

EBA/GL/2016/10

03 November 2016

Final Report

Guidelines on ICAAP and ILAAP information collected for SREP purposes

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1. Executive Summary

These Guidelines facilitate the consistent approach to the assessment of institutions' internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) under the supervisory review and evaluation process (SREP) and should be read together with the EBA Guidelines on common procedures and methodologies for SREP¹ (SREP Guidelines).

In particular, these Guidelines specify what information regarding ICAAP and ILAAP competent authorities should collect from the institutions in order to perform their assessments following the criteria specified in the SREP Guidelines.

The information to be collected by the competent authorities based on these Guidelines could be broadly categorised as:

1. ICAAP and ILAAP general information focusing on background information on internal governance, risk management, stress testing frameworks, business model and strategy;
2. ICAAP-specific information covering design and main features of ICAAP methodologies and models, and their outcomes in terms of internal capital estimates, on internal capital and its allocation, capital planning and role of stress testing in ICAAP;
3. ILAAP-specific information covering liquidity and funding risk management framework, funding strategy, strategy regarding liquidity buffers and collateral management, cost-benefit allocation mechanism, intraday liquidity risk management, liquidity stress testing and liquidity contingency plan; and
4. ICAAP and ILAAP conclusions as well as information on quality assurance.

Recognising that it is the institution's responsibility to determine and apply appropriate approaches to ICAAP and ILAAP that are in accordance with the requirements set out in Directive 2013/36/EU², these Guidelines refrain from setting specific ICAAP/ILAAP requirements, or prescribing any new criteria for the supervisory assessment of ICAAP or ILAAP. The common set of information items referred to in these Guidelines aim to enhance consistency in the supervisory assessment of the ICAAP and ILAAP frameworks and the reliability of the ICAAP and ILAAP capital and liquidity estimates and their use in the assessment of the institution's capital and liquidity adequacy and for the determination of additional own funds and liquidity requirements in accordance with the SREP Guidelines. In addition to specifying information items, these Guidelines also set general criteria for competent authorities to organise collection of ICAAP and ILAAP information from institutions and to use such information for the purposes of their

¹ EBA/GL/2014/13 of 19 December 2014 available at [https://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+\(Guidelines+on+SREP+methodologies+and+processes\).pdf](https://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+(Guidelines+on+SREP+methodologies+and+processes).pdf)

² OJ L176/339

assessments of other SREP elements. When specifying such criteria, these Guidelines recognise the principle of proportionality in relation to the frequency, reference dates and remittance dates, and scope for ICAAP and ILAAP information that should be determined in relation to the SREP categorisation of institutions, minimum supervisory engagement model and supervisory examination programmes. By means of these Guidelines, the EBA does not aim to introduce any specific ICAAP/ILAAP 'report', but identifies information items and their core content, recognising that such information can be provided either through a single report, specifically prepared by an institution for the purposes of ICAAP/ILAAP submissions, or as separate documents that are already available in the bank.

The Guidelines also do not introduce any specific common templates for quantitative data to support ICAAP and ILAAP assessments, nor do they introduce common risk taxonomy, assessment criteria or methodological considerations other than already specified in the SREP Guidelines.

The EBA has held a public consultation on these Guidelines, and the text has been amended to reflect the outcomes of the consultation. The detailed analysis of the feedback received and the EBA response is provided in this final report.

Next steps

The Guidelines will be translated into the official EU languages and published on the EBA website. The deadline for competent authorities to report whether they comply with the Guidelines will be two months after the publication of the translations. The Guidelines will apply from 1 January 2017. Based on their implementation of these Guidelines competent authorities will determine the scope and set the remittance dates for the first submission of information in accordance with the provisions of these Guidelines.

2. Background and rationale

1. Article 73 of Directive 2013/36/EU requires institutions to have in place sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed (which is commonly referred to internal capital adequacy assessment process – ICAAP). Those strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the institution concerned.
2. Article 86 of Directive 2013/36/EU requires institutions to have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons and management and monitoring of funding positions, so as to ensure that institutions maintain adequate levels of liquidity buffers and adequate funding (which is commonly referred to as internal liquidity adequacy assessment process – ILAAP). Those strategies, policies, processes and systems shall be tailored to business lines, currencies, branches and legal entities and shall include adequate allocation mechanisms of liquidity costs, benefits and risks. The methodologies for managing and monitoring of funding positions shall include the current and projected material cash-flows in and arising from assets, liabilities and off-balance-sheet items, including contingent liabilities and the possible impact of reputational risk.
3. The competent authorities review ICAAP and ILAAP as part of the supervisory review and evaluation process (SREP) performed in accordance with Article 97 of Directive 2013/36/EU and in accordance with the EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP Guidelines)³.
4. Furthermore, the SREP Guidelines provide a set of criteria that competent authorities should consider when assessing ICAAP and ILAAP frameworks and estimates of their internal capital and liquidity calculation. In order to satisfy those assessment criteria the following should be considered:
 - a. ICAAP and ILAAP should be consistent with the risk profile and operating environment of an institution, tailored to the institution’s circumstances and needs, and it should use the inputs and definitions that the institution normally uses for internal purposes. At the same time, the institution should make ICAAP and ILAAP understandable to the competent authorities and demonstrate that they are sound, effective and comprehensive.
 - b. The design of ICAAP and ILAAP frameworks is the responsibility of the institutions. ICAAP and ILAAP should be based on adequate measurement and assessment processes including both quantitative and qualitative elements, and they should be

³ EBA/GL/2014/13 of 19 December 2014

fully documented. ICAAP and ILAAP should form an integral part of institutions' management processes and should be reviewed on a regular basis. ICAAP and ILAAP should be risk based, covering all material risks to which the institution is or might be exposed, and consider also the regulatory, economic or business environment in which the institution operates.

- c. ICAAP and ILAAP should be forward-looking. Institutions should have an internal strategy for maintaining adequate levels of capital and liquidity taking into account the strategic plans and how they relate to macroeconomic factors.
 - d. ICAAP should produce a reasonable overall capital number and assessment. The institution should be able to explain to the competent authorities the calculation methodologies to make ICAAP understandable and the similarities and differences between its ICAAP and its own funds requirements to enable supervisors to compare the outcomes.
 - e. ILAAP should produce a credible and understandable assessment and outcome. The institution should be able to explain to the competent authorities the methodologies and calculations used and the risks these are looking to address, and a breakdown and summary of the underlying components of the ILAAP calculations.
5. In order to perform supervisory assessments of ICAAP and ILAAP frameworks, and determine whether institutions' ICAAP and ILAAP meet the criteria specified in the SREP Guidelines and above, competent authorities should have access to various ICAAP- and ILAAP-specific and background information, including institutions' policies and methodological documents, operational documents and supporting documents evidencing the use of ICAAP and ILAAP in the risk management and strategic management of an institution.
6. The aim of these Guidelines is to ensure convergence of supervisory practices in the assessment of ICAAP and ILAAP as required by the SREP Guidelines by introducing a common set of information that competent authorities will be using in their assessments.
7. In particular, the Guidelines specify what information, regarding ICAAP and ILAAP, competent authorities should collect from the institutions in order to perform their assessments:
- a. an overarching document ('reader's manual') that facilitates the assessment of ICAAP and ILAAP documents and provides an extended index of the documents and their status, an overview of where the information items specified in these Guidelines can be found in the documentation provided by an institution and other information relevant for the competent authority at the start of the assessment;
 - b. general information about ICAAP and ILAAP frameworks, business model and strategy, as well as governance arrangements, and stress testing programmes as specified in Section 5 of these Guidelines;
 - c. ICAAP-specific information as specified in Section 6 of these Guidelines;
 - d. ILAAP-specific information as specified in Section 7 of these Guidelines; and

- e. summary of main conclusions from ICAAP and ILAAP and quality assurance information as specified in Section 8 of these Guidelines.
8. In addition to specifying information items, these Guidelines also set general criteria for competent authorities to organise collection of ICAAP and ILAAP information from institutions and using such information for the purposes of their assessments of other SREP elements. When specifying such criteria, these Guidelines recognise the principle of proportionality in relation to the frequency, granularity, reference dates and remittance dates for ICAAP and ILAAP information that should be determined in relation to the SREP categorisation of institutions, minimum supervisory engagement model and supervisory examination programmes.
 9. In particular, the competent authorities would be expected to receive from Category 1 institutions all information specified in these Guidelines annually by a single set date (which might differ between the specific institutions to reflect the organisation and planning of the SREP process) as a comprehensive package. The scope, format, frequencies, remittance dates and reference dates for the information submissions for non-Category 1 institutions may be different and will be determined by the competent authorities for each category of institutions, or individual institutions, where appropriate, depending on the respective minimum supervisory engagement model and supervisory examination programmes, where appropriate coordinating these arrangements within the colleges of supervisors.
 10. As provided in the SREP Guidelines, the categorisation of institutions drives the level of the minimum supervisory engagement with an institution, but will also define supervisory expectations of the standards the institution is expected to meet. As a consequence, the SREP categorisation defines the supervisory expectation about the set-up and sophistication of ILAAP and ICAAP including the relevance of some of the information items included in these Guidelines.
 11. Furthermore, proportionality applies also regarding the actual content of the information provided by institutions, and in particular in relation to the depth, detail and scope of the ICAAP and ILAAP documentation. Since in principle all information items specified in these Guidelines could be relevant for both complex and less complex institutions, and taking into account that these Guidelines does not specify the level of detail in which the information items should be covered, no split in information items was made in the Guidelines in relation to proportionality.
 12. Thus, by means of these Guidelines the EBA does not aim to introduce any specific ICAAP/ILAAP 'report', but identifies information items and their core content, recognising that such information can be provided either through a single report, specifically prepared by an institution for the purposes of ICAAP/ILAAP submissions, or as separate documents that are already available in the bank. The specific form of the submission of information will be determined by the competent authorities when applying these Guidelines.
 13. The Guidelines also do not introduce any specific common templates for quantitative data to support ICAAP and ILAAP assessments, nor do they introduce common risk taxonomy, assessment criteria or methodological considerations other than already specified in the SREP Guidelines.

3. Guidelines

EBA/GL/2016/10

03 November 2016

Guidelines

on ICAAP and ILAAP information
collected for SREP purposes

1. Compliance and reporting obligations

Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010⁴. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by ([dd.mm.yyyy]). In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website to compliance@eba.europa.eu with the reference 'EBA/GL/2016/10'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

⁴ 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).

