



Consultation Papers on ITSs on disclosures

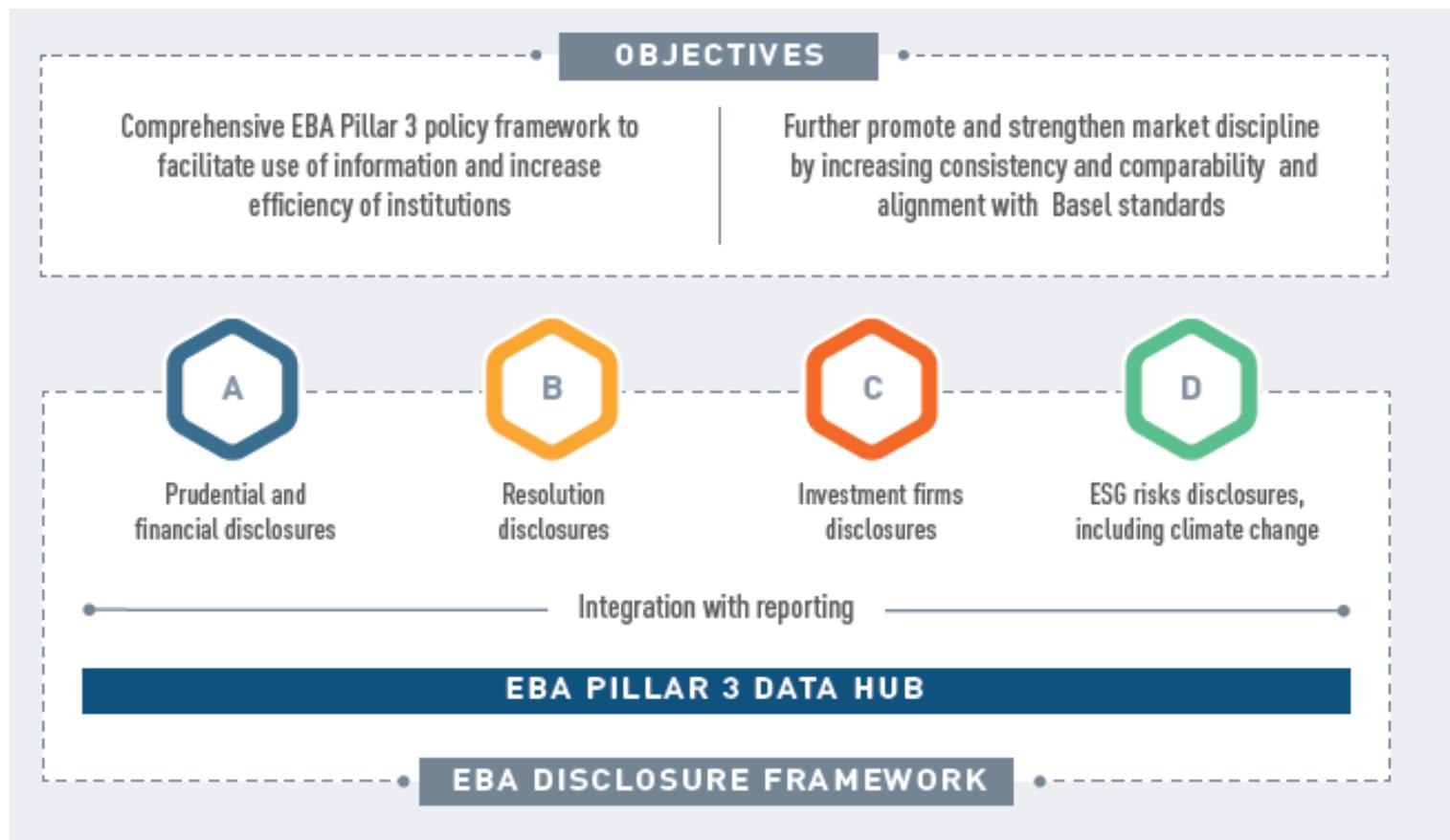
Public Hearing

2nd December 2019

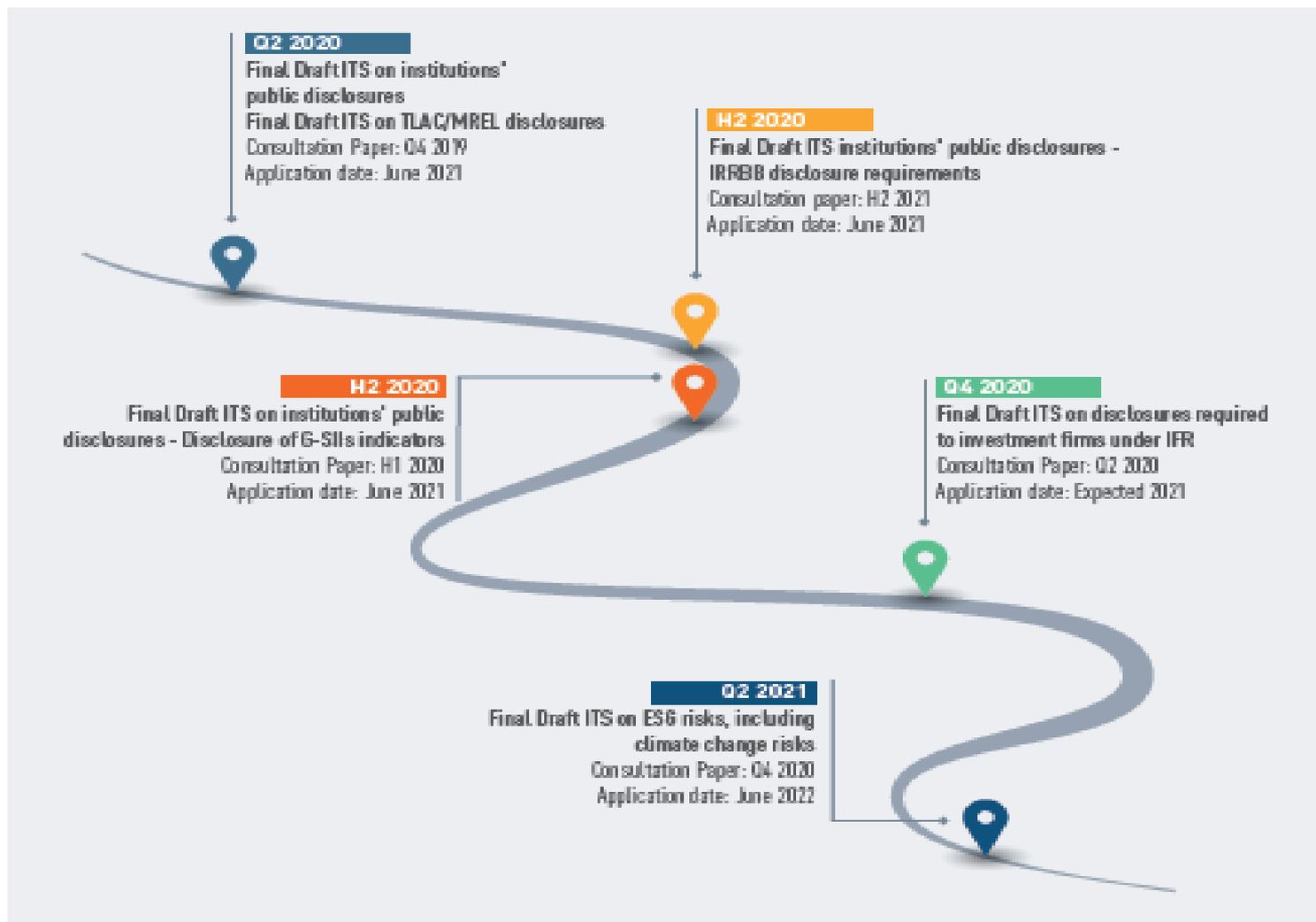
Outline

- 1 EBA roadmap on Pillar 3 disclosures**
- 2 EBA ITS on institutions' public disclosures**
- 3 EBA ITS disclosure and reporting of MREL and TLAC**
- 4 Specific disclosure topics**
- 5 Questions**

