



EBA/CP/2014/44

16 December 2014

Consultation Paper

Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC's Delegated Act on the LR

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1. Responding to this Consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.3.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 27.01.2015. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

The CRR contains a uniform leverage ratio the specifications of which can be updated by the delegated act on the leverage ratio. The leverage ratio has two objectives: first to limit the risk of excessive leverage by constraining the building up of leverage in the banking sector during economic upswings and second to act as a simple instrument that offers a safeguard against the risks associated with the risk models underpinning risk weighted assets. The ultimate aim is also to constrain leverage and to bring institutions' assets more in line with their capital in order to help mitigate destabilising deleveraging processes in downturn situations.

By means of Article 456(1)(j) CRR, the co-legislators empowered the Commission to amend the capital measure and total exposure measure of the leverage ratio through a delegated act if the reporting to competent authorities uncovered shortcomings in the way those measures are currently defined. This is in view of the requirement for institutions to start disclosing the leverage ratio (i.e. 1 January 2015). On 10 October 2014 the Commission has adopted the leverage ratio (LR) delegated act, which, as the Commission explains, faithfully implements the Basel revised rules text, which in view of international comparability is important.¹ This is in line with the 4th of March 2014 report in which the European Banking Authority (EBA) recommended aligning the CRR to the definition published by the Basel Committee on Banking Supervision (BCBS) on 12 January 2014.²

This consultation paper proposes draft Implementing Technical Standards (ITS) that amend Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC's Delegated Act on the LR. Limited changes are required to the LR reporting templates and instructions as a result. The delegated act on the leverage ratio will directly amend the definition of the leverage ratio in the CRR (Article 429), which means that lines & columns relating to the leverage ratio as in the current CRR will have to be removed where obsolete. Further, also minor changes are proposed that reflect published answers to the Single Rulebook Q&As³, as well as in order to correct legal references and other clerical errors.

The revised cells and cell descriptions (including 19 cells which are new) proposed in this CP represent components introduced by the delegated act. Given that these components reflect an alignment with the BCBS standard published on 12 January 2014 the EBA considers that the reporting burden emanating from these amendments is limited. In addition, it is to be noted that as a result of some simplifications provided by the delegated act, especially regarding investments outside of the scope of prudential consolidation as well as regarding the former requirement to

¹ http://ec.europa.eu/internal_market/bank/regcapital/acts/delegated/index_en.htm#141010-liquidity

² <http://www.bis.org/press/p140112a.htm>

³ <http://www.eba.europa.eu/documents/10180/210008/Single+Rulebook+QA+-+Published+Answers+Supervisory+Reporting+as+of+June+2014.pdf/93d70134-c086-454d-a87e-e834cc271216> .

calculate a three-month average the proposed set of templates count 91 fewer cells than the current set of templates. In view of these reasons, the EBA deems a consultation period of 6 weeks as adequate.

The EBA's submission of the updated ITS to the EU Commission will take place once the delegated act is final (i.e. after the non-objection period(s) of Council and Parliament according to Art 462 (5) CRR).

Given the scope of the changes introduced by these draft ITS in the instructions and templates and in the interest of clarity, the procedure followed has been to replace the whole relevant Annexes. This also serves the purpose of having a consolidated version of the updated draft ITS package, more useful to the EBA stakeholders. The affected Annexes are the following:

- Annex X of Regulation (EU) No 680/2014 'Templates for reporting on the leverage ratio' shall be replaced by Annex 1 of this draft ITS.
- Annex XI of Regulation (EU) No 680/2014 'Instructions for reporting on the leverage ratio' shall be replaced by Annex 2 of this draft ITS.

The EBA proposes to have the first date of application depend on the date at which the EU Commission would adopt the amending ITS. In specific, the proposal currently inserted in the final provisions of this draft amending ITS is that the first date of application would be the later of December 2015 and 6 months after the adoption date. This is meant to address any delay in the adoption of the ITS by the EU Commission.

