

EBA/CP/2016/02

04 March 2016

Consultation Paper

Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions

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1. Responding to this consultation

The European Banking Authority ('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 30 March 2016. 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

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

This consultation paper proposes amendments to the ITS on supervisory reporting with regard to the following:

- a) new requirements as regards the reporting of information on prudent valuation; and
- b) supplementary requirements as regards the reporting of credit risk information.

New requirements on prudent valuation

Article 105 of the CRR sets out requirements relating to prudent valuation adjustments of fair-valued positions and mandates the EBA to prepare draft regulatory technical standards (RTS) in this area. The EBA published final draft RTS on prudent valuation in January 2015. Those were endorsed by the European Commission in October 2015 and published in the Official Journal of the European Union as Commission Delegated Regulation (EU) No 2016/101 on 28 January 2016.

The reporting of the prudent valuation requirements under COREP has hitherto consisted in simply providing the aggregate 'Value adjustments due to the requirements for prudent valuation' in row 290 of COREP template C 01.00 - Capital Adequacy - Own funds definition. Though the reporting of the aggregate AVA will carry on being required as before, the entry into force of the RTS on prudent valuation creates a new situation, which justifies the specification of more detailed reporting requirements for prudent valuation purposes, in accordance with the requirements set up in the RTS.

Supplementary requirements on credit risk

Information specified in templates C 09.01 and C 09.02 so far had to be reported on a country level only (aggregated exposures to obligors located in a given country). The proposal put forward in this paper would extend the scope of the two mentioned templates by requiring the information to be reported also on a total level (i.e. sum of all countries). All institutions would be required to report exposures at a total level while the requirement to report exposures at a country level will remain limited to institutions with a significant non-domestic portfolio.

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) and NCAs of participating Member States in their role of supervising institutions in the Euro area.

Part of a Single Rulebook

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

Maintenance and update of the ITS

The ITS on supervisory reporting reflect the Single Rulebook at the reporting level. Hence, the ITS on supervisory reporting needs to be updated whenever the underlying requirements of the Single Rulebook change.

The completion of technical standards by the EBA as well as answers to questions raised in the context of the Single Rulebook Q&A mechanism have contributed to a more complete and seamless application of the Single Rulebook. This has led in turn to more precise or changed reporting instructions and definitions. Experience of using the reported data for supervision and experience with data quality and feedback from institutions compiling data have led to a need to review some of the requirements. 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.

3.1 New requirements as regards the reporting of information on prudent valuation

The RTS on prudent valuation put forward two approaches for the implementation of the prudent valuation requirements: a core approach and a simplified approach. A proportionality threshold is introduced, below which the simplified approach may be used to calculate additional valuation adjustments (AVAs), on condition that the sum of the absolute value of fair-valued assets and liabilities of an institution is less than EUR 15 billion and that this institution is not included in the consolidation of a group breaching the threshold on a consolidated basis. The core approach is compulsory for institutions that are above the threshold, but may also be implemented by institutions that are below that threshold.

As a result of the above content, four templates are provided for the reporting of prudent valuation requirements. While the first template should be filled in by all institutions subject to prudent valuation requirements, the three remaining templates are dedicated to institutions under the core approach.

Due to the need to assess consistency with FINREP reporting, as well as to assess the effect of some provisions in the RTS (in particular the treatment of exactly matching, offsetting positions, positions subject to hedge accounting and positions subject to a prudential filter) on the calculation of the threshold and the computation of AVAs, the first template sets up a detailed reporting of the threshold computation, including fair-valued assets and liabilities excluded from that computation.

For institutions under the simplified approach, the total additional valuation adjustments to be reported in template C 01.00 Capital Adequacy is directly obtained by applying a percentage of 0.1% to the aggregate absolute value of fair-valued assets and liabilities, which are included within the threshold.

Institutions under the core approach are required to fill in three additional templates. The first of these templates is the main template for institutions under the core approach. It requires, for broad categories of portfolios, the detail of the different AVA computations, as well as corresponding fair-value adjustments. Information regarding the aggregation of AVAs, as well as AVAs computed under the fall-back approach, is also requested. The two final templates supplement this main template by requesting more detailed information for the computation of the model risk AVA and the concentrated position AVA.