2. Subject matter, scope and definitions

Subject matter

5. These Guidelines aim to ensure convergence of supervisory practices for the assessment of institutions' internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) under the supervisory review and evaluation process (SREP) in accordance with the EBA Guidelines on common procedures and methodologies for SREP (SREP Guidelines)⁵. In particular, these Guidelines specify what information, regarding ICAAP and ILAAP, competent authorities should collect from institutions in order to perform their assessments following the criteria specified in the SREP Guidelines.

Addressees

6. These Guidelines are addressed to competent authorities as defined in point (i) of Article 4(2) of Regulation (EU) No 1093/2010.

Scope

7. Competent authorities should apply these Guidelines in accordance with the levels of application of ICAAP and ILAAP set out in Articles 108 and 109 of Directive 2013/36/EU, considering the level of application of SREP as specified in Article 110 of Directive 2013/36/EU and recognising waivers applied pursuant to Articles 7, 8, 10 and 15 of Regulation (EU) 575/2013 and Article 21 of Directive 2013/36/EU.

3. Implementation

Date of application

8. These Guidelines apply from 1 January 2017.

⁵ EBA/GL/2014/13 of 19 December 2014

4. General considerations for collection of ICAAP- and ILAAP-related information

9. Competent authorities should collect the information from institutions regarding ICAAP and ILAAP specified in these Guidelines in order to perform the following supervisory assessments as specified in the SREP Guidelines:
- a. assessment of the soundness, effectiveness, and comprehensiveness of ICAAP and ILAAP frameworks in accordance with Section 5.6.2 of the SREP Guidelines;
 - b. assessment of the granularity, credibility, understandability and comparability of ICAAP calculations as specified in Section 7.2.1 of the SREP Guidelines; and
 - c. as an additional source of information for the assessments of other SREP elements, including business model analysis in accordance with Section 4 of the SREP Guidelines, assessment of internal governance and institution-wide controls in accordance with Section 5 of the SREP Guidelines, and assessment of risks to liquidity and funding and liquidity adequacy, in accordance with Section 8 of the SREP Guidelines.
10. Competent authorities should ensure that the information collected from institutions should contain the following:
- a. the ‘reader’s manual’ prepared in accordance with paragraph 11;
 - b. general information about ICAAP and ILAAP frameworks, business models and strategy, as well as governance as specified in Section 5 of these Guidelines;
 - c. ICAAP-specific information as specified in Section 6 of these Guidelines;
 - d. ILAAP-specific information as specified in Section 7 of these Guidelines;
 - e. summary of main conclusions of ICAAP and ILAAP and quality assurance information as specified in Section 8 of these Guidelines.
11. Competent authorities should ensure that the institution provides them with the ‘reader’s manual’ that is prepared as an overarching document facilitating the assessment of ICAAP and ILAAP documents. To this end, the ‘reader’s manual’ should provide an overview of all ICAAP- and ILAAP-related documents submitted to the competent authorities and their status (new, unchanged, changed with minor edits, etc.). The ‘reader’s manual’ should essentially work as an index by linking the specific information items referred to in these Guidelines with the
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documents provided by the institution to the competent authority (especially in the case where the format of the submission of information allows institutions to submit multiple internal documents, as specified in paragraph 12(d)). The ‘reader’s manual’ should also provide information regarding the material changes to the information items compared with the previous submission of information, and any exclusions from the submission (see also paragraphs 21-22), as well as any other information that may be relevant for the competent authority for the assessment. Furthermore, the ‘reader’s manual’ should contain references to all ICAAP and ILAAP information publicly disclosed by the institution (including the information disclosed in accordance with Article 438(a) of Regulation (EU) No 575/2013⁶).

12. With regard to the collection of information specified in these Guidelines, competent authorities should set out the operational procedures and notify institutions subject to the provision of ICAAP and ILAAP information about the following:
 - a. the dates by which the information should be provided by institutions to competent authorities (remittance dates). When setting remittance dates for the first time or when materially changing these dates competent authorities should allow institutions sufficient time to prepare their submissions;
 - b. the reference date, and specify whether different reference dates can be used for individual information items;
 - c. the frequency with which the information should be provided;
 - d. the technical means and format for the submission of information, and in particular whether information should be provided as one document (report) or in any other form (e.g. multiple documents), or whether institutions may submit own internal documents.
13. The operational procedures specified in the previous paragraph should be proportionate to the category an institution is assigned to according to Section 2.4 of the SREP Guidelines as further specified in the following paragraphs.
14. Competent authorities should require an institution that falls under SREP Category 1 to provide them at least with all information items referred to in these Guidelines on an annual basis. Competent authorities should endeavour to set a single remittance date and a single reference date for all SREP Category 1 institutions; however, depending on the organisation of SREP processes, institution-specific dates may be set, where this is deemed more appropriate.
15. For non-Category 1 institutions referred to in Section 2.4 of the SREP Guidelines competent authorities may:

⁶ OJ L 176/1

- a. determine another frequency of information submission rather than annually, and set different remittance and reference dates for various information items always in accordance with the minimum supervisory engagement model applied to each institutions according to Section 2.4 of the SREP Guidelines and the supervisory examination programme pertinent to the institution referred to in Article 99 of Directive 2013/36/EU;
 - b. determine different levels of detail or waive certain specific information items referred to in these Guidelines. When waiving information items, competent authorities should ensure that they have obtained sufficient information to assess the ICAAP and ILAAP frameworks and the reliability of the ICAAP and ILAAP capital and liquidity estimates in accordance with the EBA SREP Guidelines.
16. Depending on the quality of the information provided and the assessment of whether the document(s) submitted cover all areas specified in these Guidelines, competent authorities may request institutions to provide additional information needed for the assessment of ICAAP and ILAAP within the SREP. Competent authorities should determine the appropriate level of granularity and quantity of information to be provided for the purposes of assessment of ICAAP and ILAAP, through an ongoing supervisory dialogue with an institution within the SREP.
17. The competent authorities should ensure that they receive all relevant information and that this information remains valid and applicable at the remittance date, even in cases where the (production) date of the document is different from the pertinent reference date. Documents related to any information item specified in these Guidelines produced in between the reference date and the remittance date should be included where relevant for ICAAP and ILAAP assessment purposes (taking into account materiality as specified in these Guidelines).
18. Competent authorities may, with a view to facilitating the assessment of individual SREP elements following the applied engagement model and supervisory examination programme, request from institutions some specific information referred to in these Guidelines or additional information outside the regular ICAAP and ILAAP submission cycle established in accordance with paragraphs 14 and 15 (e.g. some ILAAP-specific information may be requested for the SREP assessment of liquidity and funding risks, and not necessarily for the assessment of ILAAP itself).
19. Where these Guidelines are applied in relation to cross-border banking groups and their entities, and the college of supervisors has been established, competent authorities involved should, in the context of their cooperation for the SREP assessment in accordance with Section 11.1 of the SREP Guidelines, coordinate to the maximum extent possible the dates, means and format referred to in paragraph 12 as well as the exact and detailed scope of each information item consistently for all group entities.

20. Where information referred to in these Guidelines is requested from institutions in the form of the institutions' own internal documents that do not follow the structure or format set out in these Guidelines, competent authorities should endeavour to ensure structural consistency and comparability, including by requesting institutions to explain by means of 'reader's manual' how and where all information items specified in these Guidelines are covered in the documentation provided.
21. For the purposes of the assessment of ICAAP and ILAAP frameworks and calculations under SREP, competent authorities should ensure that they have received all relevant information items as specified in these Guidelines, taking into account proportionality. Where information items are already available to the competent authorities as part of other activities, competent authorities should require institutions to confirm in the 'reader's manual' that this information remains up to date and there have been no changes to the pertinent documents, or to provide updated information on the changes made to the documents after the last submission. Based on these considerations, competent authorities may decide to omit information items that they possess from other supervisory activities and that remain valid and up to date from the requests for ICAAP and ILAAP information carried out in accordance with paragraphs 14 and 15.
22. Where information items are available at a very granular level, competent authorities may permit institutions to not submit include every available document in relation to the required information items. When excluding such granular information from submissions, such as supporting documents in relation to local dashboards, meeting minutes and individual key performance indicators, competent authorities should ensure that institutions have provided their general policies governing these items and have mentioned in the 'reader's manual' what information has been excluded from the submission. Competent authorities should, as appropriate, require examples of this information. Competent authorities should ensure that data and documents excluded from submission could nevertheless be required, where this is necessary or appropriate, including for reasons of evidencing the institution's compliance with the regulatory requirements.

5. Information that is common to ICAAP and ILAAP

5.1 Information on business model and strategy

23. On business model and strategy, competent authorities should ensure that they receive from institutions the following:

- a. description of the current business models including identification of core business lines, markets, geographies, subsidiaries and products the institution operates;
- b. description of main income and cost drivers, allocated to core business lines, markets and subsidiaries.

24. On forward-looking strategy, competent authorities should ensure that they receive from institutions the following:

- a. description of the changes planned by the institution to the current business model and its underlying activities (including information on operational changes (such as IT infrastructure) or governance issues);
- b. projections of key financial metrics for all core business lines, markets and subsidiaries;
- c. description of how the business strategy and ICAAP/ILAAP are linked.

5.2 Information on risk governance and management framework

25. On the set-up and governance of risk management and control frameworks, competent authorities should ensure that they receive from institutions the following:

- a. description of the overall governance arrangements, including the roles and responsibilities within the risk management and control organisation, including at the level of management body and senior management across the group, covering:
 - i. risk taking, risk management and risk control, in general;
 - ii. ICAAP and ILAAP and their key components, including *inter alia* risk identification, risk measurement, stress testing, capital and liquidity planning, limit structures, limit breaches, escalation procedures etc.);
- b. description of reporting lines and frequency of regular reporting to the management body covering the risk management and control of the risks;

- c. description of interaction between risk measurement and monitoring and actual risk taking practice (e.g. limit setting, monitoring, dealing with breaches etc.);
- d. description of processes and arrangements that ensure that the institution has in place a robust and integrated framework for the management of its material risks and their evolution, including (1) the interaction and integration of capital and liquidity management, including interaction between ICAAP and ILAAP, (2) interaction between management of various risk categories and institution-wide risk management, (3) integration of ICAAP and ILAAP into the risk management and the overall management of an institution, including in the pricing and performance management;
- e. where appropriate, description of separation of tasks within the group, institutional protection scheme or cooperative network concerning risk management.