EBA new Pillar 3 strategy to implement a comprehensive Pillar 3 framework



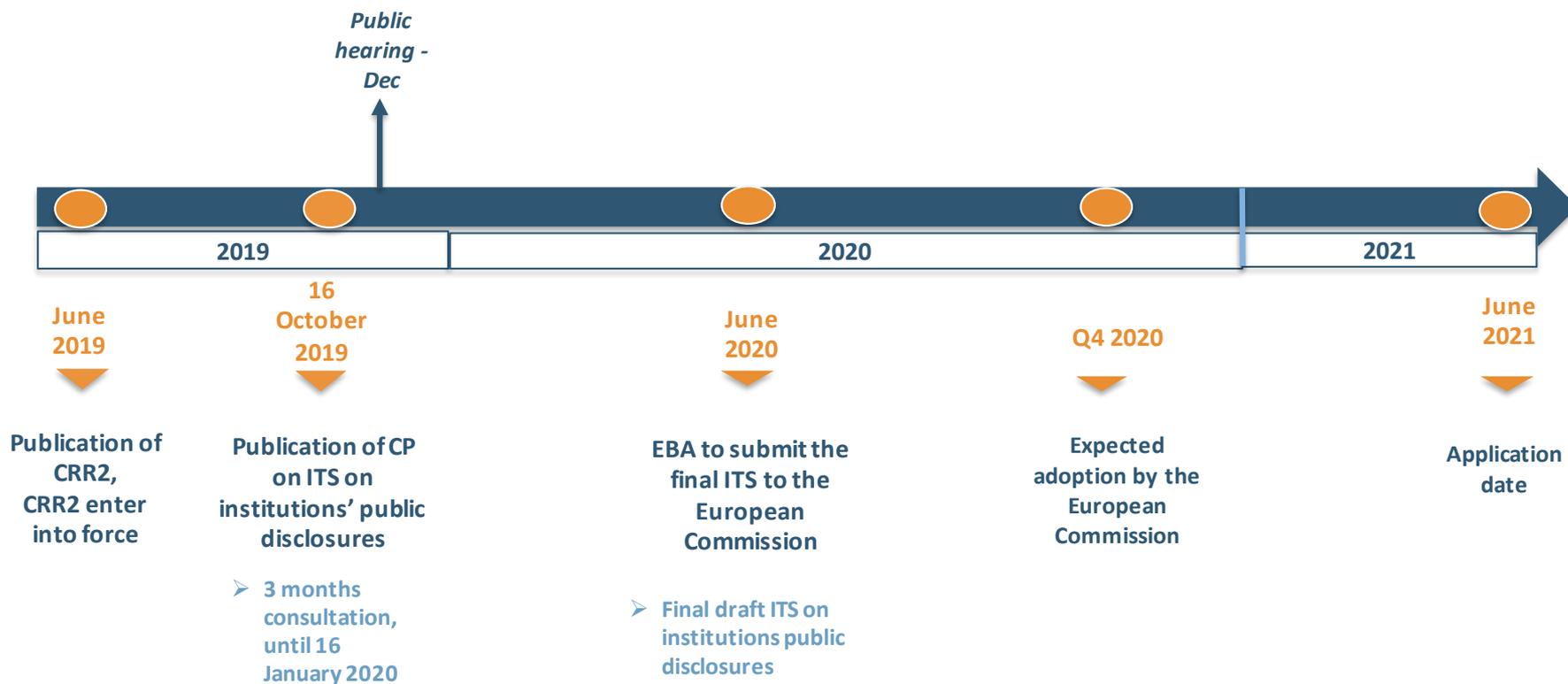
EBA new Pillar 3 strategy to implement a comprehensive Pillar 3 framework



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Timeline – ITS on institutions’ public disclosures



Disclosure mandate in the CRR2

Article 434a of CRR2 mandates the EBA “to develop draft implementing technical standards (ITS)

- 

specifying uniform disclosure formats, and associated instructions
- 

convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the requirements
- 

ITS shall seek to maintain **consistency of disclosure formats with international standards on disclosures**

The ongoing consultations include all the disclosure requirements in Part Eight of CRR2, in a comprehensive way and will replace the existing framework disseminated in a range of different products. Some **exceptions:**

- Disclosure of exposures to interest rate risk on positions not held in the trading book

- Disclosure of indicators of global systemic importance

- Disclosure of environmental, social and governance risks

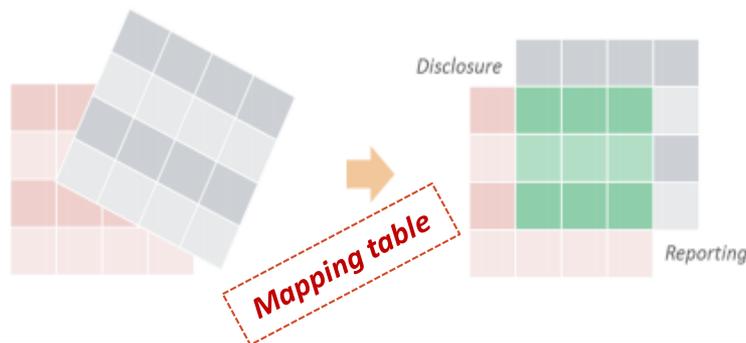
To be consulted at a later stage and added to the comprehensive ITS on institutions’ public disclosures