3.2 Changed requirements as regards the reporting of credit risk information

Current requirements included in the ITS on supervisory reporting as regards the reporting of credit risk information (excluding securitisations) are specified in templates C 07.00, C 08.01 / C 08.02, C 09.01 and C 09.02. While templates C 07.00 and C 08.01 / C 08.02 apply to all institutions in general, templates C 09.01 and C 09.02 only apply to institutions that meet specified criteria. These criteria are set out in Article 5 of the ITS on supervisory reporting and basically exempt institutions with mainly domestic business activities from submitting information defined in templates C 09.01 and C 09.02.

The information included in templates C 09.01 and C 09.02 is deemed highly useful and important to analyse the riskiness and performance of institutions' credit risk portfolios. In particular relevant information such as the 'share of default exposure', 'observed new defaults in the period' or 'types of credit risk adjustments by exposure class' are key information items and as such should be reported by all institutions.

Having such information available at a total credit portfolio level from all institutions in the EU will also assist future Stress Test and Transparency Exercises. For instance, 52 of the 110 largest institutions in the EU participating in the 2015 EU-wide Transparency Exercise were not reporting templates C 09.01 and C 09.02.

As the EU-wide Transparency Exercise is expected to be an ongoing and repetitive one, changing the regular reporting requirements is seen preferable, and ultimately less costly, compared to collecting additional data via other means (e.g. ad hoc data collections).

Change proposal

It is proposed to amend the ITS on supervisory reporting to require all institutions to complete templates C 09.01 and C 09.02 for the exposures at a total level (same as for other credit risk information reported in templates C 07.00 and C 08.01).

The requirement for institutions to submit the information included in templates C 09.01 and C 09.02 at a country level (i.e. for each market they are active in) will remain unchanged (i.e. only applicable to institutions that have 'non-domestic' exposures which are higher than 10 % of total domestic and non-domestic original exposures).

4. Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions

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 648/2012,¹ and in particular the fourth subparagraph of Article 99(5) thereof,

Whereas:

¹ OJ L 176, 27.6.2013, p. 1.

- (1) Commission Implementing Regulation (EU) No 680/2014² specifies the modalities according to which institutions are required to report information relevant to their compliance with Regulation (EU) No 575/2013. Given that the regulatory framework established by Regulation (EU) No 575/2013 is gradually being supplemented and amended in its non-essential elements by the adoption of regulatory technical standards, then Implementing Regulation (EU) No 680/2014 needs to be updated accordingly to reflect those rules.
- (2) Thus, the adoption of Regulation (EU) No 2016/101 in accordance with Article 105 of Regulation (EU) No 575/2013 sets out requirements relating to prudent valuation adjustments of fair-valued positions. It sets out two approaches for the implementation of the prudent valuation requirements: a core approach and a simplified approach. To monitor compliance of institutions with those requirements and to assess the impact of that Regulation on valuation adjustments, additional reporting, relating to the prudent valuation requirements, is necessary.
- (3) Further, information required to be reported in templates C 09.01 and C 09.02 of Annex I to this Regulation is deemed highly useful and important to analyse the riskiness and performance of institutions' credit risk portfolios and should be reported by all institutions in the EU.
- (4) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority to the Commission.
- (5) The European Banking Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010³.
- (6) Commission Implementing Regulation (EU) No 680/2014 should be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

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

- (a) Article 5 (a) (2) is replaced by the following:
‘(2) the information on credit risk and counterparty credit risk exposures treated under the Standardised Approach as specified in template 7 of Annex I, according to the instructions in Part II point 3.2 of Annex II and as specified in template 9.1

² 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).

³ 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).

of Annex I at a total portfolio level, according to the instructions in Part II point 3.4.1 of Annex II; ;

- (b) Article 5 (a) (3) is replaced by the following:
 ‘(3) the information on credit risk and counterparty credit risk exposures treated under the Internal Rating Based Approach as specified in template 8 of Annex I, according to the instructions in Part II point 3.3 of Annex II and as specified in template 9.2 of Annex I at a total portfolio level, according to the instructions in Part II point 3.4.2 of Annex II;’ ;
- (c) In Article 5 (a), the following point is added:
 ‘(12) the information on prudent valuation as specified in templates 32.01, 32.02, 32.03 and 32.04 of Annex I, according to the instructions in Part II point X.X.X of Annex II.’.
- (d) Templates No 32.01, 32.02, 32.03 and 32.04 of Annex I of this Regulation are added to Annex I of Regulation (EU) No 680/2014.
- (e) The text set out in Annex II of this Regulation is added to Annex II of Regulation (EU) No 680/2014.