5.3 Information on risk appetite framework

26. On risk appetite framework, competent authorities should ensure that they receive from institutions the following:

- a. description of the correspondence of the strategy and business model of the institution with its risk appetite framework;
- b. description of the process and governance arrangements, including the roles and responsibilities within the senior management and the management body, in respect of the design and implementation of the risk appetite framework;
- c. information on the identification of the material risks which the institution is or might be exposed to;
- d. description of the risk appetite/tolerance levels, thresholds and limits set for the identified material risks, as well as the time horizons, and the process applied to keeping such threshold and limits up to date;
- e. description of the limit allocation framework within the group, and, for example, core business lines, markets and subsidiaries;
- f. description of the integration and use of the risk appetite framework in the risk and overall management, including links to business strategy, risk strategy, ICAAP and ILAAP, including capital and liquidity planning.

5.4 Information on stress testing framework and programme

27. On stress testing frameworks and programmes, competent authorities should ensure that they receive from institutions the following:

- a. general description of the institution's stress testing programme, including *inter alia* the types of stress tests undertaken, their frequency, methodological details and models used, the range of assumptions and relevant data infrastructure;
- b. description of the governance arrangements of the stress testing programme, and in particular the stress tests used for ICAAP and ILAAP purposes;
- c. description of the interaction (integration) between solvency and liquidity stress tests, and in particular of ICAAP- and ILAAP-specific stress testing, and the role of reverse stress tests;
- d. description of the uses of stress testing and its integration into the risk management and control framework.

5.5 Information on risk data, aggregation and IT systems

28. On risk data, aggregation and IT systems, competent authorities should ensure that they receive from institutions the following:

- a. description of the framework and process used to gather, store and aggregate risk data across various levels of an institution, including flow of data from subsidiaries to the group;
- b. description of data flow and data structure of risk data used for ICAAP and ILAAP;
- c. description of data checks applied for risk data used for ICAAP and ILAAP purposes;
- d. description of IT systems used to gather, store, aggregate and disseminate risk data used for ICAAP and ILAAP.

6. ICAAP-specific information

6.1 Information on the overall ICAAP framework

6.1.1 Methodology and policy documentation

29. On the scope, the general objectives and the main assumptions underlying ICAAP, competent authorities should ensure that they receive from institutions the following:

- a. description of the scope of ICAAP including an overview of and reasoning for any deviations from the scope of the entities covered by the minimum own funds requirements;
- b. description of the approach to the identification of risks (including risk concentrations) and the inclusions of identified risks within risk categories and sub-categories to be covered by ICAAP, including the approach to the determination of materiality of risks;
- c. description of the key objectives and the main assumptions of ICAAP (e.g. link to certain external credit ratings) including how these ensure the capital adequacy;
- d. description of whether ICAAP is focused on the risks' impact on accounting figures or on the economic value of the institution, or both of them;
- e. description of ICAAP time horizon(s), including explanation of possible differences between the risk categories and the entities of the group covered.

6.1.2 Operational documentation

30. On evidencing the implementation of the scope, the general objectives and the main assumptions underlying ICAAP, competent authorities should ensure that they receive from institutions the following:

- a. list of risk categories and sub-categories covered by ICAAP, including their definitions and perimeter of individual risk categories;
- b. explanations of the differences between the risks covered by ICAAP and the risk appetite framework, where the scope of risks covered is different.
- c. description of any deviations in the ICAAP process and in the key assumptions within the group and the entities of the group, where appropriate.

6.2 Information on risk measurement, assessment and aggregation

6.2.1 Methodology and policy documentation

31. On risk measurement, assessment and aggregation methodologies used within ICAAP, competent authorities should ensure that they receive from institutions the following:

- a. general description of key features of quantification/measurement methodologies and models, including metrics, assumptions and parameters used (e.g. confidence intervals, holding periods etc.) for all risk categories and sub-categories that are used for the approval of methodologies and models by the management body of the institution;
- b. specification of the actual data used, including an explanation of how the data used reflects the scope of group entities covered by ICAAP, including the length of the time series;
- c. description of the main differences between quantification/measurement methodologies and models used for ICAAP purposes and those used for the calculation of the minimum own funds requirements for risks covered by Regulation (EU) No 575/2013 (in case an institution is using advanced models approved by the competent authorities). Such description should be provided on a risk-by-risk basis and include inter alia information on the different use of Basel I transitional floors (Article 500 of Regulation (EU) No 575/2013), different assumptions regarding risk parameters, confidence intervals etc.;
- d. description of the approach to the aggregation of the internal capital estimates for the entities and the risk categories covered, including the approach to intra-risk and inter-risk diversification benefits and/or concentrations where considered by the institution's methodology.

6.2.2 Operational documentation

32. On evidencing the implementation of the ICAAP risk measurement, assessment and aggregation methodologies, competent authorities should ensure that they receive from institutions the following:

- a. internal capital estimates to cover all risk categories and sub-categories, broken down by risk category and sub-category covered by ICAAP. Where institutions assert that certain risk categories or sub-categories covered by ICAAP are better covered by means of qualitative mitigating measures rather than by allocating internal capital, this should be explained accordingly;

- b. the results of the calculation of internal capital estimates as specified above for all material risk categories and sub-categories covered by ICAAP on a risk-by-risk basis. Where certain risk sub-categories are identified as material but the calculation methodologies applied have not enabled the calculation of an internal capital estimate at the level of granularity required, and, for that reason, such estimates have been incorporated as part of internal capital estimate for a respective risk category, institutions should explain how such sub-categories have actually been included in the calculations (e.g. some risk sub-category has been identified as material, but the institution is not able to provide an internal capital estimate for such risk and instead includes coverage of this risk within the capital estimate for the main risk category; in that case, the competent authority should ensure that the institution explains how this risk has been captured under the main risk category);
- c. in addition to the risk-by-risk information specified above, the results of the aggregation of the internal capital estimates for entities and risk categories, including for the effects of intra-risk and inter-risk diversification benefits and/or concentrations, where these aspects are being taken into account by the methodology applied.

6.3 Information on internal capital and capital allocation

6.3.1 Methodology and policy documentation

33. On internal capital definition and the capital allocation used within ICAAP, competent authorities should ensure that they receive from institutions the following:
- a. definition of the internal capital used to cover ICAAP capital estimates, including all the capital elements/instruments considered;
 - b. description of the main differences between internal capital elements/instruments and regulatory own funds instruments, where appropriate;
 - c. description of the methodology and assumptions used for the allocation of internal capital to group entities, and of the core business lines and markets, where appropriate;
 - d. description of the monitoring process (comparison of internal capital estimates vs. allocated capital), including escalation procedures.

6.3.2 Operational documentation

34. On evidencing the full implementation of the internal capital definition and the capital allocation framework within ICAAP, competent authorities should ensure that they receive from institutions the following:

- a. amount of internal capital available to date, broken down by various elements considered;
- b. actual amounts of the internal capital allocated to risks covered by ICAAP and group entities, and core business lines and markets, where relevant;
- c. quantitative comparison between the actual internal capital usage relative to the internal capital allocated based on ICAAP estimates supported by an explanation of cases where actual capital usage is close to or exceeds the allocated capital.

6.4 Information on capital planning

6.4.1 Methodology and policy documentation

35. On capital planning, competent authorities should ensure that they receive from institutions the following:
- a. description of the general set-up of capital planning, including dimensions considered (e.g. internal, regulatory), time horizon, capital instruments, capital measures etc.;
 - b. description of the main assumptions underlying the capital planning.

6.4.2 Operational documentation

36. On evidencing the full implementation of the capital planning, competent authorities should ensure that they receive from institutions the following:
- a. a forward-looking view on the development of risks and capital in terms of both internal capital and regulatory own funds;
 - b. description of the current conclusions from capital planning such as planned issuances of various capital instruments, other capital measures (e.g. dividend policy) and planned changes to the balance sheet (e.g. sales of portfolios etc.).

6.5 Information on stress testing in ICAAP

6.5.1 Methodology and policy documentation

37. In addition to the general information on stress testing as specified in Section 5.4, on the stress tests applied for ICAAP purposes, including on capital planning and allocation of internal capital under the scenarios reported to the management body, competent authorities should ensure that they receive from institutions the following:

- a. description of adverse scenarios considered under ICAAP, including specification of the scenario assumptions and key macroeconomic variables, including the description of how reverse stress tests have been used to calibrate the severity of scenarios used;
- b. description of key assumptions used in the scenarios considered, including management actions, business assumptions regarding balance sheet, reference dates, time horizons etc.

6.5.2 Operational documentation

38. On evidencing the full implementation of ICAAP stress tests and their outcomes, competent authorities should ensure that they receive from institutions the following:

- a. quantitative outcome of the scenarios considered and impact on key metrics, including P&L and capital, both internal and regulatory own funds, and prudential ratios, as well as, in integrated approaches, the impact on the liquidity position;
- b. explanation of how the scenario outcomes are relevant to the institution's business model, strategy, material risks and group entities covered by ICAAP.

6.6 Supporting documentation

39. In addition to the information items referred to in Sections 6.1-6.5, competent authorities should ensure that they receive from institutions all relevant supporting information including minutes of relevant committees and management body meetings evidencing the sound set-up and implementation of ICAAP, and in particular:

- a. the approval of the overall set-up of ICAAP;
- b. the approval of the key ICAAP elements, such as general objectives and main assumptions, risk measurement and assessment, risk aggregation, internal capital, capital allocation, capital planning, stress scenarios, their main assumptions and outcomes, etc.;
- c. evidence of discussion on (changes in) risk and capital situation, limit breaches, etc., including decisions on management actions or the explicit decision not to take any action;
- d. examples of significant decisions on new product approval committees (or the respective decision making body) evidencing the impact on the risk and capital profile is taken into account;
- e. decisions on management actions related to internal capital estimates, their aggregation and their comparison with the available internal capital (current situation and forward-looking);

- f. evidence of discussion of the outcome of stress testing in ICAAP and decision on any management (non-)action;
- g. where available, internal self-assessments in which institutions can take the opportunity to justify their level of compliance against publicly available criteria regarding risk management and control that affect ICAAP.

