respondent does not indicate which data points would not be material for most banks. | None |
| | Furthermore the respondent asks for clarification on the treatment of operations with a notice period longer than one day (Annex XXV, 1.1.12). | If the notice period of an instrument is longer than a day then the flow for this data point should not be in the overnight column but in the appropriate column reflecting the length of the notice period. | Extra wording is added to 1.1.12(d) to clarify this |
| | One respondent argues that items 15 and 16 are identical (only in different buckets) to the items reported quarterly in the asset encumbrance reporting (F 33.00 'Maturity data'). | The EBA considers that, given materiality, it seems unnecessary to have standardised reporting for items 15 and 16. | Removal of items 15 and 16 |
| | The same respondent remarks that there is no reference to the CCP eligibility on the 'Counterbalancing capacity' section of the template. Furthermore the amount of mandatory reserves is not required and the definition of row 3.6.6 'Other tradable assets' is not clear. | The CCP eligibility of counterbalancing capacity does not have the focus of the maturity ladder.<br>From a liquidity perspective reserves with central banks are only relevant to the extent they are withdrawable. | None |
| | One respondent points out that no projected figures for taxes, bonuses, dividends and rents have to be calculated for reporting purposes (Annex XXV, 1.1.11).<br>Two respondents mention that the option to | Where these flows are agreed upon and likely to | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | advance outflows from the institution where there is a market expectation would be unfeasible as the measurement of this concept cannot be undertaken (Annex XXV, 1.1.12(b)). | occur they become contractual and would need to be included in the maturity ladder. | |
| | One respondent states that in row 690 no contingent inflows should be reported and asks if such inflows should not be reported, because in section 4 'Contingencies' there is no row available. | The same concept exists in the LCR DA, so it seems unreasonable to state that it cannot be applied for the maturity ladder. | None |
| | The same respondent remarks that the requirement referring to low levels of concentration would not be a reporting issue but a liquidity management issue (rows 730-1080, paragraph 3). | It is correct that, except for line 3.8, contingent inflows are not reported at all. | None |
| | The same respondent asks for clarification on 'in a given time period' (row 1090) and on the difference between credit facilities and liquidity facilities. | This refers to the characteristic of counterbalancing capacity, which the EBA deems to be an important qualifier of the assets liquidity. | None |
| | One respondent welcomes the introduction of memorandum items such as ID 10, 11, 13, 14 and 17, but also points out that some clarification would be needed on what perimeter the intragroup items refer to (ID 10 and 11). | Regarding the breakdown of contingencies in time buckets, the EBA acknowledges that an occurrence is typically most likely on an overnight basis if triggered. However the other time buckets are not greyed out in order to also reflect contingencies where only a delayed outflow is possible. The items credit and liquidity facilities have been applied in Article 31 of Regulation (EU) No 2015/61 and it is for the standard on AMM to interpret these definitions. | None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | Furthermore clarification is sought about the treatment of all those operations that are already traded but not yet started at the reporting reference date (Annex XXV, 1.1.6). | It is not within the mandate of this ITS to define the scope of application. As should be clear from Recital 3 of the ITS on AMM (as adopted by the European Commission), the level and scope of the reporting of liquidity coverage and additional monitoring metrics should be aligned.<br><br>The maturity ladder focuses on when actual settlement flows occur. Also, as clarified in paragraph 15 in the instructions to C 66.00, 'Cash flows from unsettled transactions shall be reported, in the short period before settlement, in the appropriate rows and buckets'. Further, as in the LCR, all assets complying with Articles 7, 8 and 9 of the Commission Delegated Regulation (EU) 2015/61 which are in the stock of the credit institution on the reference date shall be reported in the relevant row in section 3 of the maturity ladder, even if they are sold or used in secured forward transactions. Consistently, no liquid assets shall be reported in section 3 from forward starting transactions referring to contractually agreed but not yet settled purchases of liquid assets and forward purchases of liquid assets. | None<br><br>None |
| | One respondent requests clarification on the treatment of the following items:<br><br>- in the case of retained self-securitisations eligible for central banks, double counting may result if a bank includes the retained bonds in the proper row 3.7 'Non-tradable assets eligible for central banks' of the 'Counterbalancing capacity' section and the cash flow generated by the underlying assets in the appropriate category in the 'Inflows' | - As clarified in row 3.6, own issuances shall not be reported in 'Counterbalancing capacity'. They are | |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | section;<br><br>- whether or not the balance of the minimum central bank reserves should be reported in row 3.2, column 010; | excluded from the 'Counterbalancing capacity' section as the deployment of these assets is typically associated with a degree of stress that is not the focus of the maturity ladder.<br><br>- As indicated in row 740, only those reserves that are withdrawable can be reported. | - It is clarified in row 3.7 as well<br><br>- None |