Comprehensive ITS on institutions’ public disclosures – Scope: Prudential disclosures under Part Eight of CRR (i.e. all disclosure requirements in Part Eight of CRR except TLAC related disclosures)

EBAs approach on disclosures

Maximum integration and alignment with international standards

- **Alignment with the BCBS Pillar 3 standards**, to promote comparability with international peers
- **Integration with supervisory reporting**, in order to maximise the efficiency by institutions and ensure quality and consistency of data



Proportionality

- **Embedded in the CRR2:** frequency, size of institutions, complexity, whether they are listed or non-listed institutions
- **Draft ITS includes thresholds to trigger additional disclosures** for large banks based on their risk profiles to ensure “sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the requirements laid down in Parts One to Seven”
 - E.g: credit risk quality and encumbered and unencumbered assets

Promoting market discipline with enhanced consistency and comparability with common templates and tables

- Use of **fixed and flexible formats + tables** (*qualitative information*)
- The use of standardised fixed templates for quantitative data will further promote comparability and consistency of the data disclosed, and facilitate the integration with supervisory reporting
- Institutions will be able to complement their quantitative standardised disclosure with accompanying narratives to explain any additional relevant information

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Timeline – ITS on reporting and disclosure of MREL and TLAC



Disclosure mandates in BRRD2

Resolution disclosures

The **draft ITS on reporting and disclosure of MREL and TLAC** includes for the first time disclosure templates for the on institutions eligible liabilities and resolution capacity from the resolution group perspective

Article 434a CRR2 regarding Article 437a – **TLAC disclosures**

Article 45i(6) BRRD2 regarding **MREL disclosures**. EBA shall develop draft implementing technical standards

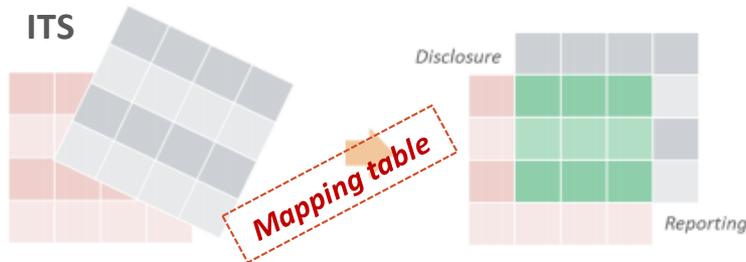
- to specify **uniform disclosure formats, frequency and associated instructions**
- **convey sufficiently comprehensive and comparable information to assess the risk profiles** of entities referred to in Article 1(1) and **their degree of compliance with the applicable requirement** referred to in Article 45e or Article 45f. Where appropriate, disclosure formats shall be in **tabular format**
- For institutions or entities subject to Article 92a and Article 92b of CRR2, such ITS shall, where appropriate, be aligned to the ITS adopted in accordance with Article 434a of CRR2.

ITS on disclosure and reporting of MREL and TLAC – Scope of disclosures: Resolution disclosure requirements according to Article 437a of CRR2 and 45i(3) of BRRD2

EBA's approach on MREL and TLAC disclosures

Integration of TLAC and MREL disclosures in common templates

- **Alignment with the BCBS Pillar 3 standards**, to promote comparability with international peers
- **Integration with supervisory reporting**, in order to maximise the efficiency by institutions and ensure quality and consistency of data.
- **Reporting and disclosure enshrined in a single ITS**



Proportionality

- **In the case of TLAC embedded in the CRR2:** frequency, size of institutions (G-SIIs), complexity, whether they are listed or non-listed institutions
- **In the case of MREL, all institutions.** EBA mandated to define the frequencies of the disclosures. The ITS aligns MREL disclosure frequencies with the TLAC disclosure frequencies.

