



EBA/ITS/2015/03

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# EBA FINAL draft Implementing Technical Standards

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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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# Abbreviations

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<b>CCPs</b>	Central counterparties
<b>CRR</b>	Capital requirements regulation
<b>DA</b>	Delegated act
<b>EC</b>	European Commission
<b>ESRB</b>	European Systemic Risk Board
<b>ITS</b>	Implementing technical standard
<b>LR</b>	Leverage ratio
<b>M-t-M</b>	Mark-to-market
<b>OEM</b>	Original exposure method
<b>PFE</b>	Potential future exposure
<b>QCCP</b>	Qualifying central counterparties
<b>SFT</b>	Securities financing transactions

# 1. Executive Summary

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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 adopted Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European parliament and of the Council with regard to the leverage ratio (the Delegated Act or DA) which replaced the original CRR provisions on the calculation of the LR.

These draft Implementing Technical Standards (ITS) amend Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Leverage Ratio (LR) following the EC Delegated Act on the LR. From the date after its publication in the Official Journal on 17 January 2015, the Delegated Act on the leverage ratio has directly amended the definition of the leverage ratio in the CRR (Article 429), which means that rows and columns relating to the leverage ratio as in the previous CRR have to be removed where obsolete. Also, limited changes in the LR reporting templates and instructions are required in relation to amongst others: the exposure calculation for SFT transactions, the calculation of the exposure value of derivatives with in particular a recognition for cash variation margin, an additional treatment of credit derivatives, alignment of the conversion factors for off-balance sheet items with the risk based framework, and various exemptions for client cleared transactions. Further, minor changes are also necessary to reflect published answers to the Single Rulebook Q&As<sup>1</sup>, and to correct legal references and other clerical errors.

Most of the revised cells and cell descriptions (including 25 cells which are new) of these final draft ITS represent components introduced by the Delegated Act. 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 calculate a three-month average, the proposed set of templates count 84 fewer cells than the current set of templates.

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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> .

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 relevant Annexes entirely. This also serves the purpose of having a consolidated version of the updated draft ITS package, which is more useful to the EBA stakeholders. The Annexes in question 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. Specifically, the proposal currently inserted in the final provisions of these draft amending ITS is that the first date of application would be December 2015 or 6 months after the publication date in the Official Journal, whichever comes later. This is meant to address any delay in the adoption of the ITS by the EU Commission.

As these draft ITS are part of the broader ITS on supervisory reporting the Data Point Model (DPM) constitutes a key and necessary component. The DPM and taxonomy in relation to these draft ITS are being finalised and will be published by the EBA at a later stage and before publication of the final ITS in the Official Journal. Limited changes may be brought during the adoption process to the templates.

In these final draft ITS there is no change made to 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 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<sup>2</sup>, has not been regarded as necessary in view of the limited extent of changes as explained above.

The EBA publicly consulted on the draft proposal contained in this paper. The consultation period lasted for six weeks and ended on 27 January 2015. Eight responses were received, of which eight were published on the EBA website. The feedback led the EBA to rearrange a few rows and remove some clerical errors. There was no change in substance compared to the proposal in the consultation paper.

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<sup>2</sup> 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, paragraphs 5 and 6 of Article 18 Commission Implementing Regulation (EU) No 680/2014

## 2. Background and rationale

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### 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) has constituted a major update to the single rulebook as it has amended 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 mechanism<sup>3</sup> 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. Specifically, 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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<sup>3</sup>

<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 publication date in the Official Journal. Further note that this final draft ITS 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 Delegated Act has introduced 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 updated set of templates of this final draft ITS will on aggregate lead to a reduction in size, with as a result a lower number of cells. Specifically the new set of templates will have 228 cells, which is 84 fewer than the 312 cells of the current set of templates.

#### Template C47.00 (LRCalc)

Specifically, 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, this final draft ITS has changed 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 Article 111 (1) of the CRR subject to a floor of 10 % (Article 429 (10) 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 {270; 1} and LRCalc {280; 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 Communication<sup>4</sup> 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.

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<sup>4</sup> The Communication is available here: [http://ec.europa.eu/internal\\_market/finances/shadow-banking/index\\_en.htm](http://ec.europa.eu/internal_market/finances/shadow-banking/index_en.htm).

### 3. EBA FINAL 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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**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 648/2012<sup>5</sup> and in particular the third subparagraph of Article 430 thereof;

Whereas:

- (1) Commission Implementing Regulation (EU) No 680/2014<sup>6</sup> 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

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<sup>5</sup> OJ L 176, 27.6.2013, p. 1.