Further note that this consultation paper does not suggest any change in terms of the usual reference and remittance dates as established in Articles 2 and 3 of the existing ITS. A quarterly reporting will remain with a reference date on the last day of each quarter and with remittance dates on the 12 May, 11 August, 11 November and 11 February respectively. A delay in the first remittance under the amending ITS, as was the case for the reporting on the leverage ratio for quarter 1 2014⁴, has not been regarded as necessary in view of the limited extent of changes as explained above.

⁴ Instead of a remittance deadline on 12 May 2014 the remittance deadline was incidentally delayed to 30 May and 30 June 2014 according to, respectively, 5th and 6th paragraph of article 18 Commission Implementing Regulation (EU) No 680/2014

3. 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. These draft ITS 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 EU.

Maintenance and update of the ITS

The draft Implementing Technical Standards (ITS) reflect the single rulebook at the reporting level and hence need to be updated whenever the single rulebook is updated. The delegated act on the leverage ratio (pursuant to Article 456(1)(j) CRR) will constitute a major update to the single rulebook as it amends the definition of the leverage ratio in the CRR (Article 429).

The completion of technical standards by the EBA as well as answers to questions raised in the context of the single rulebook Q&A mechanism⁵ have contributed to a more complete and seamless application of the single rulebook. This has led in turn to more precise or changed reporting instructions and definitions. In addition, further changes to reporting requirements were triggered by the identification, during the preparation for the application of reporting requirements, of typos, erroneous references and formatting inconsistencies.

Implementation of updated ITS and remittance

The EBA proposes to have the first date of application for the updated ITS depend on the date at which the EU Commission would adopt the amending ITS. In specific, the proposal currently inserted in the final provisions of this draft amending ITS is that the first date of application would

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<http://www.eba.europa.eu/documents/10180/210008/Single+Rulebook+QA+-+Published+Answers+Supervisory+Reporting+as+of+June+2014.pdf/93d70134-c086-454d-a87e-e834cc271216> .

be the later of December 2015 and 6 months after the adoption date. Further note that this consultation paper does not suggest any change in terms of the usual reference and remittance dates as established in Articles 2 and 3 of the ITS. A quarterly reporting will remain with a reference date on the last day of each quarter and with remittance dates on the 12 May, 11 August, 11 November and 11 February respectively. A delay in the first remittance under the amending ITS, as was the case for the reporting on the leverage ratio for quarter 1 2014, has not been regarded as necessary in view of the limited extent of changes as explained in the executive summary section.

Changes brought by the delegated act

The delegated act necessitates a review of the existing reporting template structure and adequate amendments to their structure. Generally, this involves both the addition and removal of reporting cells. However, given that the draft delegated act provides some simplifications, especially regarding investments outside of the scope of prudential consolidation as well as regarding the former requirement to calculate a three-month average, the set of templates will on aggregate be reduced in size, with as a result a lower number of cells. In specific the new set of templates will have 224 cells, which is 88 fewer than the 312 cells of the current set of templates.

Template C47.00 (LRCalc)

In specific, regarding the calculation of the leverage ratio as in template C45.00 (LRCalc) of the current Regulation, the removal (by the delegated act) of the three-monthly average calculation will allow for the removal of three of the four columns. At the same, some additions need to be made (18 new rows) and 6 other rows have to be re-named, whereas a few (two) rows can be deleted. For reasons of clarity, given the character of the changes, the EBA proposes to change the title of C45.00 (LRCalc) to C47.00 (LRCalc)

The new and adjusted rows mainly reflect the following changes brought by the delegated act:

- a. Changes to the calculation of the exposure value of repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions (SFTs) as the sum of accounting values according to Articles 429 (5) and 429 (8) of the delegated act, where netting of cash receivables and cash payables is only applied in case of the same counterparty and different other criteria met, and an add-on for counterparty credit risk in accordance with Article 429b of the delegated act.
- b. Where an institution acts as an agent in SFTs, only the add-on determined in accordance with Article 429b (2) of the delegated act has to be recognised (Article 429b (6) of the delegated act).
- c. Updates on the calculation of the exposure value of derivatives, with in particular a new row to capture the part of cash variation margin, which may be deducted from the current replacement cost portion according to Articles 429a(3) and 429a(4) of the delegated act.