Promoting market discipline with common templates and tables

- Use of fixed and flexible formats + tables (*qualitative information*)
- Standardised fixed templates for quantitative data complemented with accompanying narratives

Integration of TLAC and MREL disclosures in common templates

- In line with the mandate that requires the alignment, in the case of G-SIIs, between the TLAC and MREL disclosure standards.
- Ensuring consistent templates for G-SIIs and non-G-SIIs, facilitating the comparison among different institutions by market participants

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Key metrics, overview of RWEA and risk management

Template EU OV1 from EBA/GL/2016/11	Overview of risk weighted exposure amount.	Adjusted to reflect the new securitisation exposures and CCR frameworks.
Template EU INS1 from EBA/GL/2016/11	On insurance participations.	Remains unchanged .
Template EU KM1	Institutions' key metrics. Summary of the main prudential metrics.	New . Aligned with BCBS standard with some adjustments: Addition of P2R; No IFRS 9 fully loaded ratios.
Table EU OVC	ICAAP	New . Information on ICAAP approach and when required, on the ICAAP results (qualitative).
Template EU INS2	On own funds requirement and capital adequacy ratio for financial conglomerates.	New
Table EU OVA from EBA/GL/2016/11	Institution risk management approach	Informs on institutions' risk strategy and risk management. Revised to align it with BCBS and CRR2.
Table EU OVB	Information on governance arrangements	New . Informs on governance arrangements, number of directorships, recruitment, diversity police, and risk committee (qualitative).

Scope of application and prudent valuation

Template EU LI1 from EBA/GL/2016/11	Differences between accounting and regulatory scopes of consolidation	Flexible template largely unchanged .
Template EU LI2 from EBA/GL/2016/11	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Template now adjusted , after identifying a set of common drivers for institutions' current disclosures.
Template EU LI3 from EBA/GL/2016/11	Outline of the differences in the scopes of consolidation (entity by entity).	Template now adjusted to reflect the addition of a column for the equity method.
Table EU LIA from EBA/GL/2016/11	Explanations on the differences between accounting carrying values and amounts for regulatory purposes	The table has been simplified and any reference to PVA removed.
Table EU LIB	Other qualitative information on the scope of application	New . Relevant information on subsidiaries own funds on individual basis.
Table EU PVA	Disclosure on prudent valuation, with a breakdown of the constituent elements of the institution's PVA.	New . Aligned with BCBS Pillar 3 PV1, + technical adjustments to address EU specificities. Based on reporting

Disclosure of own funds and countercyclical capital buffers

Template EU CC1 from EBA/ITS/2014/04	Own funds disclosure template	Template adjusted : New column (b) for cross-reference to Template EU CC2; Wording adjusted in alignment with CRR2 terminology, P2R and TLAC framework; New rows on new deductions and grandfathered instruments.
Template EU CC2 from EBA/ITS/2014/04	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Instructions amended and columns are now fixed, one for financial figures, one for regulatory exposures and one for cross reference with CC1.
Template EU CCA: from EBA/ITS/2014/04	Main features of regulatory own funds instruments and of other TLAC-eligible instruments	Template common for own funds and for TLAC disclosures. Scope extended and rows added to cover not only regulatory own funds instruments but also other TLAC eligible instruments.
Template EU CCYB1 from EBA/RTS/2014/17	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer	Amended to reflect changes in securitisation framework. Two new columns to reflect REA by country and aggregate relevant credit risk exposures. Labels adjusted
Template EU CCYB2 from EBA/RTS/2014/17	Other qualitative information on the scope of application	Remains unchanged .

Disclosure of the leverage ratio

Leverage ratio (LR) disclosure requirements. Currently implemented in the EU in the Commission Implementing Regulation (EU) 2016/200. Disclosure templates **revised** to cater for the changes in the CRR2 and in the BCBS standards:

Implementation of the 3% LR requirement in the EU;

G-SII surcharge for G-SIIs;

Several changes to the definition of the LR compared to the LR delegated act of October 2014;

Requirement to disclose averaged components, to identify undue volatility between disclosure dates (BCBS standards);

EU specificities, often leading to exemptions of certain exposures from the leverage ratio calculation.

Template EU LR1 - LRSum

- Reconciliation of accounting assets and leverage ratio exposures.

Template EU LR2 - LRCom

- Leverage ratio common disclosure. It now includes information to address volatility issues and potential window-dressing.

Template EU LR3 - LRSpl

- Split-up of on balance sheet exposures. EU specific.