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 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 I]

[Templates added to Annex I of Commission Implementing Regulation (EU) N0 680/2014]

[ANNEX II]

[Instructions added to Annex II of Commission Implementing Regulation (EU) N0 680/2014]

5. Accompanying documents

5.1 Annex 1 – templates on prudent valuation

5.2 Annex 2 – instructions on prudent valuation

Explanatory text for consultation purposes

Questions can be found throughout Annex 2 of this consultation paper – the instructions on prudent valuation – to get stakeholders' feedback on specific aspects of the new reporting requirements. In addition to those questions, stakeholders' feedback on the below is also welcome:

Question 8: Do respondents find the proposed instructions on prudent valuation clear? Are there specific parts where definitions or instructions should be clarified?

Question 9: Do respondents have any comments on the structure and content of the proposed templates on prudent valuation?

5.3 Draft cost-benefit analysis / impact assessment

5.3.1 Introduction

Article 99(5) of the CRR requires the EBA to develop draft implementing technical standards (ITS) to specify supervisory reporting in the area of own funds requirements. Current ITS on supervisory reporting in the area of own funds requirements (i.e. COREP) is based on prudential requirements introduced by the CRD IV/ CRR and related technical standards. The reporting standards are therefore subject to amendment whenever the underlying provisions and technical standards are updated.

As per Article 10(1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any ITS developed by the EBA – when submitted to the EU Commission for adoption - shall be accompanied by an Impact Assessment (IA) annex which analyses 'the potential related costs and benefits'. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

This annex presents the IA with cost-benefit analysis of the provisions included in the ITS described in the present Consultation Paper. Given the scope of the analysis, the IA is high level and qualitative in nature.

5.3.2 Problem definition

Article 105 of the CRR sets out requirements relating to prudent valuation adjustment of fair-valued positions and on 23 January 2015 the EBA published final draft RTS⁴ introducing further standards on prudent valuation. The final standards introduce two approaches for prudential valuation: a) a simplified approach that (small) institutions with the size of positions recorded at fair value below the threshold (i.e. the sum of the absolute value of on- and off-balance-sheet fair valued assets and liabilities is less than EUR 15 billion) may apply and b) a core approach (for larger institutions or institutions not considering the threshold) that consists of calculating a series of adjustments on the fair value of positions based on a specified target confidence level (90%).

The common reporting framework currently includes aggregated information on 'value adjustments due to the requirements for prudent valuation'. Institutions subject to common reporting framework report on a quarterly basis this information in row 290 of the template C 01.00 under Capital Adequacy - Own funds definition in COREP since June 2014 (first remittance date).

The publication of the RTS on prudent valuation renders the ITS on supervisory reporting outdated in the sense that the latter only delivers partial information on one specific aspect of the calculation of own funds and if the ITS were not updated they would not accommodate the new standards for prudent valuation adjustments of fair valued positions.

The lack of update for COREP would question its relevance for supervisory purposes, as figures reported to the supervisory authorities would not reveal the basis for the computation of own funds. The proposed update would provide supervisors with information on the valuation of positions, allowing for an evaluation of the specific 'valuation risk profile' of an institution.

Secondly, regarding the reporting of credit risk information, Article 5 of the ITS on supervisory reporting provides exemption for the institutions with mainly domestic business activities from submitting information defined in templates C 09.01 (Geographical breakdown of exposures by residence of the obligor (SA exposures)) and C 09.02 (Geographical breakdown of exposures by residence of the obligor (IRB exposures)).

The current exemption affects not only small institutions but also large and complex institutions, albeit mainly active in domestic markets. The exemption therefore creates a gap in data collected and in the output of supervisory oversight. For example, due to this exemption in reporting in Q4 2015 the EU-wide Transparency Exercise included only 52 of the 110 largest institutions in the EU. The practice in this respect provided unsatisfactory and uneven information to the market when disclosed in this reporting date. With the lack of adequate supervisory data available to the competent authorities, supervisory framework may fail to capture risk profile of the activities and, systemic risk to financial sector and real economy.

⁴ The European Commission endorsed the final draft RTS on 26 October 2015 which was published as Regulation (EU) No 2016/101 on 28 January 2016.

5.3.3 Objectives

The main objective of the draft ITS is to fill in the gaps identified in the supervisory framework and more precisely is to integrate new standards introduced under EBA's draft final RTS on prudent valuation, and changes of credit risk information. Also, by doing so the draft ITS aim to assure an optimum level of supervisory data collection and reporting, i.e. to achieve a balance between the proportionality of reporting burden imposed on the institutions and the quantity, scope and granularity of data to be collected for supervisory purposes.