- d. As for credit derivatives, an additional treatment following the revised Basel III standards (Articles 429a (5), 429a(6) and 429a(7) of the delegated act). This includes the capture of the capped notional amount of written credit derivatives and the capped notional amount of eligible credit derivatives (protection bought) offset against the sold protection.
- e. As for exposure value of off-balance sheet items, the changed credit conversion factors (as assigned in accordance with CRR 111 (1) subject to a floor of 10 % (Article 429 (9) of the delegated act)), have to be included.
- f. Receivables for cash variation margin provided in derivatives transactions as excluded according to Article 429a(3) of the delegated act in alignment with the Basel III leverage ratio framework
- g. An exemption for the leg to qualifying central counterparties (QCCPs) within client-cleared transactions (Article 429 (11) of the delegated act) which require five new rows (for SFTs, for the M-t-M replacement cost and potential future exposure (PFE) components, original exposure measure (OEM), and derivatives collateral provided).
- h. Adjustments for SFT sales accounting transactions as in Article 429b(5) of the delegated act.
- i. The possible exclusion of intragroup exposures (Article 113(6) of the CRR) for the calculus of the leverage ratio by the delegated act, which is subject to conditions and permission of the competent authority. The row reflect the aggregated value for all exposure types excluded by this stipulation.
- j. The possible exclusion of exposures arising from deposits that the institution is legally obliged to transfer to a public sector entity according to the conditions as mentioned in Article 429(14) of the delegated act.

In addition to amendments directly stemming from the delegated act, the LRCalc template and related instructions have been clarified as follows:

- In alignment with annexes I and II of Regulation (EU) No 680/2014 regarding the templates and instructions for reporting own funds and own funds requirements, the cells and cell descriptions of the items of LRCalc which would otherwise have to be subtracted in the calculation of the leverage ratio denominator now contain a (-), which has been clarified to be a sign convention that means that the respective cell has to contain a negative amount. The template and instructions are therewith easier to overview, in particular since the delegated introduces many items for subtraction of the leverage ratio denominator.
- The cell descriptions of (according to new numbering) LRCalc {290; 1} and LRCalc {300; 1} have been amended to clarify that a regulatory adjustment can only decrease the leverage ratio denominator in case such adjustment deducts a specific asset. This is in line with DA Art 429(4)(a) that states: “The assets referred to in paragraph 5 unless they are deducted when

determining the capital measure referred to in paragraph 3". This also implies that one row (also in the template) on own credit risk adjustments has been made redundant as those adjustments, by definition, do not represent deductions from assets. This row has been deleted.

Further templates

Regarding C40.00 (LR1), which collects data on alternative treatment of derivatives, SFTs, off-balance sheet items and other assets, some amendments are considered as well. Most of these data items will remain very useful in supervisory review of the leverage ratio. Nonetheless, given that discussions on several alternative treatments (such as regarding credit derivatives) have been closed at the level of the Basel Committee some granularity will be removed here.

Template C46.00 (LR6), which collects information on entities that are consolidated for accounting purposes but are not within the scope of prudential consolidation, will be fully removed. As the delegated act definition of the leverage ratio has been confined to the regulatory scope of consolidation only, the whole template will have become redundant. Also, by means of the FinRep templates (40.1 regarding group structure) institutions under IFRS already report on several accounting values in relation to investment outside of prudential scope. Further it seems that the scope of consolidation of prudential measures is a broader issue as is indicated in the recently published Communication⁶ by the European Commission on shadow banking which contemplates the possibility to review the regulatory scope of application itself and various other measures regarding shadow banking.

In template C42.00 (LR3), on the alternative definition of capital, some adjustments have been made in the labelling and content to clarify that regulatory adjustments that do not deduct the value of a specific asset cannot be subtracted from the leverage ratio exposure.