<sup>6</sup> 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).

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 Article 456(1)(j) of Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio<sup>7</sup>, then 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; and to correct typos, erroneous references and formatting inconsistencies which were discovered in the course of the application of that Regulation.

- (2) Commission Implementing Regulation (EU) No 680/2014 should be amended accordingly,
- (3) 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 1093/2010<sup>8</sup>.

HAS ADOPTED THIS REGULATION:

#### *Article 1*

Regulation 680/2014 is amended as follows:

1. In Article 14, paragraphs 2 to 5 are replaced by the following
  - ‘2. The reporting of this data shall reflect the methodology applicable for the calculation of the leverage ratio as end of quarter leverage ratio.
  3. Institutions are required to report the information referred to in paragraph 14 of Part II of Annex XI in the next reporting period, where any 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) of the first subparagraph of this paragraph 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.

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<sup>7</sup> Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio (OJ L 11, 17.1.2015, p. 37).

<sup>8</sup> 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).

4. 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.'

5. Institutions are required to report the information referred to in paragraph 15 of Annex XI in the next reporting period where any 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.'

2. In Article 14, paragraph 6 is deleted.
3. Annex X is replaced by the text in Annex 1 to this Regulation.
4. Annex XI is replaced by the text in Annex 2 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 XX [the later of *six months from the date of publication of the final ITS in the Official Journal and December 2015*].

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]*

**[ANNEX 2]**

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

## 4. Accompanying documents

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### 4.1 Cost-benefit analysis / impact assessment

#### Introduction

In accordance with Article 430(2) of the CRR, the EBA has developed 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 26 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) of the 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 have been reporting leverage ratio data since June 2014. In this respect, both credit institutions and National Competent Authority (NCAs), have developed a 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 arising from 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.





## 4.2 Feedback on the public consultation

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

The consultation period lasted for six weeks and ended on 27 January 2015. Eight responses were received, of which eight 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 the response to different questions. In such cases, the comments, and EBA analysis are included in the section of this paper where 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

Respondents generally welcomed the opportunity to comment on the EBA's proposal.

A few respondents endorse the simplifications introduced through the Delegated Regulation (EU) 2015/62. In particular, they appreciate that the scope of consolidation of the leverage ratio is now consistent with the consolidation of the risk-weighted capital adequacy ratio.

Several respondents raised concerns about an application of the requirement of disclosure of the leverage ratio as according to the Delegated Act definition in advance of the application of the amended ITS on Reporting. The industry proposed different solutions from an alignment of the implementation dates of the two ITS combined with a disclosure based on the instructions of the respective national supervisory authority to a postponement of the disclosure requirements to December 2015.

#### **The EBA response**

Regarding comments to the ITS on Disclosure it is to be noted that the EBA will separately provide reasoning on this topic in the delivery of the final ITS on disclosure itself. Also note that the suggestion to postpone the disclosure requirements cannot be accommodated by the EBA, as the disclosure requirement is directly provided for in 521(2)(a) of the CRR. The obligation to disclose is independent from the existence of uniform templates for this disclosure.

#### **Remittance dates and implementation period of the ITS**

All respondents agreed with the proposed remittance dates.

Most respondents raised concerns relating to the time-lag between the entry-into-force of the Delegated Act on the leverage ratio (18 January 2015) and the amendments of the ITS on Reporting (expected to be applicable not before December 2015). They questioned whether institutions are required to continue using the existing leverage ratio reporting templates and instructions and asked whether data requirements that would be entirely removed in the new framework (e.g. LR6) already could be dropped before its future application.

A few respondents considered that the existing templates could potentially be used for reporting the LR in accordance with the DA. Since they are not appropriate for reporting of the revised leverage ratio requirements, these respondents indicated that there would be, if that were the case, a need of further guidance by EBA and a switch-off of relevant validations. One respondent proposed, in this regard, to submit the data to the respective national competent authority outside of the reporting framework established by the ITS.

#### **The EBA response**

The Implementing Regulation (EU) No 680/2014 (ITS on Reporting) has been adopted by the EU Commission and applies since 1 January 2014. In accordance with Annex X and XI of this regulation all the templates included therein and cells have to be submitted. Therefore it is not possible to switch of validation rules that check the completion of these templates.

Regarding the suggestion of a temporary solution of submitting data to supervisors outside of the reporting framework established by the ITS, it should be noted that these final draft ITS cannot propose a solution that would precede its adoption. Also, in line with the principle of maximum harmonisation, the EBA cannot support having regular data collection requirements in place outside of the reporting framework established by the ITS.