The table below summarises the objectives of the draft ITS:

Problems to be addressed	Specific Objectives	General Objectives
Inconsistency in supervisory reporting with the technical standards under prudent valuation	Amending the current ITS on supervisory reporting to account for the new standards under RTS on prudent valuation	Assisting institutions in fulfilling reporting requirements under Article 99 of the CRR
Lack of data in supervisory reporting (market risk and credit risk) and asymmetric information	Ensuring that competent authorities receive all required information needed to obtain a comprehensive view of risk profiles and systemic risk	Increasing the effectiveness of monitoring and supervising risks
Increasing cost of reporting for the institutions and competent authorities	Designing a clear-and-fit-for-purpose-ITS that would avoid burdensome reporting requirements for the institutions and excessive operational costs for the competent authorities	Keeping EU regulatory framework cost-effective and at an optimum level

5.3.4 Baseline Scenario

Currently there are approximately over 6,500 credit institutions⁵ reporting supervisory data to their respective competent authorities across EEA Member States. The total value of assets of these institutions corresponds to approximately EUR 42,000 billion. These institutions are required to disclose information on prudent valuation in one single cell under COREP. In addition, there is currently an estimate of 750 institutions (or 11% of the total number of credit institutions)⁶ that are above the EUR 15 billion threshold as defined in the current draft ITS.

⁵ EBA aggregate statistical data as of 2013.

⁶ The estimated figure is based on the SNL public data (2014). In the SNL database about 11% of the total sample of 431 listed and non-listed institutions (with complete dataset only) has total assets and liabilities held at fair value above EUR 15 billion. This figure is applied to total number of 6,500 credit institutions.

As far as the credit risk information is concerned, out of 178 institutions that regularly report COREP figures to the EBA (the largest institutions in the EU), 30% are subject to exemption for the reporting requirements under templates C 09.01 and C 09.02.⁷ Note that the EBA sample is limited to the largest institutions in the EU. At the EU level among 6,500 institutions it is reasonable to estimate that approximately 60% of the largest institutions are subject to reporting requirements under C 09.01 and C 09.02.

5.3.5 Assessment of the technical options

A. New requirements as regards the reporting of information on prudent valuation

A1. Status quo

Any change in reporting requirements entails cost for both the institutions subject to the reporting requirements and competent authorities requiring the information. Should the current ITS on supervisory reporting not be amended, the transition cost, e.g. one-off cost will be zero for the institutions and for the competent authorities.

However, in the long-run gaps in the supervisory information available to competent authorities for the definition of own funds and submission of information that is currently lacking the granularity required under the new regulatory standards (that are introduced under EBA RTS on prudent valuation in January 2015) are expected to generate costs especially for the competent authorities. The source of the cost for the competent authorities is in terms of shortcomings (e.g. due to lack of adequate data and asymmetric information) in the assessment of risk profiles.

A2. Reporting of information on prudent valuation in line with the draft final RTS on prudent valuation

The option requires the amendment of the ITS on supervisory reporting in line with the standards introduced under EBA's RTS on prudent valuation. The option would incur operational cost to the institutions and to competent authorities since the former would disclose more granular information and the latter would receive and process this information. The impact of the option is proportionate. At the first place, current draft ITS suggest that all institutions or groups (regardless of the approach adopted to calculate additional valuation adjustments) fill out 'Assets and Liabilities' template so as to identify whether an institution or group falls below or above the threshold of EUR 15 billion. The option would then have a further impact only on a fraction of these institutions or groups (this is estimated to be about 11% of the total institutions), precisely on the larger institutions or groups that use core approach for the calculation of additional valuation adjustment and with net fair value of total assets and liabilities above the threshold. These institutions or groups using core approach would need to complete other three templates concerning specific positions they have.

⁷ Based on COREP data as of Q2 2015.

The impact of the policy option in terms of further cost is higher for large institutions. The amendment of the ITS to accommodate the regulatory standards on prudent valuation would generate one-off transitional cost to the institutions and to the competent authorities. It is assumed that the institutions would already allocate experts to familiarise themselves with the changes and to revise their internal reporting routine to accommodate the changes under the RTS on prudent valuation. The additional cost of amending the ITS on supervisory reporting stems from one-off IT cost and is expected to be minimal for these institutions. Equally, competent authorities will carry out similar tasks to adopt the changes in the reporting requirements.