Template C43.00 (LR4), which provides an alternative breakdown of components of the leverage ratio exposure measure to facilitate interaction analyses between the leverage ratio and risk-based requirements, will need an extra row related to the additional treatment for credit derivatives to template C43.00, similar to the associated Panel G in the Basel III QIS template.

One of the cells of template C44.00 (LR5) – which is a template that provides general information about the basis of an institution's completion of the leverage ratio reporting – can be removed as the delegated act has changed the three-monthly average calculation to an end-of-quarter calculation. Two other cells of template C44.00 can be removed as they are already reported as general information in the CoRep submission process necessary for the identification of the reporting entity.

⁶ The Communication is available here: http://ec.europa.eu/internal_market/finances/shadow-banking/index_en.htm.

4. Draft implementing TS amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR), following the EC's Delegated Act on the LR

In between the text of the draft ITS 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 IMPLEMENTING REGULATION (EU) No .../..

of **XXX**

COMMISSION IMPLEMENTING REGULATION (EU) No .../... amending 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 of the European Parliament and of the Council

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012⁷ and in particular the third subparagraph of Article 430 thereof;

Whereas:

⁷ OJ L 176, 27.6.2013, p. 1.

- (1) Commission Implementing Regulation (EU) No 680/2014⁸ specifies the modalities according to which institutions shall report information relevant to their compliance with Regulation (EU) No 575/2013. Given that the regulatory framework established by the latter Regulation has been amended by Delegated Regulation xx/xxx [*delegated act on the leverage ratio*], pursuant to Article 456(1)(j) of that Regulation, Regulation (EU) No 680/2014 should be updated accordingly to reflect these amendments in the regulatory framework. Further, it should be updated to provide further precision in the instructions and definitions used for the purposes of institutions' supervisory reporting; and to correct typos, erroneous references and formatting inconsistencies which were discovered in the course of the application of that Regulation.
- (2) The European Banking Authority has conducted open public consultations, has 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 1093/2010⁹.
- (3) Commission Implementing Regulation (EU) No 680/2014 should be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation 680/2014 is amended as follows:

1. Article 14 (2) of Regulation (EU) No 680/2014 is replaced with the following
'The reporting of this data shall reflect the methodology applicable for the calculation of the leverage ratio as end of quarter leverage ratio.'
2. Article 14 (3) of Regulation (EU) No 680/2014 is replaced with the following
'Institutions are required to report the information referred to in paragraph 14 of Part II of Annex XI in the next reporting period, where one of the following conditions is met:
 - (a) the derivatives share referred to in paragraph 7 of Part II of Annex XI exceeds 1.5%;
 - (b) the derivatives share referred to in paragraph 7 of Part II of Annex XI exceeds 2.0%.

The entry criteria of Article 4 shall apply, except for point (b) where institutions shall start reporting information from the next reporting reference date, where

⁸ 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).

⁹ 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).

they have exceeded the relevant applicable threshold on one reporting reference date.’

3. Article 14 (4) of Regulation (EU) No 680/2014 is replaced with the following
‘Institutions for which the total notional value of derivatives as defined in paragraph 9 of Part II of Annex XI exceeds 10 billion € shall report the information referred to in paragraph 14 of Part II of Annex XI, irrespective of whether their derivatives share fulfils the conditions referred to in paragraph 3.
The entry criteria of Article 4 shall not apply for paragraph 4. Institutions shall start reporting information from the next reporting reference date, where they have exceeded the relevant applicable threshold on one reporting reference date.’
4. Article 14 (5) of Regulation (EU) No 680/2014 is replaced with the following
‘Institutions are required to report the information referred to in paragraph 15 of Annex XI in the next reporting period where one of the following conditions is met:
 - (a) the credit derivatives volume referred to in paragraph 10 of Part II of Annex XI exceeds EUR 300 million ;
 - (b) the credit derivatives volume referred to in paragraph 10 of Part II of Annex XI exceeds EUR 500 million.
The entry criteria of Article 4 shall apply, except for point (b) where institutions shall start reporting information from the next reporting reference date, where they have exceeded the relevant applicable threshold on one reporting reference date.’
5. Article 14 (6) of Regulation (EU) No 680/2014 is deleted.
6. Annex X of Regulation (EU) No 680/2014 is replaced by Annex 1 of this Regulation.
7. Annex XI of Regulation (EU) No 680/2014 is replaced by Annex 2 of this Regulation.