Mindful of the Level 1 issues related to the interaction between the CRR, the Delegated Act on the leverage ratio and the implementing technical standards on reporting and disclosure, the EBA has expressed its concerns in written to the European Commission and has invited the latter to publicly clarify these issues.

#### **Structure and content of the proposed templates (Annex X)**

While a few comments contained suggestions relocating two rows, adding a totals line and applying the new sign convention of par. 1.3 to some further rows, respondents generally agreed with the content and structure of the proposed templates.

With a view to the EBA report according to Article 511(3) of Regulation (EU) No 575/2013 (CRR) some respondents said that further information should be collected by the EBA.

#### **The EBA response**

The detailed comments and suggestions received have, where possible, been acknowledged and incorporated by the EBA. However, in some other cases, the EBA did not share the view of the respondent, e.g. regarding the need to collect further information.

### **Structure and content of the proposed instructions (Annex XI)**

Most respondents said that the proposed instructions were generally clear. A few comments focused on detailed aspects of the provided formulas or cell descriptions. These comments concerned, for example, a wrong reference or an incorrect equation contained in the instructions.

#### **The EBA response**

In cases of errors or potentially misleading cell descriptions the EBA has amended the instructions.

#### **Impact assessment**

Respondents agreed with this assessment.

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

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<b>General comments</b>			
	Several respondents raised concerns about an application of the requirement of disclosure of the leverage ratio as according to the delegated act definition in advance of the application of the amended ITS on Reporting. The industry proposed different solutions from an alignment of the implementation dates of the two ITS combined with a disclosure based on the instructions of the respective national supervisory authority to a postponement of the disclosure requirements to December 2015..	Regarding comments to the ITS on Disclosure it is to be noted that the EBA will separately provide reasoning on this topic in the delivery of the final ITS on disclosure itself. Also note that the suggestion to postpone the disclosure requirements cannot be accommodated by the EBA, as the disclosure requirement is directly provided for in 521(2)(a) of the CRR. The obligation to disclose is independent from the existence of uniform templates for this disclosure.	No amendments.
			No amendments.
<b>Responses to questions in Consultation Paper EBA/CP/2014/44</b>			
Question 1. Would respondents have substantiated arguments	All respondents agreed with the proposed		No amendments.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
to change remittance dates of the current ITS?	<p>remittance dates.</p> <p>One respondent clarified that the remittance dates should only be postponed in case of requesting the report of the leverage ratio in accordance with the revised requirements at the reporting date 31 March 2015 and/or 30 June 2015.</p>		
Question 2. Would respondents have substantiated arguments for an implementation period different from the abovementioned?	<p>Most respondents raised concerns relating to the time-lag between the entry-into-force of the delegated act on the leverage ratio (entered into force on 18 January 2015) and the amendments of the ITS on Reporting (expected to be applicable not before December 2015). In relation to this the respondents raise the question whether in advance of the application of the new framework they should report the leverage ratio by using the former or the new definition of the total exposure measure. The respondents suggest different answers to this question.</p> <p>One respondent suggested aligning the entry-into-force dates of the delegated act with the implementation date of the ITS on Reporting as well as the ITS on Disclosure.</p>	<p>The Implementing Regulation (EU) No 680/2014 (ITS on Reporting) was adopted by the EU Commission and applies from 1 January 2014. Mindful of the Level 1 issues related to the interaction between the CRR, the delegated act on the leverage ratio and the implementing technical standards on reporting and disclosure, the EBA has expressed its concerns in written to the European Commission and has invited this latter to publicly clarify these issues. Pending public clarification by the EU Commission, it seems that the reporting of the leverage ratio in accordance with Annex X and XI is mandatory until the amended ITS on Reporting becomes applicable.</p> <p>Regarding the amending ITS on reporting it is to be noted that the EBA is of the view that 6 months of implementation period is necessary and that therefore an accelerated adoption of the new framework is not feasible. On the contrary, postponing the entry into force of the Delegate Act is not in EBA's remit. Regarding comments to the ITS</p>	<p>No amendments.</p> <p>No amendments.</p>