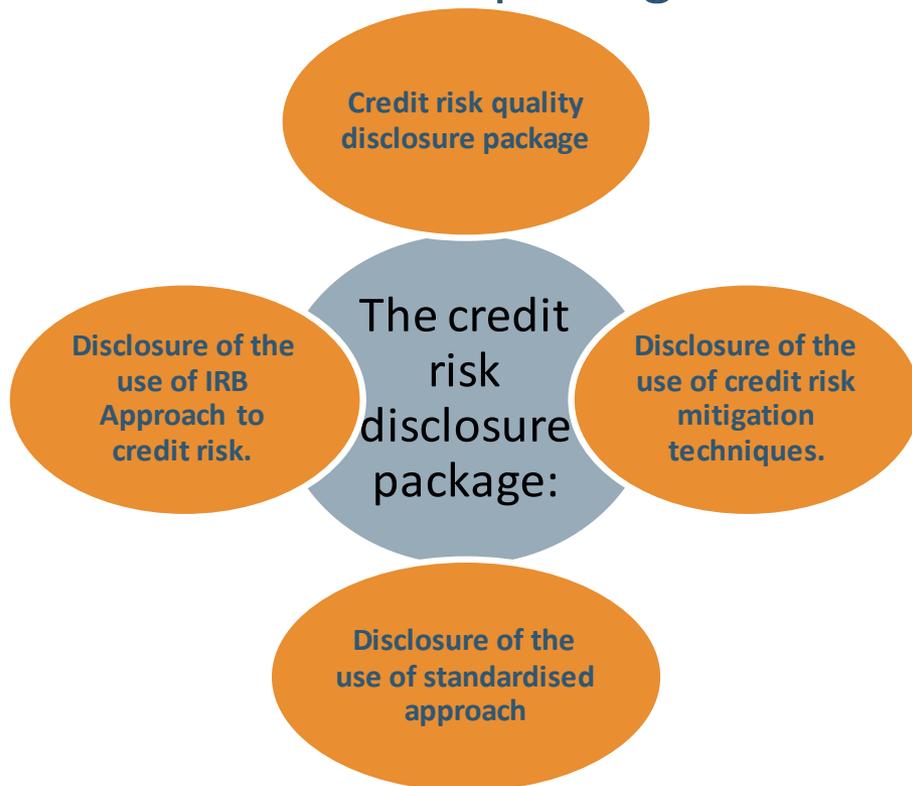
Table EU LRA

- Disclosure of LR qualitative information, on the process to manage risk of excessive leverage and describing any risk factors. EU specific.

Disclosure of liquidity requirements

<p>LCR quantitative and qualitative information from GL on LCR disclosure</p>	<p>Table EU LIQA - Liquidity risk management.</p>	<p>Qualitative information has been reviewed in order to reflect all the requirements included in the level 1 text.</p>
	<p>Templates EU LIQ1 - Quantitative information of LCR. Information on institution’s LCR, liquidity buffers, cash outflows, cash inflows and high quality liquid assets.</p>	<p>Instructions adjusted and cross-references to supervisory reporting replaced with proper instructions.</p>
	<p>Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1.</p>	<p>New. Includes qualitative flexible information that institutions have to provide in order to further explain their LCR data.</p>
<p>NSFR disclosure New NSFR requirement from June 2021 and also new NSFR disclosure requirement</p>	<p>Template EU LIQ2 - Net Stable Funding Ratio. Template provides details on institution’s NSFR ratio and on its main components, including available stable funding (ASF) Items and Required stable funding (RSF) Items.</p>	<p>New. Only large institutions and other listed institutions will have to disclose detailed NSFR information. Small non-complex institutions and other non-listed institutions shall only disclose the NSFR ratio in KM1. Unlike COREP, there is no simplified version of the NSFR template in the disclosure framework.</p>

Credit risk disclosure package



Revision of CR SA regulatory framework is still ongoing in the EU. The CP includes the CR SA template largely **unchanged**, from EBA/GL/2016/11. Once the regulatory reform is closed, this disclosure package will be reviewed:

Table EU CRD – Qualitative disclosure requirements related to standardised model.

Template EU CR4 – standardised approach – Credit risk exposure and CRM effects.

Template EU CR5 – standardised approach. Breakdown of exposures by asset class and risk weight

unchanged

'Credit risk quality disclosure package'

Templates on performing/non performing, defaulted/non defaulted impairments/credit risk adjustments, forbearance, and collaterals

Currently implemented in EBA/GL/2016/11 and EBA/GL/2018/10

13 templates from EBA/GL/2016/11 and 10 from EBA/GL/2018/10 **reviewed**. 10 templates from the EBA/GL/2016/11 **dropped**.