The revisions to the main text of Regulation 680/2014 is to adjust the reporting reference date to end-of-quarter (Article 14(2)), to update several references to paragraph numbers of the instructions (Articles 14(3) to 14(5)), and to remove the proportionality threshold for the template on entities outside of prudential scope (C46.00) given the proposed removal of C46.00. The current templates and instructions of Annex X and XI are proposed to be replaced by Annex 1 and 2 of this amending ITS.

It is to be noted that apart from changing the end-of-month reporting of the C45.00 (LRCalc) template (now C47.00) to an end-of-quarter reporting in line with the delegated act, this consultation paper does not suggest any change in terms of the usual reference and remittance dates as established in Articles 2 and 3 of the ITS. A quarterly reporting will remain with a reference date on the last day of each quarter and with remittance dates on the 12 May, 11 August, 11 November and 11 February respectively. A delay in the first remittance under the

amending ITS, as was the case for the reporting on the leverage ratio for quarter 1 2014, has not been regarded as necessary in view of the limited extent of changes as explained in the executive summary section. Note in this respect that the delegated act has brought several simplifications so that the set of templates will on aggregate be reduced in size, with as a result a lower number of cells. In specific the new set of templates will have 224 cells, which is 88 fewer than the 312 cells of the current set of templates.

Not having a delay in the first remittance date means that if e.g. 31 December 2015 will be the first reference date, the first remittance deadline will be 11 February 2016 and will not be delayed to 28 February 2016 or 31 March 2016. This is in line with the reporting under the current ITS which already requires remittances by 12 May, 11 August, 11 November and 11 February of each year. For these reasons the EBA deems it appropriate to keep the remittance dates unchanged (as currently in Regulation (EU) No 680/2014).

Question 1: Would respondents have substantiated arguments to change remittance dates of the current ITS?

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 XX the later of six months from the date of publication of the final ITS in the Official Journal and December 2015.

The EBA proposes to have the first date of application depend on the date at which the EU Commission would adopt the amending ITS. In specific, the proposal currently inserted in the final provisions of this draft amending ITS is that the first date of application would be the the later of six months from the date of publication of the final ITS in the Official Journal and December 2015.

Question 2: would respondents have substantiated arguments for an implementation period different from the abovementioned?

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

Done at Brussels,

*For the Commission
The President*

On behalf of the President

[Position]

[ANNEX 1]

[Replacing Annex X of Regulation (EU) No 680/2014 - see separate document]

Question 3: Do respondents agree to the structure and content of the proposed templates and in particular the amendments proposed to Annex X of Regulation (EU) No 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular cell or template?

[ANNEX 2]

[Replacing Annex XI of Regulation (EU) No 680/2014 - see separate document]

Question 4: Do respondents agree to the structure and content of the proposed instructions and in particular the amendments proposed to Annex XI of Regulation (EU) No 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular paragraph or cell description?

5. Accompanying documents

5.1 Annex 1 and 2– tracked

Accompanying this consultation paper are the following documents:

- For the purposes of this consultation only, a tracked change version of Annex 1 of the Regulation proposed in the draft ITS, in which on a best efforts basis the changes in comparison to Annex X of Regulation (EU) No 680/2014 are highlighted, which it is set to replace. Cells that have been added are highlighted in green, cells that have undergone a labelling and/ or content change are highlighted in orange, and cells that have been deleted are highlighted in red, and cells that have remained unchanged or have only been subjected to minor changes are kept white.
- For the purposes of this consultation only, a tracked change version of Annex 2 of the Regulation proposed in the draft ITS, which highlights the changes in comparison to Annex XI of Regulation (EU) No 680/2014. The document therewith compares the instruction document proposed in this consultation paper with the version published in the Official Journal on 28 June 2014. These revisions are produced via customary Microsoft Office track changes mode.