7. ILAAP-specific information

7.1 Information on liquidity and funding risk management framework

7.1.1 Methodology and policy documentation

40. On evidencing the set-up of a process that ensures the institution has a robust and specific framework for liquidity and funding risk management, including a process for identifying, measuring and controlling liquidity and funding risks, competent authorities should ensure that they receive from institutions the following:

- a. description of the scope of ILAAP including an overview of and reasoning for any deviations from the prudential scope of liquidity requirements recognising possible waivers;
- b. description of the set-up of ILAAP explaining the relation between all its components and providing reasoning about how that set-up ensures the institution has access to sufficient liquidity;
- c. the criteria applied by the institution for the selection of significant risk drivers for liquidity and funding risk, including the selection of significant currencies for monitoring the liquidity and the funding position;
- d. the criteria applied by the institution for the selection of appropriate tools and assumptions for ILAAP, such as the method of measuring and projecting current and future cash-flows of assets, liabilities and off-balance-sheet items over appropriate time horizons.

7.1.2 Operational documentation

41. On evidencing the full implementation of a process that ensures the institution has a robust and specific framework for liquidity and funding risk management, including a process for identifying measuring and controlling liquidity and funding risks, competent authorities should ensure that they receive from institutions the following:

- a. an assessment of the intragroup liquidity flows and funding positions, including any possible legal or regulatory impediments to the transfer of liquidity within the (sub-)group;
- b. reasoning for the selection of the significant risk drivers and a quantitative overview of these risk drivers, updated at an appropriate frequency;

- c. quantitative overview of the funding profile and its perceived stability in all significant currencies;
- d. evidence of the monitoring of compliance with minimum and additional prudential requirements related to liquidity and funding risk in accordance with Article 105 of Directive 2013/36/EU, including the forecast of compliance with these requirements under different scenarios over an appropriate time horizon within the scope of ILAAP coverage.

7.2 Information on funding strategy

7.2.1 Methodology and policy documentation

42. On the funding strategy, competent authorities should ensure that they receive from institutions the following:
- a. description of the general set-up of the funding plan, including sources of funding, tenors, key markets, products used, etc.;
 - b. where appropriate, a policy document on maintaining presence in markets in order to ensure and periodically test market access and fund raising capacity of the institution, where relevant;
 - c. where appropriate, a policy document on funding concentration risk, including on the principles for measuring and monitoring of correlation between funding sources and economic connection between depositors and other liquidity providers;
 - d. where appropriate, a policy on funding in foreign currencies, including the most relevant assumptions with regard to availability and convertibility of these currencies.

7.2.2 Operational documentation

43. On evidencing the full implementation of the funding strategy, competent authorities should ensure that they receive from institutions the following:
- a. the current funding plan;
 - b. an quantitative overview of the characteristics, such as volumes, prices and investor appetite, of recent funds raised and an analysis of the feasibility of the execution of the funding plan taken into account (changes in) market volatility;
 - c. a forward-looking view on the (desired) development of the funding position over a forward-looking time horizon specified in the EBA Guidelines on harmonised

definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2⁷;

- d. an assessment of the funding position and funding risk after execution of the funding plan;
- e. information on back-testing of the funding plan in accordance with the requirements of the EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2.

7.3 Information on strategy regarding liquidity buffers and collateral management

7.3.1 Methodology and policy documentation

44. On liquidity buffers and collateral management strategy, competent authorities should ensure that they receive from institutions the following:

- a. their methodology for determining the internal minimum size of the liquidity buffer, including the institutions' definition of liquid assets, the criteria they apply for determining the liquidity value of liquid assets and the constraints relating to concentration and other risk characteristics of the liquid assets;
- b. policy document on collateral management, including principles in relation to the location and transferability of collateral as well as to their role in relation to meeting minimum prudential requirements;
- c. policy document on asset encumbrance, including principles for measuring and monitoring both encumbered and unencumbered assets and linking the limit and control framework regarding asset encumbrance to the institution's (liquidity and funding) risk appetite;
- d. principles for testing the assumptions relating to the liquidity value of, and time to sell or repo, assets included in the liquid asset buffer;
- e. policy document on liquidity concentration risk in the liquidity buffer, including principles for measuring and monitoring of any potential loss of available liquidity due to this concentration.

⁷ EBA/GL/2014/04 of 19 June 2014

7.3.2 Operational documentation

45. On evidencing implementation of the strategy regarding liquidity buffers and collateral management, competent authorities should ensure that they receive from institutions the following:

- a. quantification of the minimum volume of liquid assets considered adequate to meet internal requirements;
- b. quantification of the current liquidity buffer, including its distribution over products, currencies, counterparties, regions/group entities, etc.;
- c. description of differences between the definitions of the elements of the 'counterbalancing capacity' and 'high quality liquid assets' according to Commission Delegated Regulation (EU) No 2015/61 including reasoning to show that the counterbalancing capacity is capable of covering risks not included under Regulation (EU) No 575/2013;
- d. projections of the development of the internally required minimum volume of liquid assets and available liquid assets over appropriate time horizons under both 'business as usual' and stressed conditions;
- e. quantitative overview and analysis of current and projected levels of asset encumbrance, including details of encumbered as well as unencumbered assets that could be used for generating liquidity;
- f. assessment of the time it takes to convert liquid assets into directly usable liquidity, taking into account legal, operational or prudential impediments to the use of liquid assets to cover cash outflows;
- g. analysis of the testing of assumptions in relation to the liquidity value of, and time to sell or repo, assets included in the liquid asset buffer.

7.4 Information on the cost-benefit allocation mechanism

7.4.1 Methodology and policy documentation

46. On the set-up of the liquidity cost-benefit allocation mechanism, competent authorities should ensure that they receive from institutions the following:

- a. description of liquidity cost-benefit allocation mechanism as well as the criteria for the selection of the liquidity and funding elements that ensure all relevant benefits and costs are taken into account, as well as any adjustment frequency of the prices;
- b. description of the interlinkages between the liquidity cost-benefit allocation mechanism and the risk management and overall management of the institution.

47. For the institutions with liquidity transfer pricing (LTP) mechanisms in place, competent authorities should ensure that the information referred to in the previous paragraph also includes description of the set-up and functioning of LTP, and in particular of the interlinkages between LTP and strategic decision making as well as front office decision making on asset and liability generation.

7.4.2 Operational documentation

48. On evidencing cost-benefit allocation of the implementation of the liquidity mechanism, competent authorities should ensure that they receive from institutions the following:

- a. description of the current liquidity cost-benefit allocation mechanism and a quantitative overview of its current calibration (e.g. interest rate curves, internal reference rates for main categories of assets and liabilities in use, etc.);
- b. description of the current integration of the liquidity cost-benefit allocation mechanism into the measurement of profitability for new asset and liability generation, both on-balance-sheet and off-balance-sheet;
- c. description of the current integration of the liquidity cost-benefit allocation mechanism into performance management, where necessary split out into the different business lines/units or regions.

49. For the institutions with LTP mechanisms in place, the information referred to in the previous paragraph should also cover the functioning of LTP, and in particular the relation between LTP and key risk ratios.

7.5 Information on intraday liquidity risk management

7.5.1 Methodology and policy documentation

50. Where appropriate, on the set-up of intraday liquidity risk management, competent authorities should ensure that they receive from institutions the following:

- a. description of the criteria and tools for measuring and monitoring intraday liquidity risks;
- b. description of the escalation procedures for the purpose of intraday liquidity shortfalls which ensure that payments due and settlement obligations are met on a timely basis under both 'business as usual' and stressed conditions.

7.5.2 Operational documentation

51. Where appropriate, on the implementation of intraday liquidity risk management, competent authorities should ensure that they receive from institutions the following:

- a. quantitative overview of intraday liquidity risk over the past year at an appropriate frequency;
- b. the total number of missed payments and an overview with explanation of material payments missed or material obligations not met by the institution in a timely manner.

7.6 Information on liquidity stress testing

7.6.1 Methodology and policy documentation

52. In addition to the general information on stress testing as specified in Section 5.4, on the set-up of liquidity stress testing, competent authorities should ensure that they receive from institutions the following:

- a. description of the adverse scenarios applied and the assumptions considered in liquidity stress testing, including any relevant items such as the number of scenarios used, the scope, internal reporting frequency to the management body, risk drivers (macro and idiosyncratic), the applied time horizons and, where relevant, the split in currencies/regions/business units;
- b. description of the criteria for calibrating scenarios, selecting appropriate time horizons (including intraday, where relevant), quantification of the impact of stress on the liquidity value of buffer assets, etc.

7.6.2 Operational documentation

53. On evidence of the full implementation of liquidity stress testing, competent authorities should ensure that they receive from institutions the following:

- a. quantitative outcome of the stress tests including an analysis of (the main drivers of) this outcome and a clear insight into the relevance of the outcome for the internal limits, liquidity buffers, reporting, modelling and risk appetite;
- b. quantitative and qualitative analysis of the outcomes of stress testing on the funding profile.

7.7 Information on liquidity contingency plan

7.7.1 Methodology and policy documentation

54. On the set-up of the liquidity contingency planning, competent authorities should ensure that they receive from institutions the following:

- a. description of the lines of responsibilities for designing, monitoring and executing the liquidity contingency plan;

- b. description of the strategies for addressing liquidity shortfalls in emergency situations;
- c. description of a tool to monitor market conditions that allow institutions to determine in a timely manner whether escalation and/or execution of measures is warranted;
- d. description of testing procedures, where available (e.g. examples of sales of new asset types, pledging collateral with central banks, etc.).

7.7.2 Operational documentation

55. On the implementation of liquidity contingency plans, competent authorities should ensure that they receive from institutions the following:

- a. the current liquidity contingency plan;
- b. information on the possible management actions including the assessment of their feasibility and liquidity generating capacity under different stress scenarios;
- c. the management view on the implications of all liquidity-related public disclosures made by the institution for the feasibility and timeliness of management actions included in the liquidity contingency plan;
- d. recent analysis of testing, including conclusions on the feasibility of the management actions included in the liquidity contingency plan;
- e. description of the internal view on the impact of executing the management actions included in the liquidity contingency plan, e.g. on the access the institution has to relevant markets and on the overall stability of its funding profile in the short and longer terms.