| | – whether the negative and positive balances of the current accounts (where cash is paid or received against derivatives margining) should be included respectively in row 1.3.5 'Non-operational deposits from other financial customers' of the 'Inflows' section and row 2.2.4 'Other financial customers' of the 'Outflow' section of the template;<br><br>- whether or not, regarding the treatment of derivative amounts payable/receivables only interests from non-margined derivatives, contracts | - Row 360 is clear with the following: 'Stocks of cash and securities collateral that have already been received or provided in the context of collateralised derivatives shall not be included in the "stock" column of section 3 of the maturity ladder covering the counterbalancing capacity, with the exception of cash and securities flows in the context of margin calls ("cash or securities collateral flows") which are payable in due course but have not yet been settled. The latter shall be reflected in lines 1.5 "Derivatives cash-outflows" and 2.4 "Derivatives cash-inflows" for cash collateral and in section 3 "Counterbalancing capacity" for securities collateral.' In the Basel LCR there is also minimal recognition for collateral received in derivative transactions that are still open (HQLA combined with outflow). To reflect the volatility of derivative transactions, the EBA therewith sticks to the approach of not including this collateral. As the relevant derivative transactions are not reported, the negative and positive balances of | - None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
|---|---|---|---|
| | are considered; and | the current accounts are also not reported. | |
| | - whether institutions with subsidiaries located in third countries, where transfer restrictions of liquidity apply, should exclude the bonds of these countries from the 'Counterbalancing capacity' section of the template? | - As indicated in the instructions for row 360, for margined transactions these flows are excluded. | - None |
| | | - As indicated in section 3, 'Assets reported in the columns of the counterbalancing capacity shall include only unencumbered assets available to the institution to convert into cash at any time to fill funding gaps between cash inflows and outflows during the time horizon. For those purposes, the definition of encumbered assets in accordance with Commission Delegated Regulation (EU) 2015/61 shall apply'. | - None |
| | One respondent points out that there are three potential interpretations regarding central bank eligibility:<br><br>A US Treasury security is clearly eligible at the Federal Reserve Bank, are we to report any US Treasury holdings as central bank eligible? 1) The above US Treasury security could, however, be held in an entity with direct access to the Federal Reserve Bank. 2) The above US Treasury security could be held in an entity with no direct access to the Federal Reserve Bank, but another group entity may have direct access to the Federal Reserve Bank. 3) The above US Treasury security could be held in an entity with no direct access to the Federal Reserve Bank, and the group may also have no direct access to the Federal Reserve Bank, but may use a third-party agent. | Considering stress circumstances and the fact that liquidity via a third-party agent would lead to a data point that is very broad, the EBA considers it more useful to apply a very narrow definition of central bank eligibility. | Clarified that direct access would have to be at the entity level |
| | One respondent asks how to treat central bank | | |

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| | deposits with a temporal restriction on outflow of central bank deposits (a term deposit not meeting the criterion of withdrawability at any time), as row 740 (withdrawable central bank reserves) only allows overnight. | Such monies need to be reported in the inflow part of the maturity ladder template. | None |
| | One respondent asks for the following regarding reporting securities:<br><br>- clarification on reporting inflows from maturing securities, where there is a possible error in the general remarks on CBC that maturing securities in own portfolio would lead to an inflow in 2.6 (this should be 2.5); | - The reference should indeed be to 2.5. | - The reference has been changed to 2.5 |
| | - clarification on whether or not inflows from maturing securities are represented at nominal amount and corresponding outflows in CBC at current market values. This could lead to differences in value (row 680 ‘Paper in own portfolio maturing’ and row 690 ‘Other inflows’); | - In the CBC section all changes shall indeed be reported in terms of market value. In the inflow section it relates to contractual amounts due. | - None |
| | - clarification on whether or not inflows from maturing non-CBC securities can be included in 2.5 as well. | - As stated in the instructions to 2.5: ‘The amount of inflows which is principal repayment from own investments due taken in bonds, reported according to their residual contractual maturity. This item contains cash inflows from maturing securities reported in the counterbalancing capacity.’ Therefore, while it includes cash inflows from CBC it is not exclusively CBC inflows that are reported in | - None |

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| | | this row. | |