Enhanced proportionality – Some templates only apply to institutions with NPL ratio at or above 5%

Disclosure of the use of credit risk mitigation techniques, and of specialized lending

Table EU CRC from EBA/GL/2016/11	Qualitative disclosure requirements related to CRM techniques.	Unchanged.
Template EU CR3 from EBA/GL/2016/11	CRM techniques overview, which information on the extent of use of CRM techniques by institutions	It has been adjusted in order to integrate it with reporting.
Template EU CR7 from EBA/GL/2016/11	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques.	Unchanged.
Template EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques.	New . Provides more granular information on the type of CRM techniques.
Template EU CR10 – Specialized lending and equity exposures under the simple risk weighted approach:	EU CR10.1 on project finance; EU CR10.2 on income-producing and high volatility commercial real estate; EU CR10.3 on object finance; EU CR10.4 on commodities finance; EU CR10.5 on equity exposures under the simple RWA	Adjusted in line with BCBS. Specialized lending templates have been split into 4 fixed templates.

Disclosure of the use of the IRB Approach

Table EU CRE from EBA/GL/2016/11	Qualitative disclosure requirements related to IRB approach	Revised to provide additional information on the IRB models used to compute the risk-weighted exposure amount (RWEA).
Template EU CR6 from EBA/GL/2016/11	IRB approach – Credit risk exposures by exposure class and PD range.	Adjusted to align with BCBS and CRR2.
Template EU CR6-A	Scope of the use of IRB and SA approaches.	New. Information by exposure class on the % of exposure value subject to SACR and to IRB Approach based on the LR exposure measures.
Template EU CR8 from EBA/GL/2016/11	RWEA flow of credit risk exposures under IRB approach	Revised. Rows are now fixed based on stocktake on the main drivers for the changes of IRB RWEAs between disclosure periods.
Template EU CR9 from EBA/GL/2016/11	IRB approach – Back-testing of PD per exposure class (fixed PD scale).	Adjusted to facilitate comparability of disclosures across institutions, the PD scale used in this template is now fixed and mirrors the PD ranges applied in template EU-CR6.
Template EU CR9.1 from EBA/GL/2016/11	IRB approach – Back-testing of PD per exposure class For PD estimates according to Article 180(1)(f)).	New. Similar to EU CR9 but with a column on “external rating equivalent”. Relevant only for those cases where PDs are estimated based on mappings of the institution’s internal grades to the scale by ECAI.

Disclosure of exposures to Counterparty credit risk

CRR2 amends the CCR framework:	Table EU CCRA – Qualitative disclosure related to CCR
- Replaces the Standardised Method and the Mark-to-Market Method with the Standardised Approach for Counterparty Credit Risk.	Template EU CCR1 – Analysis of CCR exposure by approach
- Includes a simplified version of the SA-CCR and an updated version of the Original Exposure Method, for institutions that meet predefined eligibility criteria.	Template EU CCR2 – Transactions subject to own funds requirements for CVA risk.
- The disclosure templates from EBA/GL/2016/11 were fully revised to reflect the new regulatory framework	Template EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights
	Template EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale
	Template EU CCR5 – Composition of collateral for CCR exposures
	Template EU CCR6 – Credit derivatives exposures
	Template EU CCR7 – RWA flow statements of CCR exposures under the IMM, with standardised main drivers of RWEA changes.
	Template EU CCR8 – Exposures to CCPs

Disclosure of exposures to securitisation positions

Table EU-SECA - Qualitative disclosure requirements related to securitisation exposures

New

New disclosure package developed in alignment with the new regulatory securitisation framework and with the relevant BCBS Pillar 3 standards.

Template EU-SEC1 - Securitisation exposures in the non-trading book

New

Template EU-SEC2 - Securitisation exposures in the trading book

New

Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

New

Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

New

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments.

New

Columns “institution acts as originator” includes retained positions, even when not eligible for the securitisation framework due to the absence of significant risk transfer

Templates EU SEC3 and EU SEC4 only include information on securitisation exposures in the non- trading book where there has been significant risk transfer.

This Template has been added in order to reflect the exposures in default and credit risk adjustments made during the period. This is EU specific, not in the Basel Pillar 3 standards.