7.8 Supporting documentation

56. In addition to the information referred to in Sections 7.1-7.7, competent authorities should ensure that they receive from institutions all relevant supporting information including minutes of relevant committees and management body meetings evidencing the sound set-up and implementation of ILAAP, and in particular:

- a. approval of the overall set-up of ILAAP;
- b. approval of the key ILAAP elements, such as the funding plan, the liquidity contingency plan, the liquidity cost-benefit allocation mechanism, stress test assumptions and conclusions on outcomes, specific liquidity and funding risk appetite, targeted size and composition of liquid asset buffer, etc.;

- c. evidence of discussion on (changes in) the liquidity and funding risk profile, limit breaches, etc., including decisions on management actions or the explicit decision not to take any action;
- d. examples of significant decisions in new product approval committees evidencing, if applicable, the use of the liquidity transfer pricing (LTP) and risk views in these decisions;
- e. evidence of discussion of the analysis of the feasibility of the funding plan based on (changes in) market depth and volatility;
- f. evidence of decisions on management actions related to intraday liquidity risk after internal escalation due to intraday liquidity events;
- g. evidence of discussion of the outcome of liquidity stress tests and decision on any management (non-)action;
- h. evidence of discussion on the regular testing of the liquidity contingency plan and decisions on adjusting the management actions listed in the liquidity contingency plan;
- i. decision relating to the size and composition of the liquid asset buffer;
- j. evidence of discussion regarding the testing of the liquidity value of, and of the time required to sell or repo, assets included in the liquid asset buffer;
- k. where available, internal self-assessments in which institutions can take the opportunity to justify their level of compliance against publicly available criteria regarding risk management and control that affect ILAAP.

8. ICAAP and ILAAP conclusions and quality assurance

57. Competent authorities should ensure that they receive from institutions conclusions of the internal capital and liquidity adequacy assessments and their impact on the risk and overall management of an institution, including:
- a. summary of main conclusions on ICAAP and ILAAP in order to form a concise view on the current capital and liquidity position of the institution, its capacity to cover the risks to which it is or might be exposed, and any measures planned by it to ensure that capital and liquidity remain at, or are restored to, adequate levels in the near future;
 - b. material changes (made or planned) to the risk management framework based on ICAAP or ILAAP results;
 - c. material changes (made or planned) to business models, strategies or risk appetite frameworks based on ICAAP or ILAAP results, including management actions (e.g. changes of risk positions);
 - d. material changes (made or planned) to the ICAAP and ILAAP frameworks, including improvements to be introduced following the observation of internal validations, internal audit reports and the outcomes of the dialogue with the competent authorities.
58. Competent authorities should ensure that the information specified in the previous paragraph should have approval from the pertinent body within the governance framework responsible for ICAAP and ILAAP and should be accompanied by a specific timeline associated with the planned changes.
59. Competent authorities should also receive from institutions adequate explanation of how institutions ensure that the ICAAP and ILAAP frameworks and models used provide reliable results (e.g. validation concepts, validation reports) and a description of both the internal validation approach (process, frequency) and the validation content, where available. In particular, competent authorities should receive from institutions all available results of the internal validations/reviews of ICAAP and ILAAP methodologies and calculation outcomes performed by the independent validation function.
60. Competent authorities should also receive from institutions their internal audit reports covering ICAAP and ILAAP.

4. Accompanying documents

4.1 Impact assessment

a. Problem identification

Institutions should have in place internal capital adequacy assessment process (ICAAP) in accordance with Article 73 of Directive 2013/36/EU, as well as internal liquidity adequacy assessment process (ILAAP) in accordance in Article 86 of the same Directive. Competent authorities should assess ICAAP and ILAAP as part of their supervisory review and evaluation process (SREP) performed in accordance with Article 97 of Directive 2013/36/EU and the EBA Guidelines on common procedures and methodologies for SREP⁸ (SREP Guidelines).

The SREP Guidelines provide a set of qualitative criteria that competent authorities should consider in their assessment of ICAAP and ILAAP frameworks, established by institutions as part of their risk management arrangements, as well as the assessment of internal capital and liquidity estimations performed by the institutions under ICAAP and ILAAP.

In order to perform supervisory assessments of ICAAP and ILAAP frameworks and determine whether institutions' ICAAP and ILAAP meet the criteria specified in the SREP Guidelines, competent authorities should have access to various ICAAP- and ILAAP-specific background information, including documents describing institutions' internal policies and operations documents as well as other supporting documents evidencing the use of ICAAP and ILAAP in the risk management and strategic management decision making process of an institution.

The collection of ICAAP and ILAAP information from institutions is essential for the performance of SREP assessment. Many competent authorities have already requested institutions in their jurisdictions to provide them with ICAAP and/or ILAAP reports, as well as with other supporting quantitative data, given that such information is not part of the common European supervisory reporting framework. However, the existence of different and perhaps divergent requirements for the provision of the relevant information may hinder harmonisation in the implementation of the SREP Guidelines and put additional burden on institutions, in particular on cross-border banking groups and their entities, which may face different requests for provision of information from the consolidating and host competent authorities. The introduction of the common SREP framework, including common criteria for the assessment of ICAAP and ILAAP, presents a good opportunity to the EBA to introduce further convergence of supervisory practices in the assessment of ICAAP and ILAAP, as required by the SREP Guidelines, by introducing a common set of information that competent authorities will be using in their assessments.

⁸ EBA/GL/201413 of 19 December 2014

This impact assessment justifies the decision to develop the Guidelines on the EBA's own initiative, focusing on the benefits from the introduction of higher supervisory convergence regarding the collection of ICAAP- and ILAAP-related information. Such convergence would facilitate harmonised assessments, which at the same time would be consistent with the consistent implementation of the SREP Guidelines by competent authorities. Due to the nature of the problem addressed by these Guidelines and the lack of relevant data, only a high-level qualitative assessment has been conducted to assess the applicability of the provisions set out in the Guidelines.

It is noteworthy that the impact assessment quantifies the net impact (although not in monetary terms) from the full implementation of the Guidelines, implying that the costs and benefits from the actual implementation of the Guidelines will be proportionate to the level of implementation in each Member State, i.e. Member States which do not fully implement the Guidelines will incur lower costs but will also benefit less from the advantages of the full implementation.

b. Policy objectives

These Guidelines aim to achieve convergence of supervisory practices in the assessment of ICAAP and ILAAP as required by the SREP Guidelines, by introducing a common set of information that competent authorities will be using in their assessments across the EU. In particular, the Guidelines aim to specify what general and ICAAP- and ILAAP-specific information competent authorities should collect from institutions following their minimum engagement model as specified in the SREP Guidelines (more in-depth annual supervisory interaction and assessment of all SREP elements for large and complex Category 1 institutions and risk-based interaction with lower frequency for other categories of institutions).

In addition to specifying information items, these Guidelines also set general criteria for competent authorities to organise the collection of ICAAP and ILAAP information and specify the use of such information for the purposes of assessing other SREP elements. When specifying such criteria, these Guidelines recognise the principle of proportionality in relation to the frequency, granularity, reference dates and remittance dates for the provision of ICAAP and ILAAP information that should be determined in relation to the SREP categorisation of institutions, minimum supervisory engagement model and supervisory examination programmes.

To achieve the objective of convergence, the impact assessment should identify whether the specification of common ICAAP and ILAAP information is deemed necessary for the assessment of ICAAP and ILAAP under SREP, and, if so, if the trade-off between the costs and benefits involved in the full implementation of these Guidelines justifies the additional information requests.

c. Baseline

The introduction of a common approach for the collection of ICAAP- and ILAAP-related information would further establish a level playing field for similar reporting entities, i.e. that institutions with similar systemic impacts, risk profiles, business models and geographic exposures

are reviewed and assessed by competent authorities consistently and are subject to broadly consistent supervisory expectations, actions and measures.

It should be noted that:

1. The Guidelines do not introduce a specific ICAAP/ILAAP 'report' but define the information items and their core content. Such information can be provided either through a single report, specifically prepared by an institution for the purposes of ICAAP/ILAAP submissions, or by the provision of separate documents which are already available at the institution. The specific form of the submission of information will be determined by the competent authorities when applying these Guidelines.
2. Furthermore, the Guidelines do not introduce any specific common templates for the provision of quantitative data to support ICAAP and ILAAP assessments, or introduce common risk taxonomy or methodological considerations other than already specified in the SREP Guidelines.
3. In their implementation of the Guidelines, competent authorities, however, may opt for introducing specific ICAAP and/or ILAAP reports based on the requirements of these Guidelines and require institutions to provide information specified in these Guidelines in the form of a specific report. In the national implementation of the Guidelines, competent authorities may also opt to supplement information specified in these Guidelines with specific quantitative information/data that may be necessary for the assessment of ICAAP and ILAAP or for the determination of supervisory benchmarks to be used for the assessment of ICAAP and ILAAP internal estimates.

It is expected that, even in the absence of regulatory intervention by means of these Guidelines, most of the competent authorities within the EU will anyway request institutions to provide regular ICAAP and ILAAP information for the purposes of SREP assessments that would be more or less similar to the content of these Guidelines. This implies that nevertheless this requirement would introduce additional costs to the involved institutions. In light of this, the regulatory intervention (these Guidelines) will therefore enhance the harmonisation of prudential supervision and will speed up the actual compliance with the SREP Guidelines, making the harmonisation feasible at an earlier stage. This would reduce the costs which would arise from the excessive exchange of information with national supervisors for the provision of ad hoc information and the assignment of resources in doing so.

d. Options considered and cost-benefit analysis

Option 1: 'Do nothing' (i.e. not to draft these Guidelines)

This option implies that competent authorities would continue with their current practices of requesting ICAAP and ILAAP information from institutions either by means of defining approaches at the level of each jurisdiction in a formalised way, or giving freedom to institutions to provide information without any guidance from competent authorities. Under this option, most of the

authorities are likely to provide some guidance to the institutions in their jurisdictions regarding ICAAP and ILAAP information, with some authorities potentially introducing some ICAAP- and ILAAP-specific reports relying on past practices, whereas a limited number of authorities are likely not to provide any guidance, instead relying on information to be provided by institutions themselves, and thus probably requesting additional information that might be necessary for the assessment of criteria introduced in the SREP Guidelines.