| Question 2. | One respondent asks how the focus of C 67.00 and C 68.00 can be on total funding, which is defined as all financial liabilities other than derivatives and short positions, whereas the 1% reporting threshold is measured against total liabilities.<br>The same respondent also asks for: | This is intentional. Total funding is the focus of the template, whereas, for ease of application, the 1% threshold is measured against total liabilities. | None |
| | - further clarification on the concept of 'groups of connected clients' used for both C 67.00 and C 71.00 (Annex XIX, 1.2.3 and Annex XX, 1.5) in the context of large exposures; | - The way to report 'groups of connected clients' in the large exposure template may not necessarily be the same as what is intended for C 67.00 and C 71.00. Hence, no cross reference is made. A reference to the CRR is already present. | - None |
| | - a change of label for the 'Repo' product type (C 67.00, column 050) which refers to a definition of 'SFT' in the CRR, also taking into account the 'SFT' definition in the CRR proposal; | - Without changing the specific reference to the CRR, the product type name can be changed to 'SFT'. | - Label is changed to 'SFT' |
| | - clarification on whether row 90 of C 68.00 is limited to loans and deposits or whether it includes broader amounts (C 68.00; | - Whereas rows 100 to 120 are limited to loans and deposits, the 'total' row (090) can include broader amounts. | - In the instructions it is clarified that the 'total' row can be broader |
| | - examples of the types of products or balances for the ungreyed lines of 'Total unsecured wholesale funding' (C 68.00); | - Commercial paper is an example of a product that might be part of this line. | - None |
| | - clarification on why wholesale funding from central banks has been excluded from unsecured | - It is not the objective to capture funding from central banks, which should be known to the supervisor via other means, but rather to understand the vulnerability of a bank to | - None |

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| | wholesale funding; | concentrations in market sources of funding. | |
| | - clarification on whether or not items reported under wholesale funding 'intra-group entities' subcategories (2.1.3 and 2.2.4) should also be reported in the corresponding subcategories (2.1.1-2 and 2.2.1-3), e.g. intra-group unsecured wholesale funding could also be reported as loans and deposits from financial customers (another respondent had the same question); | - Reporting of items under the intra-group rows does not preclude their inclusion in another row if relevant. | - None |
| | - clarification on whether or not the instruction 'Wholesale funding from intra-group entities for rows 2.1.3 and 2.2.4 shall only be reported on a solo basis' should also be applied on the subconsolidated level where intra-group transactions may also take place; | - It also applies on a subconsolidated basis. | - The instructions have been changed to clarify this |
| | - an example for C 69.00 containing a trade that has rolled over several times within a month which would illustrate how the highest spread for a rollover of funding during the period shall be determined (referring to paragraph 10 of the instructions for template C 69.00 (Annex XIX)); | - While paragraph 10 in the Consultation Paper version is not seen as unclear, for reasons of proportionality the spread calculation is shifted to the end of the period. | - It is clarified that it is about the end of month spread |
| | - clarification as to why 'average transaction volumes and prices' in C 69.00 have been replaced with 'transaction volume and prices'; | - This represents a reduction of administrative burden and a streamlining of the template, which is more straightforward to complete if referring only to the new funding that is present at the end of the | - None |

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| | | month. | |
| | - clarification as to whether net or gross amounts should be reported for `Carrying amount' (Annex XIX, 1.4.7) in case of FX spot transactions and repo transactions and for 'carrying value' used in C 67.00, C 68.00 and C 69.00. | - It is not clear what the respondent means by 'net or gross', nor how the definition of total funding in the instructions ('Total funding shall be all financial liabilities other than derivatives and short positions') can be misinterpreted. | - None |
| | - additional clarification on reporting the volumes, spreads and reference rates on weekends and holidays (Annex XIX, 1.5.12 on C 70.00); | - The term 'days' refers to calendar days. | - It is clarified that 'days' are 'calendar days' |
| | - a definition of central bank eligibility for the completion of column 090 (C 71.00) and a suggested broad definition on the basis of bank-internal considerations; | - A general definition of central bank eligibility is already provided in the CRR. More specifically, the instructions to C 71.00 indicate that 'The counterbalancing capacity in C 71.00 shall be the same as that in C 66.00'. As indicated with regard to section 3 of C 66.00, the EBA considers it more useful to apply a very narrow definition of central bank eligibility. | - Clarified that direct access would have to be at the entity level. |
| | - clarification of the reason for the removal of the term 'issuer' and whether, if a firm has received a security through a reverse repo, it should report the counterparty to the reverse repo or the issuer of the underlying security; | - The template now uses the term 'issuer', which removes ambiguity and provides clarity on how the issuer of collateral is relevant, rather than the counterparty of an exposure. | - Use of the term 'issuer' |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | - clarification on the reporting of own-issued senior unsecured ABS/RMS securities in the C 71.00 template. | - The instructions to C 71.00 indicate that 'The counterbalancing capacity in C 71.00 shall be the same as that in C 66.00'. Own issuances are not considered to be part of counterbalancing capacity. | - None |