EBA analysis team believes that the benefits to receive complete supervisory data that allow adequately capturing risk profiles of the institutions and systemic risk to the financial sector exceeds the one-off costs that the option would generate on institutions and the competent authorities. Also, the amendment of the ITS would avoid further costs that may occur from potential ad-hoc data collection on prudent valuation run by the competent authorities. Additionally, accounting for the granular disclosure through the amendment of ITS would contribute to Single Rulebook and ensure equal treatment of the institutions across Member States. Consequently, option A2 is selected to be the preferred option.

B. Changed requirements as regards the reporting of information on credit risk

B1. Status quo

Similar to the arguments above, the status quo (or 'do nothing') option avoids further operational costs that the intervention may generate on institutions and competent authorities. Under this option the current problems as mentioned above would prevail. Currently, supervisory reporting collects information on the 'geographical breakdown of exposures by residence of the obligor', however Article 5 of the ITS allows an exemption for the institutions with mainly domestic business activities from submitting information required in the corresponding templates. However, information on the concepts included in the relevant templates is deemed highly useful and important to analyze the riskiness and performance of institutions' credit risk portfolios. Under this option 30 % of all institutions in the EBA sample (which consists of the largest institutions in the EU) will continue to be exempt from reporting. The cost of the option stems from the risk of adequately capturing the risk profiles of the institutions and ad-hoc data requests to cover this gap.

In the long run the costs associated with gap in supervisory reporting and with further ad-hoc data collection exercises run by the competent authorities are expected to exceed the cost of amending the ITS.

B2. Submission of templates C 09.01 and C 09.02 at country level by all institutions

Option B2 suggests that all institutions submit data on geographical location of the exposures by residence of the obligor. This requires an amendment to Article 5 of the ITS which sets a 10% threshold for the share of non-domestic exposures in total. Under this option all institutions would incur cost. The option is not proportional since it would collect data from institutions for which cross-border dimension of the exposures is negligible and does not provide crucial input for supervisory oversight. One objective of the current draft ITS is to achieve a balance between the proportionality of reporting burden imposed on the institutions and the quantity, scope and granularity of data to be collected for supervisory purposes. The analysis team believes that the option violates the principle of proportionality and it is not a cost-effective option to reach the objectives.

B3. Submission of templates C 09.01 and C 09.02 at country level by institutions with at least 10% share of non-domestic exposures and at aggregate level by institutions for all other institutions

This option combines status quo and a further reporting requirement at aggregate level. Under this option, institutions with a share of non-domestic exposures above threshold would continue reporting exposures data by residence of the obligor and in addition to this, all institutions (both those that are above and below the threshold) would submit aggregate figures for templates C 09.01 and C 09.02.

The option would be a cost-effective solution to address the identified problems and to reach defined objectives. Option B3 is selected to be the preferred option.

5.4 Overview of questions for consultation

Question 1: Do you agree with this statement? If not please explain your reasoning. [Annex 2, page 1]

Question 2: Would the 'upside uncertainty' measure defined above and used in column 120 be suitable as a definition of the upside uncertainty? If not please provide reasons and any alternative suggestions for how such an upside measure could be defined. [Annex 2, page 1]

Question 3: Is the above approach to splitting out fair valued assets and liabilities and fair-value adjustments on the one hand between the different types of AVAs and on the other hand between asset classes and product categories practical to implement? If not please describe the practical obstacles. Please suggest any alternative approaches (particularly if an alternative approach has been found useful for internal reporting purposes). [Annex 2, page 5]

Question 4: Is the above portfolio-based approach to splitting out AVAs and other attributes between 'Exotic' and 'Vanilla' practical to implement? If not please describe the practical obstacles. Please suggest any alternative approaches (particularly if an alternative approach has been found useful for internal reporting purposes). [Annex 2, page 12]

Question 5: Do you think such mismatches between the portfolio-level AVAs and the institution-level AVAs would be significant? Please give examples. [Annex 2, page 12]

Question 6: Where the difference is significant what additional practical difficulties would arise from calculating AVAs for each of the portfolio categories in rows 050-170? [Annex 2, page 13]

Question 7: What are stakeholders' views on the ability to usefully summarise in a few key words the models and products concerned, as well as on the associated reporting burden or IT issues? [Annex 2, page 15]

Question 8: Do you find the proposed instructions on prudent valuation clear? Are there specific parts where definitions or instructions should be clarified?

Question 9: Do respondents have any comments on the structure and content of the proposed templates on prudent valuation?