This option would not support the consistent implementation of the SREP Guidelines by competent authorities and would not support the level playing field in the assessment of ICAAP and ILAAP across the EU. Under this option some institutions would be subject to the ICAAP/ILAAP reporting guidance issued by competent authorities in an uncoordinated fashion, whereas others might not face such requirements. Such divergence in the approaches applied is likely to bring disproportionate costs to some institutions compared with others.

The 'do nothing' option would also not facilitate supervision of cross-border banking groups and their entities and the functioning of colleges of supervisors, as competent authorities and colleges would have different information for their assessment, which is likely to lead to additional information requests, bringing extra costs to institutions.

The benefit of the 'do nothing' option is in preserving the current status quo, where some authorities might continue prescribing delivery and content of ICAAP- and ILAAP-specific information, whereas other authorities would not provide guidance and would rely entirely on information provided by institutions for their assessments. Therefore, there would be no change in practices or additional costs for institutions in any of the cases. Maintaining the status quo, however, might not be possible in the long run, especially for authorities that do not provide any guidance to institutions, as in order to be compliant with the SREP Guidelines and assess institutions' ICAAP and ILAAP using the criteria provided in the SREP Guidelines they would need to have additional information that is not currently being requested from institutions.

To sum up, Option 1 can be analysed as follows:

Benefits: one-off 'opportunity' benefits (e.g. in terms of total operating cost for competent authorities and institutions) to competent authorities that do not currently provide any guidance to institutions regarding ICAAP and ILAAP information from the supervised institutions, as well as benefits to the institutions in such jurisdictions. Such benefits are limited, as both competent authorities and institutions would still need to change their approaches, as they would need to comply with updated ICAAP and ILAAP assessment criteria in the SREP Guidelines. In addition, Option 1 would present benefits from avoiding the need to dedicate staff from the EBA and competent authorities to draft and monitor the implementation of the Guidelines.

Costs: ongoing costs of compliance with the SREP Guidelines, as competent authorities and institutions would need to adjust their processes in order to have ICAAP and ILAAP information and perform the assessments of ICAAP and ILAAP in accordance with the

criteria specified in the SREP Guidelines. Furthermore, cross-border banking groups and their entities might be subject to additional costs stemming from harmonised and uncoordinated requests for ICAAP and ILAAP information from the consolidating and host competent authorities.

Net impact (benefits minus costs): negative (low).

Option 2: To introduce the harmonisation of ICAAP and ILAAP collection of information from institutions by specifying the types of the required qualitative and quantitative information and providing criteria for the organisation of the collection process.

This option would support the consistent implementation of the SREP Guidelines and provide competent authorities with the basic set of information needed to assess ICAAP and ILAAP frameworks and calculations against the criteria specified in the SREP Guidelines. This option would not introduce additional costs for institutions or competent authorities that have already specified the requested ICAAP and ILAAP information aligned with the criteria set in the current Guidelines. However, the competent authorities which have not established similar approaches or do not have any approach for requesting information are likely to update their own guidance and their internal processes to meet the requirements of the SREP Guidelines. Therefore, this policy option is likely to introduce additional costs to the national supervisors as well as to the reporting institutions that are currently not subject to any specification/guidance regarding ICAAP and ILAAP information.

Considering the need for the consistent implementation of the SREP Guidelines and common criteria for ICAAP and ILAAP assessment, the scope of information regarding ICAAP and ILAAP that competent authorities need to request from institutions (where national guidance is currently provided), or institutions will need to provide to the competent authorities (where no guidance is currently provided), will need to change in order to provide sufficient basis for the assessment as required by the SREP Guidelines. Against this background, competent authorities and institutions will be subject to additional costs in any event, as they would need to implement the SREP Guidelines (the impact of these changes has been assessed in the separate impact assessment of the SREP Guidelines). Therefore, the benefit of these Guidelines will be in providing a consistent basis for the changes in information ICAAP and ILAAP information to be requested/provided and thus facilitating the implementation of the SREP Guidelines.

Furthermore, while harmonising the set of ICAAP- and ILAAP-related information under Option 2, the Guidelines also provide a certain flexibility by means of allowing a proportionate approach to be applied to smaller and less complex institutions (non-Category 1 institutions according to the classification of the SREP Guidelines). Following the principle of proportionality, for non-Category 1 institutions competent authorities would determine reference dates and remittance dates, might waive some information items ex ante, and would specify the format for the submission of ICAAP and ILAAP information that would best suit their supervisory needs, where appropriate coordinating these arrangements within the colleges of supervisors. This would furthermore reduce the costs of compliance with these Guidelines for institutions.

To sum up, Option 2 can be analysed as follows:

Benefits: The benefits of this option (e.g. in terms of total operating cost for competent authorities and institutions) arise from introducing greater convergence and consistency into collection of ICAAP- and ILAAP-specific information from institutions, which would facilitate greater consistency in the SREP assessments of ICAAP and ILAAP frameworks and internal capital and liquidity calculations, and thus positively contributing to more consistent implementation of the SREP Guidelines across the EU. The option would also offer benefits to cross-border institutions, as they would be subject to more consistent and coordinated requests for ICAAP- and ILAAP-specific information by the consolidating and host competent authorities.

Costs: As almost all authorities in the EU already provide structured requests for ICAAP- and ILAAP-specific information from institutions (including by means of specific guidance to institutions), and would need to amend such requests for the purposes of the implementation of the SREP Guidelines, additional costs from the harmonised approach introduced in these Guidelines are implied, although negligible, due to the expected amendment in the structure and content of such requests for the purposes of the implementation of the SREP Guidelines. Non-Category 1 institutions, especially in the Member States where competent authorities have not provided ex ante guidance regarding ICAAP and ILAAP information submission by institutions, may be subject to additional costs from the implementation of these Guidelines, but these are mitigated by the flexibility in relation to the application of the principle of proportionality.

Net impact (benefits minus costs): positive (low).

e. Preferred option

The cost-benefit analysis in section indicates that Option 1 should be excluded as it produces a negative net impact. The high-level cost-benefit analysis indicates that Option 2 is proposed for implementation, i.e. developing Guidelines that introduce common approach to the specification of ICAAP- and ILAAP-specific information for the purposes of the assessment of ICAAP and IALLP in accordance with the SREP Guidelines.

4.2 Feedback on the public consultation and on the opinion of the BSG

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

The consultation period lasted for three months from 11 December 2015 to 11 March 2016. Altogether nine responses were received and all of them were published on the EBA website. The Banking Stakeholders Group did not provide any opinion.

This section 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. In such cases, the comments, and the EBA's analysis, are included in the section of this paper where the EBA considers them most appropriate.

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

Summary of key issues and the EBA's response

The comments were mostly supportive of the proposal; however, many respondents have made the point that these Guidelines should not introduce any new ICAAP or ILAAP requirements or new assessment criteria, but the EBA should stick to the existing ICAAP and ILAAP assessment criteria introduced in the EBA SREP Guidelines. Furthermore, respondents suggested that competent authorities need to justify why they need all the requested information as well as to clarify the level of detail expected in the information, in particular as regards the methodologies and models used within ICAAP and ILAAP.

The respondents also requested more explanation regarding the role of the 'reader's manual' and the materiality threshold for including information regarding changes in the institution's internal documents to be reflected in the submissions from institutions. Some respondents also suggested considering the possibility of developing a common template for such 'reader's manual'.

It was also suggested that the linkages between ICAAP, ILAAP, contingency planning and recovery planning be explained better in a way that would explain the whole framework and not just its isolated elements. Respondents also asked us to consider better explaining how risk data aggregation and reverse stress testing fit into the picture and, in particular, to better map information available to supervisors from contingency and recovery planning, stress tests etc.

Some respondents also suggested that the EBA should work on developing risk taxonomies with a view to their harmonisation.



Many comments related to the proposed section on the analysis of ICAAP and ILAAP disclosures and their impact on the institution's ability to execute its capital and funding plans, including the liquidity contingency plan.

The EBA carefully examined all the comments received (see table below) and amended the text of the Guidelines accordingly.

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

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
General comments			
Convergence and consistency of the draft ICAAP/ILAAP GL	<p>A respondent proposed that the EBA produce a map of the information required under the draft ICAAP/ILAAP GL, SREP GL, stress testing assessments and recovery and resolution plans, in order to prevent the full supervisory framework from resulting in a multiplicity of information requests. Another respondent felt that an integrated supervisory model for submission of information would be appropriate in order to avoid any overlaps and inefficiencies.</p> <p>Some respondents asked for a more coordinated and aligned procedure between the EBA GL and the ECB supervisory expectations on ICAAP/ILAAP⁹ in respect of gathering information and on the required content. It was observed that banks should be able to have a flexible approach in their capital planning, allowing appropriate conservatism of risk management. This was indicated in relation to the ECB's expectation of more conservatism regarding governance arrangements than the baseline described.</p>	<p>The EBA appreciates the comment and good suggestion, but this topic remains outside the scope and the mandate of these Guidelines.</p> <p>The EBA notes that the ECB, like any other authorities, following the finalisation of the Guidelines should state its intention regarding compliance with the Guidelines and then implement them in its practices. The EBA will be assessing the implementation of the Guidelines, including any deviations from them, as part of its ongoing work on assessing convergence of supervisory practices</p>	<p>No changes made.</p> <p>No changes made.</p> <p>No changes made.</p>

⁹ Supervisory expectations on ICAAP and ILAAP and harmonised information collection on ICAAP and ILAAP, ECB 8 January 2016, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/160108letter_nouy.en.pdf