| | Another respondent points out that, in relation to C 67.00, and due to different reporting frequencies and remittance dates, only a limited harmonisation of the values of the ALMM report and FINREP report is possible (as required in point 5 in Chapter 1.2). Another respondent (German Banking Industry Committee) proposes to delete this paragraph. | The EBA acknowledges that the frequencies differ, but still considers it useful to point out the correspondence between the different data points. | None |
| | Another respondent would like to have further clarification on the treatment of subordinated debts (in addition to Q&A 2015 2061) for all the templates. | It is unclear how the respondent considers the treatment to be unclear. Also the general provision that 'Total funding shall be all financial liabilities other than derivatives and short positions' needs to be noted. | None |
| | Another respondent would like to have clarification on the objective of including transactions to be reported that still exist at the end of the reporting period while transactions that start and end within the reporting period are ignored (Annex XVIII). | While the EBA is aware that high spreads for intra-month funding arrangements could create issues, for reasons of proportionality the EBA does not find it appropriate to require standardised reporting from banks to capture these. Also the complexity of such a standardised solution is to be noted in this context, as, if not adjusted, including intra-month funding could lead to a substantially higher weighting of funding with short maturities. | None |
| | Further clarifications are requested are on: | | |

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| | - treatment of original maturity in case of optionality not being exercised (Annex XIX, 1.1, No 4); | - The non-exercise of optionality indeed does not affect the original maturity. | - None |
| | - how the 1% threshold in C 68.00 needs to be applied at the level of 1.1 and 1.2 but at the same time at the level of 1 and 2 (Annex XIX, 1.3, No 5(c)); | - The 1% threshold indeed need to be applied at multiple levels for different rows. The EBA is not aware of any inability to apply the threshold this way. | - None |
| | - differences between the 'initial maturity' and 'original maturity' concepts; | - Initial maturity is not used in the draft ITS. | - None |
| | - whether or not the period between trade date and settlement date can be ignored for all transactions, as the cash flows to be reported actually only take place on the settlement date. | - The maturity ladder focuses on when actual settlement flows occur. Also, as clarified in paragraph 15 in the instructions to C 66.00: 'Cash flows from unsettled transactions shall be reported, in the short period before settlement, in the appropriate rows and buckets'. Further, as in the LCR, all assets complying with Articles 7, 8 and 9 of the Commission Delegated Regulation (EU) 2015/61 which are in the stock of the credit institution on the reference date shall be reported in the relevant row in section 3 of the maturity ladder, even if they are sold or used in secured forward transactions. Consistently, no liquid assets shall be reported in section 3 from forward starting transactions referring to contractually agreed but not yet settled purchases of liquid assets and forward purchases of liquid assets. | - None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | Regarding C 69.00, one respondent comments that the implementation burden for reporting off-balance-sheet items (Annex XIX, 1.4, No 8) is immense. | The EBA considers that, for reasons of consistency and in view of the reporting burden, a reporting of the amount drawn at the end of the reporting period would be more appropriate. | It is clarified that it is the amount drawn at the end of the reporting period |
| | Regarding C 69.00, one respondent asks how to report book values of sight deposits: book values on the reporting date or on the day funding is obtained (Annex XIX, 1.4, No 11)? | The instructions in paragraphs 1 and 11, as slightly redrafted, clarify that they relate to values at the end of the period. | Slight redrafting to clarify |
| | One respondent has some questions on the meaning of 'For the purposes of calculating the original and residual maturity, where there is funding with a notice period or a cancellation or early withdrawal clause for the institution's counterparty, a withdrawal at the first possible date shall be assumed' for C 69.00 and C 70.00 (Annex XIX, 1.1, No 7). Particularly:<br>- whether or not a new transaction with a maturity of over 10 years has to be reported in C 69.00 if the first possible opportunity to cancel or withdraw is within the first 10 years;<br>- whether a maturity reflecting cancellation or withdrawal at the first possible date has to be | - 'The first possible date has to be assumed'. The respondent does not clarify why this would be unclear.<br>- The wording is as follows: 'The spread reported in the left-hand column of each time bucket shall be one of the following: | - None<br>- It has been clarified that for the purposes of spread calculation on the |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | taken into account when calculating spreads in benchmarking; | (a) the spread payable by the firm for liabilities less than or equal to one year, if they were to have been swapped to the benchmark overnight index for the appropriate currency no later than close of business on the day of the transaction;<br>(b) the spread payable by the firm at issuance for liabilities greater than one year, were they to be swapped to the relevant benchmark overnight index for the appropriate currency which is three month EURIBOR for EUR or LIBOR for GBP and USD, no later than close of business on the day of the transaction.'<br>For these purposes of spread calculation on the basis of the benchmark it can be clarified that banks themselves can choose to take the maturity with or without taking into account optionality. | basis of the benchmark it can be clarified that banks themselves can choose to take the maturity with or without taking into account optionality. |