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		<p>on Disclosure it is to be noted that the EBA will separately provide reasoning on this topic in the delivery of the final ITS on disclosure itself.</p>	No amendments.
	<p>A few respondents said that the existing reporting templates are not appropriate for the reporting of the new requirements (e.g. for the reporting of credit derivatives, leading to the calculation of an incorrect ratio) and some data points will be obsolete (e.g. LR6, leverage ratio as a three-monthly average). They questioned whether institutions are required to continue using the existing leverage ratio reporting templates and instructions and asked whether data requirements that would be entirely removed in the new framework (eg LR6) already could be dropped before its future application. One of these respondents recommends switching off the relevant validation rules</p>	<p>The Implementing Regulation (EU) No 680/2014 (ITS on Reporting) has been adopted by the EU Commission and applies since 1 January 2014. In accordance with Annex X and XI of this regulation, and pending public clarification from the EU Commission as indicated above, it seems that all the therein included templates have to be submitted. Therefore it is not possible to switch of validation rules that check the completion of these templates</p>	No amendments.
	<p>One respondent suggested that institution should submit data offline to ensure that national supervisory authorities still have the information they needed.</p>	<p>Regarding the suggestion of a temporary solution of submitting data to supervisors outside of the reporting framework established by the ITS, it should be noted that these final draft ITS cannot propose a solution that would precede its adoption. Also, in line with the maximum harmonisation principle, the EBA cannot support having regular data collection requirements in place outside of the reporting framework established by the ITS. Further note that the EBA is of the view that 6 months of implementation period is necessary and that therefore an accelerated adoption of the new framework is not feasible.</p>	

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<p>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?</p>	<p>Three respondents suggested applying the convention of using the ‘(-)’-sign for designation of cells to be subtracted in the LRCalc reporting template to rows 055, 065, 075 and 085 in template LR3 as well.</p> <p>Two respondents (noted that the template LRCalc does not contain any totals line and recommended introducing such line for calculation of the exposure.</p> <p>One respondent proposed relocating rows 290 and 300 below row 260 (template LRCalc) for structural reasons.</p> <p>One respondent suggested to incorporate the two following entries as notional items in view of the discussions about the introduction of the leverage ratio as a binding minimum capital requirement as from 1 January 2018: 1) exposures within an</p>	<p>As previously indicated, the EBA has invited the EU Commission in written to clarify Level 1 issues related interaction between the CRR and delegated act.</p> <p>The sign convention of Annex XI, Part II, para. 20 is only relevant for the calculation of the leverage ratio itself (template LRCalc). The values in the other templates would only be relevant under an alternative leverage ratio calculation.</p> <p>Two “total” rows for the calculation of the total exposure measure are located above the rows reporting the capital measure (‘Total exposure measure - using transitional Tier 1 deductions’ and ‘Total exposure measure - using fully phased-in Tier 1 deductions’).</p> <p>In view of the above mentioned amendments (addition of two totals rows for the exposure measure) the EBA finds it reasonable to relocate rows 290 and 300 below row 260. Furthermore, the title of the prior row 270 is changed to ‘capital measure’.</p>	<p>No amendments.</p> <p>Amended.</p> <p>Amended.</p>

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	<p>institutional protection scheme that are assigned a 0% risk weight in accordance with 113(7) CRR; 2) risk exposures from state-backed development loan programmes that do not result in any credit risk for the reporting institution. In this context another respondent noted the importance of gathering information on the level of application of the leverage ratio (in particular on intragroup exemptions) through the EBA in order to support its report.</p> <p>One respondent asked whether the initial margin portion of exempted trade exposures to a QCCP from client-cleared SFT transactions should be excluded from the Leverage Ratio Exposure and if so, whether it should be reported in cell {LRCalc; 220; 1} (as it is done in the case of the initial margin portion of exempted trade exposures to a QCCP from client-cleared <b>derivatives</b> transactions).</p>	<p>The supervisory reporting does not constitute the only basis for the report on the impact and effectiveness of the leverage ratio (this is for example based on the Basel III monitoring exercise). Thus, the EBA does not want to increase regulatory burdens for institutions and will not extend its reporting templates through additional data.</p> <p>From the delegated act it can be understood that initial margins posted in an exempted leg can be exempted from the LR exposure. The basis for this assumption is that Art 429 (11) DA refers to “trade exposures” of “repurchase transactions” which Art 4(2)(91) CRR sees as including initial margin. Cell {LRCalc; 050; 1} would be the appropriate place to take this into account. It can only concern initial margin posted by the institution for an exempt leg of a SFT transaction that is reported in {190; 1} and not reported in {020; 1} or {030; 1}.</p>	<p>No amendments.</p> <p>Amended.</p>
<p>Question 4. Do respondents agree to the structure and content of the proposed instructions and in particular the amendments proposed to</p>	<p>Two respondents noted that for calculation of the transitional definition of the leverage ratio, row 140 in template LRCalc should be added instead of subtracted.</p>	<p>The respondents’ remark is correct. The calculation has been amended accordingly.</p>	<p>Amended.</p>