5.2 Draft Cost- Benefit Analysis / Impact Assessment

Introduction

As requested by article 430(2) CRR, the EBA developed an implementing technical standards (ITS) to specify uniform formats with associated instructions, frequencies, dates and delays for reporting of the leverage ratio (LR). The first final draft ITS were published on the 26th of July 2013 and came into force on June 2014. However, following the recent publication of the LR delegated act (DA) which specifies the EU framework of the leverage ratio, the EBA is required to update the ITS on leverage ratio supervisory reporting according to the content of the DA.

As per Article 15(1) of the EBA Regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), 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 potential incremental impact triggered by the changes on the ITS on leverage ratio.

Problem definition

As with any other reporting requirements, this new ITS on leverage ratio have to strike the right balance between the proportionality of the reporting burden imposed on institutions when requiring to report new data and the level of data breakdown which is appropriate in order to ensure an effective and harmonised supervision of risks associated with excessive.

The updated ITS on LR should also enable a comprehensive reporting and update of the items requested by the DA while ensuring that the ITS remain efficient and proportionate (e.g. do not request for unnecessary data for the calculation and the monitoring of the leverage ratio).

Objectives of the technical standards

The general objectives of these ITS are to:

- Assist institutions in fulfilling their reporting requirements under Article 430 (1) CRR;
- Reduce asymmetries of information on risks associated with excessive leverage between supervisory authorities and credit institutions;
- Increase the effectiveness of the monitoring and the supervising of leverage risks;
- 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 the adequate amendments to the first ITS on LR to properly account for the DA;

- Ensure that competent authorities receive all required information on the leverage ratio and the components needed for its supervisory review and calculation;
- Design a clear and fit to purpose ITS that would avoid overly burdensome reporting for financial institutions and excessive operational costs for regulators and supervisors.

Cost and benefit analysis

Following the implementation of the ITS on supervisory reporting, EU credit institutions are reporting leverage ratio data since June 2014. In that prospect, both credit institutions and National Competent Authority (NCAs), have developed framework and processes in order to carry out the collection, the transmission and the monitoring of leverage ratio data. As a result, the proposed new ITS is not expected to generate excessive incremental impact as most of the operational costs due to the introduction of the new ITS have already been borne or planned by both NCAs and credit institutions (i.e. continuing cost (employed staff hours) and one-off cost (investment in IT equipment)).

The reporting burden triggered by the changes of the ITS is also expected to be very low. The updated ITS does significantly depart from the previous ITS on leverage ratio meaning that both supervisors and institutions are familiar with the template which should alleviate the implementation and the monitoring of the new reporting requirements. The draft delegated act also provides simplifications, especially regarding investments outside of the scope of prudential consolidation as well as regarding the former requirement to calculate a three-month average. As a result, the ITS will require less data (88 fewer cells) than the previous ITS on leverage ratio.

Question 5: Do respondents agree to the impact assessment? If not, would respondents have substantiated reasons why they would foresee a different conclusion?

5.3 Overview of questions for Consultation

Question 1: Would respondents have substantiated arguments to change remittance dates of the current ITS?

Question 2: would respondents have substantiated arguments for an implementation period different from the abovementioned?

Question 3: Do respondents agree to the structure and content of the proposed templates and in particular the amendments proposed to Annex X of Regulation (EU) No 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular cell or template?

Question 4: Do respondents agree to the structure and content of the proposed instructions and in particular the amendments proposed to Annex XI of Regulation (EU) No 680/2014? If not, would respondents have substantiated reasons for not amending or further amending a particular paragraph or cell description?

Question 5: Do respondents agree to the impact assessment? If not, would respondents have substantiated reasons why they would foresee a different conclusion?