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>A respondent proposed that for the purpose of consistency, and in line with information requirements for liquidity contingency planning, the draft ICAAP/ILAAP GL should introduce information requirements on capital contingency planning.</p>	<p>In contrast to liquidity contingency plans, there is no legal obligation to have stand-alone capital contingency plans under the CRR/CRD. However, contingency planning should form a part of robust capital planning in general.</p>	
	<p>In some cases, respondents suggested that the EBA consider harmonisation of some types of risks in order to prevent divergence, i.e. to consider a risk taxonomy used for supervisory purposes.</p>	<p>The EBA agrees with the observations regarding the risk taxonomy and notes that there is ongoing work in this respect.</p>	<p>No changes made.</p>
	<p>According to one respondent, the data collection under the draft GL is not fully aligned content-wise with the SREP GL, resulting in a lack of consistency, transparency and reconcilability. This makes it unclear, both for NAs and for banks, which information in the data collection in accordance with the draft ICAAP/ILAAP GL covers which requirements in the SREP GL. The indicated non-alignment also results in setting additional priorities compared with the SREP GL, i.e. ‘gold plating’ the SREP GL, and potentially threatens the overall objective of EU-wide harmonisation.</p>	<p>These Guidelines specify information that competent authorities would need to assess as part of SREP assessment. The actual assessment criteria and elements are described in the EBA SREP Guidelines. It is noted that the information will be used by the competent authorities primarily for the assessment of ICAAP and ILAAP frameworks, but also for the purposes of the assessments of business models and strategy, overall internal governances and institution-wide controls, as well as assessment of risks to liquidity and funding and liquidity adequacy. In this light the list of information items should be seen in the broader context.</p>	<p>The list of information items in these Guidelines has been reviewed for consistency with the SREP Guidelines.</p>
	<p>One respondent submitted that it is unclear whether the submission of information is ‘requested’ or ‘suggested’. The draft GL do not set any specific requirements; however, in paragraph 9 it is stressed that competent authorities would be expected to receive information by a single set date as a comprehensive package.</p>	<p>The Guidelines do not prescribe any specific form for the information collection, as they are addressed to the competent authorities, which should organise the collection of information based on the requirements of these Guidelines. When organising</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>In relation to Section 3.2, a respondent observed that it is unclear whether the definition of ILAAP includes the two dimensions introduced in the SREP GL: (i) ensuring that the level of liquidity risk taken by the bank is not excessive, and (ii) that the bank has appropriate risk management policies, processes and systems. Additionally, ILAAP could be interpreted in terms of the institution’s self-assessment, providing a third dimension, which is not mentioned elsewhere in the GL, except for paragraph 7.8.54.k. The following drafting of paragraph 7.8.54.k was recommended:</p> <p><i>'where available, internal self-assessment in which the institutions can take the opportunity to justify their level of compliance against publicly available criteria regarding risk management and control that affect ILAAP.'</i></p>	<p>the actual collection of information from institutions, the respective competent authorities will advise institutions on the scope, timelines and format for the information to be provided.</p> <p>The EBA notes that ILAAP is defined in the SREP Guidelines as ‘process for the identification, measurement, management and monitoring of liquidity implemented by the institution pursuant to Article 86 of Directive 2013/36/EU’, which does not necessarily mean that this is a self-assessment exercise rather than a risk management process. The EBA acknowledges that institutions may employ self-assessment-type exercises as part of their ILAAP (and risk management); hence, this is also included in the information to be collected. Such self-assessments that are referred to in these Guidelines could usually include own assessment of compliance with regulatory requirements. The EBA, however, by virtue of these Guidelines does not set any expectations of having self-assessment as a mandatory element.</p>	<p>No changes made.</p>
<p>Timeline and Implementation</p>	<p>Respondents considered that setting the application date to 30 June 2016 is ambitious. It is possible that the publication of the final GL will occur at the same time as they become applicable, not providing the necessary implementation period. Also, authorities may want to use the draft GL to request information for the 2016 SREP.</p> <p>Some respondents expressed concern that due to tight timing the granularity and quality of information provided may be</p>	<p>The EBA agrees with the concerns raised regarding the timing, and also considering other Pillar 2-/SREP-related initiatives has revised the application date to 1 January 2017. It is noted that the date is meant for the competent authorities to implement these Guidelines in their practices and does not mean the remittance date for the ICAAP and ILAAP information. Such remittance dates will be set by</p>	<p>The implementation date for these Guidelines has been set as 1 January 2017.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>below the supervisors' expectations. The short time provided for compliance may result in uncertainties on correct understanding of all requirements.</p>	<p>the competent authorities in accordance with the provisions of these Guidelines following their implementation.</p>	
	<p>A respondent proposed that the draft GL on stress testing should be approved at the same time as the ICAAP/ILAAP GL, since the information on stress testing is a key element in ICAAP/ILAAP.</p>	<p>The EBA is striving to make all SREP-related Guidelines and other regulatory products work as one package and takes note of the suggestion. However, it should be noted that the finalisation of Guidelines on stress testing and supervisory stress testing is linked to the European Commission's review of the Pillar 2 framework in the CRD, while it is crucial to have these Guidelines finalised for the 2017 cycle of SREP assessments.</p>	<p>No changes made.</p>

Responses to questions in Consultation Paper EBA/CP/2015/26

Question 1. What are your views on the scope and specification of information to be collected for the purposes of the assessment of ICAAP and ILAAP under SREP specified in the draft Guidelines?