| | - whether or not securities callable but not called in the previous month have to be reported as 'maturing' and 'rolled over' in C 70.00; | - This is correct. | - None |
| | - whether or not the maturities up to first cancellation or withdrawal generally have to be reported as original maturities in C 70.00? | - The respondent does not clarify how this interpretation could deviate from 'For the purposes of calculating the original and residual maturity, where there is funding with a notice period or a cancellation or early withdrawal clause for the institution's counterparty, a withdrawal at the first possible date shall be assumed'. | - None |
| | One respondent also asks for a clarification on | The template has been amended to read 'issuer'. | The template has |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | reporting funds in C 71.00, where the term 'issuer' has been replaced by 'counterparty'. As 'counterparty' would always be the respective separate trust assets, funds should never be aggregated but reported individually. | | been amended to read 'issuer' |
| | One respondent asks for clarification on the counterparty of gold (column 10 of C 71.00) and physical cash positions. | It is indeed the case that gold does not have an obvious counterparty. Coins and bank notes, however, could be considered to have the central bank as a counterparty. | It has been clarified that physical gold itself is a unique counterparty. For coins and bank notes the relevant central bank is the counterparty |
| | One respondent comments that the submission of the 'Rollover of Funding' template (C 70.00) would require the analysis and treatment of an enormous and complex volume of transactions. The respondent concludes that the compliance costs associated with this specific template are incommensurate with its benefits compared with other liquidity information (e.g. from the short-term exercise), taking into account that at the remittance date some information may be out of date. | This template is already in place and is not the focus of the EBA's mandate, which is, rather, the design of the maturity ladder template. As with most other reporting frameworks, the data refer to past dates and there is no special reason why their value would be diminished for the AMM. | None |
| | Regarding C 70.00 one respondent asks: | - Category b) also covers 'New funding'. It is not clear why the respondent considers that b) would not constitute 'New funding'. | - None |
| | - What is considered 'New funding': a) only newly opened accounts, or b) also funds added to previously existing sight deposit or term deposit | - A sight deposit leads to an entry for each of the days. However, it is not clear why the respondent considers that changes in the volume of the deposit | - None |

| Comments | Summary of responses received | EBA analysis | Amendments to the proposals |
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| | accounts?<br>- Should new sight deposits that mature every day be considered rolled over (even if the depositor changes the amount) or new funding each day?<br>- Whether savings accounts with no maturity (which can be withdraw with a 7 days' notice without any penalty) be considered as perpetual liabilities with 20 years of maturity (based on QA ID 2015_1731)? | would not be reported.<br>In paragraph 1.1.1. 8 of Annex XI it is stated that 'For perpetual liabilities, except where subject to optionality as referred to in paragraph 12 of Annex XXIII, a fixed 20 years original and residual maturity shall be assumed.' It is not clear why the respondent considers that optionality would not apply in the example. | - None |
| Question 3. | Two respondents prefer to have end of the month spreads instead of daily averaging volumes and spreads or the highest spread that has applied to the funding during the reporting period (the latter is proposed in the Consultation Paper). The general rule, to focus on all the operations that have occurred during the period and that are still alive at the reporting date, seems appropriate. Another respondent (German Banking Industry Committee) prefers the weighted spread approach to transactions calculated on a daily basis, noting that C 70.00 is also completed on a daily basis. | On the basis of the feedback, the EBA finds it appropriate to change the timing of the spread measurement to the end of the month instead of at the time of origin. The suggestion to apply a daily averaging does not seem to be broadly recommended, and would lead to possible double counting of maturities shorter than a month. | The timing of the spread has been changed to the end of the month |
| | Another respondent agrees that funding that rolled over but is still present at the end of the reporting period shall be considered, but prefers that only the incremental amount would be represented to identify the volume of new funding. | The EBA considers it to be inappropriate to solely count increments in rolled-over funding, as it seems that price sensitivity would typically apply for this entire amount of funding and not just for the | None |