Disclosure of Market risk

MR Disclosure requirements **unchanged** compared to the CRR. This part of the ITS will be revised at a later stage, once the disclosure requirements in Articles 445 and 455 of the CRR are amended and aligned with FRTB. The following templates from the EBA/GL/2016/11 are included in the ITS:

Table EU MRA – Qualitative disclosure requirements related to market risk

Table EU MRB – Qualitative disclosure requirements for institutions using the IMA

Template EU MR1 – Market risk under the standardised approach

Template EU MR2-A – Market risk under the IMA

Template EU MR2-B – RWA flow statements of market risk exposures under the IMA. Standardised drivers

Template EU MR3 – IMA values for trading portfolios

Template EU MR4 – Comparison of VaR estimates with gains/losses

Disclosure of Operational risk

New: Two templates on operational risk are proposed as transitional disclosure formats that institutions shall apply until the revised framework for operational risk is agreed. The ITS will be then amended :

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts; fully based on COREP

Table EU ORA - Qualitative information on operational risk.

Disclosure of Remuneration policy

Table EU REMA: Remuneration policy. Describes institutions' remuneration policy and system

Revised

-This package implements Article 450 of the CRR and has been developed taking as a basis the EBA/GL/2015/22 on sound remuneration policies and disclosures.

- The templates and instructions have been **revised** in order to align them with the CRR2 disclosure requirements and with the BCBS Pillar 3 standards

Template EU REM1: Remuneration awarded for the financial year. This template provides quantitative information on remuneration for the financial year

Revised

Template EU REM2: Special payments. Provides quantitative information on special payments for the financial year.

Revised

Template EU REM3: Deferred. It provides quantitative information on deferred and retained remuneration.

Revised

Template EU REM4: Remuneration of 1 million EUR or more per year. This template provides information on the number of staff that have been remunerated EUR 1 million or more per financial year. **EU specific template. Revised**

Template EU REM5: Template based on reporting Remuneration Benchmarking. Institutions are required to disclose in this template information on the number of staff and aggregate remuneration by business area. **Revised**

Disclosure of encumbered and unencumbered assets (Article 443)

RTS for disclosure of encumbered and unencumbered assets includes the asset encumbrance disclosure templates and tables currently applicable in the EU. RTS applicable since January 2019. There are three templates on asset encumbrance, that will be part of the new comprehensive draft ITS on disclosure, and remain **unchanged**

New qualitative table with including information on the impact of the institutions' business models on asset encumbrance and the relevance of asset encumbrance in their business models.

Full integration with supervisory reporting with some caveats: disclosure of based on median values (median of the quarterly values reported) rather than point-in-time values.

Enhanced proportionality with thresholds to request additional disclosure to large institutions with high proportion of encumbered assets

Template EU
AE1 -
Encumbered
and
unencumbered
assets

Template EU
AE2-Collateral
received and
own debt
securities
issued

Template EU
AE3-Sources of
encumbrance

Draft ITS on MREL /TLAC disclosures

New - Template EU KM2: key metrics for MREL/TLAC

- **Disclose:** summary information on institutions' loss-absorbing capacity and TLAC/MREL requirements
- **TLAC part:** only applicable to G-SIIs or parts of G-SIIs
- Alignment with BCBS standards + adjustments (EU specificities), and an additional column to reflect the MREL information.
- The EU version does not have special rows to reflect the own funds amounts on an IFRS9 fully loaded basis at resolution group level

New - Template EU iLAC: internal MREL and TLAC requirements for non-EU G-SIIs

- **Disclose:** reflects specific eligibility conditions for internal TLAC and internal MREL
- Implements the disclosure requirements on key metrics and on the internal loss absorption capacity by entities that are not themselves resolution entities.
- This template is EU specific.

New - Template EU TLAC1 - Composition - MREL and the G-SII TLAC Requirement

- **Disclose:** Granular information on composition of MREL and TLAC
- **TLAC part:** only applicable to resolution entities that are G-SIIs or parts of G-SIIs
- Aligned with the 'TLAC1 Composition' template of the BCBS Pillar 3 standard

New - EU TLAC2: Creditor ranking - Entity that is not a resolution entity; EU TLAC3: creditor ranking - resolution entity

- **Disclose:** information on insolvency ranking, to help investors to understand their potential loss in case of default of the entity
- Template EU TLAC2 is applicable to entities that are not themselves resolution entities.
- Template EU TLAC3 is applicable to resolution entities

Adjusted

Template EU CCA - Main features of individual issuances. CCA is common with the own funds template

Questions

Thank You!





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