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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?	<p>Two respondents requested clarification on the explanation on row 170 of the template LRCalc (“Off-balance sheet items with a 50% CCF according to CRR 429 (10)”). The instructions specify that ‘the CCF for all <b>eligible liquidity facilities</b> in the securitisation framework is 50% regardless of the maturity’. The respondents asked for a definition of “eligible liquidity facilities’ and whether this term refers to liquidity facilities in accordance with Article 255 CRR.</p>	The respondents’ remark is correct. The instruction has been amended accordingly.	Instructions amended to clarify this point.
	<p>Two respondents remarked wrong references in the explanatory instructions on rows 310 and 320 of template LRCalc. The respective explanations should read as follows: ‘This is the leverage ratio as calculated under paragraph <b>54</b> of Part II of this Annex.’ (row 310) and ‘This is the leverage ratio as calculated under paragraph <b>65</b> of Part II of this Annex.’ (row 320).</p>	The respondents’ remark is correct. References have been amended accordingly.	Amended.
	<p>Two respondents noted that the equation for avoiding double counting of exposure measure components (Annex XI, Part II, 8., par. 30) is wrong and not consistent with template LRCalc. The equation should be amended by substituting ‘+ {LR4;100;2} + {LR4;110;1} + {LR4;120;2}’ through + ‘{LR4;080;2} + {LR4;090;1} + {LR4;090;2}’.</p>	The respondents’ remark is correct. The equation has been updated accordingly.	Amended.
	<p>One respondent provided several specific examples, e.g. regarding the treatment of SFTs under the Leverage Ratio Delegated Act, and asked to confirm their correctness. Furthermore, the respondent ask to clarify which will be the formal process to allow an institution to apply different</p>	The EBA does not answer questions on	No amendments.

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	<p>exceptions, e.g. according to Art. 429(14) CRR.</p> <p>One respondent asked a question with regards to cross product netting in the context of credit derivatives.</p>	<p>interpretation of the delegated act in the context of a consultation process and would suggest the respondent to submit these questions via the Q&amp;A-tool on the EBA website.</p>	
	<p>One respondent asked not to report information on the SFT transactions if the institution enters in a contract as clearing member and is not obligated to reimburse the clients for any losses suffered due to changes in the value of that transaction in the event that the CCP defaults (cells {LRCalc; 010; 1}, {LRCalc; 020; 1} and {LRCalc; 050; 1}).</p>	<p>The EBA does not respond to this question in the context of this consultation process since there is no direct link to the ITS on leverage ratio reporting.</p>	No amendments.
	<p>One respondent asked not to report information on the derivatives transactions if the institution enters in a contract as clearing member and is not obligated to reimburse the clients for any losses suffered due to changes in the value of that transaction in the event that the CCP defaults (cells {LRCalc; 060; 1}, {LRCalc; 080; 1}, {LRCalc; 090; 1}, {LRCalc; 100; 1}, {LRCalc; 110; 1} and {LRCalc; 120; 1}).</p>	<p>The EBA has decided that this additional information might be useful for assessment purposes and therefore requires the information on SFTs as presented in the reporting schedule.</p>	No amendments.
	<p>One respondent asked to confirm that the amount which shall be reported in rows 150-180 of LRCalc should be inserted gross of specific credit risk adjustments, according to Art. 429(10) CRR.</p>	<p>The EBA has decided that this additional information might be useful for assessment purposes and therefore requires the information on derivatives contracts as presented in the reporting schedule.</p>	No amendments.

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	One respondent asked to confirm that specific prudential filters, which could result in an increase of the own funds, should not be included in rows 290 and 300 of LRCalc.	It might be useful to add the following reminder to the instructions (rows 150-180, prior to the second comma in the second passage): '(as a reminder the nominal value shall not be reduced by specific credit risk adjustments)'.  The instructions are sufficiently clear as institutions shall not '... report any adjustment that does not <i>deduct</i> the value of a specific asset.'	Instructions amended to clarify this point.
Question 5. Do respondents agree to the impact assessment? If not, would respondents have substantiated reasons why they would foresee a different conclusion?	Respondents raised no concerns regarding the impact assessment or agreed with it.		No amendments.