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| | Furthermore the respondent argues that a highest spread has to be applied to rolled-over funding (as in the Consultation Paper) would be less appropriate than the average monthly spread, with the latter better representing real costs. | increment.<br><br>The EBA agrees that the end of period spread should provide sufficient informational value. | Change to end of period |
| Question 4. | One respondent suggests changing the treatment of sight deposits and aligning it with that of items as they have been rolled over.<br><br>Four other respondents do not argue in favour of the rollover treatment but instead prefer the treatment as in the Consultation Paper, except that it should be clarified that increases in deposits of existing clients should also be considered as new. | Given that a strong majority of respondents agree, there is no strong reason for the EBA to change treatment as in the Consultation Paper, except that it will be clarified that increases in deposits of existing clients should also be considered as new. | Clarification on balance increases |
| | Further, one respondent mentions that guidance would be useful on the treatment of evergreen balances. | If these balances can be withdrawn at any time then the maturity is overnight. Also note that in the general remarks of Annex XIX, it is clarified that 'the date of the maturity of the funding shall be determined in accordance with paragraph 12 of Annex XXIII'. | None |
| | Separately, one respondent proposes that examples are provided on the treatment of extendable trades as well, and how these impact | Regarding extendable trades the wording on maturity should be noted. Regarding examples, the ITS themselves cannot provide these. | None |

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| | the C 69.00 and C 70.00 returns. | | |
| Question 5. | One respondent considers a March 2018 application date feasible, providing the ITS have been fully agreed by March 2017, leaving 12 months for implementation.<br><br>One respondent believes that the mentioned March 2018 application date appears feasible, but only if the final version of the ITS is published by March 2017 at the latest.<br><br>One respondent also considers that the implementation period of at least 1 year should not start on publication of the final ITS but on publication of the implementing regulation in the EU Official Journal.<br><br>One respondent fully supports a quick and timely implementation of the maturity ladder template in order to harmonise European practices through the implementation of a unique ALMM reporting framework across the EU and elimination of the | The majority of answers seem to indicate that the foreseen timeline is workable. The EBA acknowledges that a forthcoming adoption by the European Commission is important. | None |

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| | current duplication observed in many countries. | | |
| | As an additional point, one respondent mentions that under the current Pillar III reporting the previous C 66.00 template is disclosed. In this regard one respondent asks for clarification of the date from which this would be phased out, and confirmation that the updated report would not be phased in ahead of the March 2018 application date. | The EBA is not aware of a current EBA requirement for banks to disclose under Pillar III template C 66.00. | None |
| | One respondent indicates that the implementation period should overlap with that of the NSFR. | While an overlap with the introduction of the NSFR seems unlikely. The EBA cannot take on board possible future regulatory developments. | None |
| | One respondent asks for clarification on whether the application date of March 2018 corresponds to the maturity ladder only, or also to changes (such as clarifications) in other templates? An implementation of the clarifications on an earlier timeline would be welcome. | The new ITS will be implemented as a whole and not partially. | None |
| Question 6. | One respondent observes that many of its member institutions had differences in interpreting the proportionality criteria. Two other respondents point out that the proportionality criteria deny the application of the quarterly reporting to cross-border banking groups (i.e. proportionality is allowed only for entities which ‘do not form part of a group with subsidiaries or parent institutions | The EBA continues to have the view that a reduction of frequency would not be appropriate for cross-border banks. | The only clarification that is considered is |

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| | located in jurisdictions other than the one of its competent authority'). From the point of view of this respondent cross-border banking groups are impaired in their activities and the criteria should be dismissed. | | that 'the institution should not form part of a group comprising credit institutions, investment firms or financial institutions'. |
| | One respondent points out that the principle of proportionality adopted by the Treaty of the European Union requires that Community measures 'do not exceed the limits of what is appropriate and necessary in order to attain the objectives legitimately pursued by the legislation in question'. Moreover, 'when there is a choice between several appropriate measures, recourse must be had to the least onerous' and 'the disadvantages caused must not be disproportionate to the aims pursued'. | | |
| Question 7. | | | |