Q1 General Comments

Scope of information	<p>Many respondents felt that the amount of information required for ICAAP and ILAAP (in particular for G-SIBs) is too extensive and supervisors may not be able to validate and evaluate all the information provided. It was proposed that this should be examined with respect to the principle of materiality and cost-benefit considerations.</p>	<p>ICAAP and ILAAP are important elements of institution-wide risk management and controls and have to be assessed by the competent authorities following the requirements of SREP Guidelines. Given the internal nature of ICAAP and ILAAP, no data is available through the standardised regular reporting, and therefore collection of information is required in order to carry out supervisory assessment as required by the SREP Guidelines. It should be noted, though, that information collected</p>	<p>No changes made.</p>
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Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		<p>for the purposes of ICAAP and ILAAP assessments will also be used by competent authorities for other supervisory activities, and assessments of other SREP elements (e.g. business model analysis, assessment of stress testing programmes etc). In order to account for the principle of proportionality, competent authorities can set different levels of detail or waive specific information items depending on the institution’s category.</p> <p>It should also be noted that most of the information mentioned in these Guidelines should be generally available within the institutions, as this reflects good risk management practice (with the only exception being the ‘reader’s manual’).</p>	
	<p>One respondent suggested that institutions should provide a summary of models/methodologies and assumptions used for ICAAP/ILAAP and summary of key model validation findings.</p>	<p>The EBA agrees with the concern regarding the level of detail of model documentation, and acknowledges that by default there should be a general description of the key features of models and assumptions, with additional details provided upon request. Generally this would be the same information that is used by an institution for the purpose of presenting model information for approval to the management body.</p>	<p>Paragraph 31(a) has been amended to include only a general description of key features of models.</p>
	<p>Another respondent proposed that the EBA should limit the submission of information to existing overview reports that are presented to management bodies. If needed, the supervisors should request additional documents later. The respondent also asked for justifications of why certain documentation is</p>	<p>The Guidelines do not prescribe any specific form for the information collection, as they are addressed to the competent authorities, which should organise the collection of information based on the requirements of these Guidelines. It should also be</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	required.	noted, however, that competent authorities usually require more detailed information than management bodies, as they also need to assess the use of information by the management body and assess whether the information presented to the management body is accurately reflecting the institution's risk profile and is reliable.	
	<p>Respondents also suggested specifying the form of the information that needs to be submitted for ICAAP/ILAAP purposes. Some respondent proposed that, given the volume of documentation required, there should be a note included that the information does not need to be in paper form.</p> <p>One respondent suggested it should be clearly stated that there is no prescribed format for the submission of the requested information. Another respondent, however, was concerned that the content of current ICAAP and ILAAP aims for standardised information provision, proposing that the EBA should stress that it does not seek a 'template' approach, as both processes of ICAAP and ILAAP are internal for each institution.</p>	<p>It is not the intention of the Guidelines to specify any specific forms, formats, or templates for the submission of ICAAP and ILAAP information, but rather to indicate the scope of information to be collected by the competent authorities. Following the requirements of paragraph 12 of the Guidelines, competent authorities should set operational procedures and communicate to the supervised institutions, inter alia requirements regarding the technical means and formats for the provision of information, which may also include pre-defined templates to be used for the provision of some quantitative information, but recognising that both ICAAP and ILAAP should be institution-specific.</p> <p>The EBA will be assessing the practical implementation of the Guidelines as part of its convergence assessment work and, based on these activities, may amend the Guidelines or issue additional guidance in the future.</p>	No changes made.
Use of legal entity identifiers	One respondent observed that in many areas, such as information on business models and coverage by IT systems, information to be collected for ICAAP and ILAAP is requested by	The EBA notes that the collection of ICAAP and ILAAP information specified in these Guidelines does not form part of standardised supervisory reporting, and	No changes made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>the EBA for each subsidiary or group entity. In January 2014, the EBA issued its recommendation regarding the use of LEIs for supervisory reporting. In this respect, it was asked if ICAAP and ILAAP fall under the category of supervisory reporting, in which case reporting for ICAAP and ILAAP would already require the use of LEIs for these entities in the reports to the EBA from the reporting institutions.</p>	<p>therefore use of specific data requirements, including LEIs, is left for the competent authorities to decide, when requesting the institutions to provide information.</p>	
'Gold plating' the SREP GL	<p>Several respondents suggested the draft ICAAP/ILAAP GL include additional requirements for which there is no requirement under the SREP GL or there is no supervisory requirement. This was observed, in particular, with regard to ILAAP. In this respect one respondent included examples from paragraphs 7.2.1.40.c, 7.3.1.42.b, c and e, 7.5.1.48.c, 7.7.2.53.d and 7.8.54.h. Others observed additional requirements also in paragraphs 7.3.2.43.d and 8.57.</p>	<p>These Guidelines specify information that competent authorities would need to assess as part of SREP assessment. The actual assessment criteria and elements are described in the EBA SREP Guidelines. The EBA does not see any 'gold plating' of the requirements of the EBA SREP Guidelines, as information to be collected based on these Guidelines should facilitate the assessment of ICAAP and ILAAP frameworks as well as internal capital and liquidity estimates in accordance with the SREP Guidelines. The EBA has reviewed the suggested examples of 'gold plating' and made the text more aligned with the SREP Guidelines, where necessary.</p>	<p>The list of information items in these Guidelines has been reviewed for consistency with the SREP Guidelines.</p>
Q1 Specific Comments			
<p>Para 3.8 General criteria for organisation collection of ICAAP/ILAAP information</p>	<p>One respondent proposed clearer guidelines on the scope of ILAAP and the level of granularity of the information required. The respondent suggested that only material entities according to their own internal definition should be included.</p>	<p>The information regarding ICAAP and ILAAP should cover all entities subject to ICAAP or ILAAP requirements, recognising all waivers, where applicable, as specified in paragraph 7 of these Guidelines.</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Para 4.15 Time for provision of supplementary information</p>	<p>Some respondents proposed that it is necessary to specify a minimum lead time between the request of the authority and the submission of information by the institution.</p>	<p>The EBA agrees with the comments and believes that competent authorities when requesting information specified in these Guidelines should set reasonable deadlines for their submission.</p>	<p>Paragraph 12(a) has been clarified.</p>
<p>Para 4.16 Request for submission of specific information outside ICAAP/ILAAP submission</p>	<p>According to one respondent, due to institutions' resource planning there should be no requirements for submission of non-standard information that is outside the regular (yearly) submissions.</p>	<p>ICAAP and ILAAP information is generally to be collected on an annual basis. However, some information items specified in these Guidelines may be needed by competent authorities for the performance of other supervisory activities, e.g. on-site examinations, which have their own timelines. To this end, competent authorities may request such information before the regular submission of ICAAP and ILAAP information. They may also use information provided as part of ICAAP and ILAAP collection, if other activities take place after the annual submissions, provided that the information remains up to date. Generally, competent authorities should avoid duplicating requests for information.</p>	<p>No changes made.</p>
<p>Section 5 Information that is common to ICAAP and ILAAP</p>	<p>A respondent asked for more clarification on the level of detail expected in the information required. The respondent proposed more clarification on the scope of the changes that a (large) institution is expected to submit, the time of the submission – how much in advance the information should be submitted – and the scope of detail concerning risk data, aggregation and IT systems. The respondent proposed that there is potential for duplication of the information required, e.g. risk data, aggregation and IT system information, which are covered under BCBS 239 requirements.</p>	<p>The EBA notes that the overall principle of proportionality applies throughout the Guidelines, and, unless competent authorities explicitly specify the level of detail or metrics, it is for the institutions to decide how to populate such information items. With respect to the application of BCBS 239, it is noted that the assessment of risk data aggregation is within the scope of the SREP assessment of internal governance and institution-wide controls.</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Para 5.1.22.b</p> <p>Projections of key financial metrics for all core business lines, markets and subsidiaries</p>	<p>In one case, a respondent submitted that the request for key metrics will result in overly extensive group ICAAP.</p>	<p>The EBA notes that the overall principle of proportionality applies throughout the Guidelines, and, unless competent authorities explicitly specify the level of detail or metrics, it is for the institutions to decide how to populate such information items. It also notes that this information item refers to the ‘core’ business lines, markets and subsidiaries. Such information should be readily available to all institutions, as this is fundamental for any financial planning and budgeting.</p>	<p>No changes made.</p>
<p>Para 5.2.23.e</p> <p>Description of the separation of tasks within the bank group</p>	<p>In one case, concern was expressed that the submission of this information imposes an increased burden and complexity on multinational banks compared with the benefits of receiving this additional information for competent authorities.</p>	<p>The EBA notes that the overall principle of proportionality applies throughout the Guidelines, and, unless competent authorities explicitly specify the level of detail or metrics, it is for the institutions to decide how to populate such information items.</p> <p>The aim of this particular paragraph is to give an institution the possibility to explain to the competent authorities how it has organised ICAAP and ILAAP within its organisation.</p>	<p>No changes made.</p>
<p>Para 5.3.24</p> <p>Risk appetite framework</p>	<p>Some respondents suggested that the risk appetite framework could consist of different documents, without specifying what documents those might be.</p>	<p>The Guidelines do not specify any particular documents that institutions should have in relation to the risk appetite framework, but specify what information regarding the risk appetite framework should be collected by the competent authorities. Such information might be contained in various internal documents, and then they will need to be provided to the competent authorities, ensuring that all information items are covered.</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Para 5.4.25 Information on risk data, aggregation and IT systems</p>	<p>Respondents suggested that the information requested under this paragraph is extensive and redundant, as it is already provided as part of A-IRB applications. CAs would be unable to assess the documentation for all supervised entities.</p> <p>Several respondents observed that many small financial institutions often outsource risk management structures to specialised external service providers. In this regard some respondents asked for examples of how small financial institutions would comply with the requirement under this paragraph. Most of the respondents suggested that the external service provider could deliver a standardised description that may be supplemented when needed with an institution-specific description.</p>	<p>The EBA notes that the assessment of data, data infrastructures and IT infrastructures, including risk data aggregation capabilities (BCBS 239 requirements) is an important element within the SREP assessment of internal governance and institution-wide controls (see SREP Guidelines Section 5.8) as well as an element to be assessed within the assessment of stress testing programmes (see the EBA Guidelines on stress testing and supervisory stress testing).</p> <p>The EBA also notes that the overall principle of proportionality applies throughout the Guidelines, and, unless competent authorities explicitly specify the level of detail or metrics, it is for the institutions to decide how to populate such information items.</p> <p>As for the description of models and methodologies, the EBA notes that the focus is on the general descriptions of their key features and assumptions.</p> <p>Furthermore, outsourcing of certain functions does not relinquish the institutions' responsibility for such functions, including risk management, and therefore institutions should both retain control over the outsourced functions and ensure access for the competent authorities to supervise such outsourced activities (see CEBS Guidelines on outsourcing).</p>	<p>No changes made to Section 5.5, but paragraph 30(a) regarding the model has been clarified.</p>
<p>Para 5.5.26 Disclosure of ICAAP/ILAAP methodologies (Pillar 3)</p>	<p>Most respondents were strongly opposed to this paragraph and proposed dropping it in its entirety. The reasons were the following:</p>	<p>The key focus of the section on disclosures was to understand institutions' own assessment of/reaction to the information on ICAAP and ILAAP (or wider liquidity information) that they publicly disclose and</p>	<p>Section 5.5 has been dropped, the content of the 'reader's manual'</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
disclosure)		<p>what impact such disclosures have on the management actions planned within the capital and funding plans, including liquidity contingency plans. There was no intention to introduce any new disclosure obligations, as institutions are already expected to disclose some ICAAP and ILAAP information in accordance with Article 438(a) of the CRR.</p> <p>However, based on the received feedback, the EBA dropped the specific section (former Section 5.5) on disclosures, but included references to the ICAAP and ILAAP information disclosed in the ‘reader’s manual’ that institutions have to prepare and added a specific item on the impact of the disclosure made by institutions for the feasibility and timeliness of management actions included in the liquidity contingency plan.</p>	<p>has been amended in paragraph 11, and a specific liquidity-related provision has been added in paragraph 55(c).</p>
<p>Para 5.5.26.a Description of the disclosed information</p>	<p>Several respondents suggested that the CRR already establishes the relevant requirements under Article 435(1) and Article 438(a). Therefore, the requirement was considered unnecessary.</p>		
<p>Para 5.5.26.b Assessment of the impact of disclosed information</p>	<p>Respondents suggested that the requirement is of relevance only for financial institutions with a capital market focus and it was unclear how the influence of Pillar 3 disclosure is different from other public disclosure.</p>		
<p>Para 5.5.26.c Deviations between disclosed information</p>	<p>Since there are always deviations between the internal information and disclosed information, most respondents proposed considering the principles of confidentiality and</p>		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
and ICAAP/ILAAP information	internal materiality for the submission of the information under the paragraph.		
Para 6.1.1.27.b, 6.2.1.29.c and 6.2.2.30c	Respondents stated the relevance of recognition of inter-risk diversification, in particularly with respect to cross-border groups. According to one respondent, non-consideration would create misalignment between the management approach and the approach to capital assessment.	The EBA position on non-recognition of benefits from inter-risk diversification for the purposes of the determination of additional own funds requirements has been formulated and publicly consulted on in the SREP Guidelines (see Section 7.2.1 of SREP Guidelines). However, institutions may recognise any form of diversification for their internal purposes.	No changes made.
Description of the approach to identification of risk; differences between models for ICAAP purposes and for calculation of minimum own funds; and internal capital estimates for risk categories	The same respondent also asked for further clarification of the meaning of ‘risk concentrations’. If the paragraphs are referring to intra- and inter-risk concentration, then risk concentration impact should be considered with regard to the benefit of inter-risk diversification.	Risk concentrations refer to concentrations within a risk category but also among risk categories.	No changes made.
Para 6.2.1.29.b Risk measurement – specification of actual data used	A respondent asked how the link between the data and the scope of the group entities has to be specified. And does the EBA refer to the proportionality principle?	ICAAP documentation should provide an understanding of what data is being used for the calculation of capital estimates and whether this data is linked to entities for which estimates are provided. The EBA notes that the overall principle of proportionality applies throughout the Guidelines, and, unless competent authorities explicitly specify the level of detail or metrics, it is for the institutions to decide how to populate such information items.	Paragraph 31(b) has been clarified.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Para 6.2.2.30</p> <p>Evidence of the implementation of ICAAP risk measurement</p>	<p>According to some respondents some sub-categories are mitigated in a qualitative manner, while some risk categories might not be provided on a granular level. If there is no unified taxonomy that would allow comparability, it is unclear how banks would proceed if risk types are not quantified with economic capital.</p>	<p>In accordance with Article 73 of the CRD, institutions should, inter alia, assess and maintain internal capital that they consider adequate to cover the nature and level of risks they are or might be exposed to. The EBA expects institutions to cover in ICAAP at least all material risks (see CEBS Guidelines Section 5.6.2), meaning that internal capital estimates should be provided for all material risks. Where an institution believes that risks should not be covered by capital, but be mitigated in a qualitative manner, it should be explained accordingly.</p> <p>Irrespective of the existence of the common risk taxonomy, the EBA expects institutions to have their own understanding of material risks they are or might be exposed to and thus address those risks within ICAAP (and ILAAP). The EBA, though, agrees with the observations regarding the risk taxonomy and notes that there is ongoing work in this respect.</p>	<p>Paragraph 32(a) has been clarified to include qualitative mitigating measures.</p>
<p>Section 6.3</p> <p>Information on internal capital and capital allocation</p>	<p>One respondent remarked that the purpose of requesting detailed breakdown of internal capital allocation in ICAAP is not clear, in particular in its link to the SREP process. Such breakdowns differ greatly from one institution to another, and should be supplied upon request.</p>	<p>The EBA notes that, according to the SREP Guidelines, the assessment of capital adequacy and determination of additional own funds requirements are made on a risk-by-risk basis. In order to inform such assessment by an institution's own view and capital estimates, competent authorities would expect to see ICAAP estimates also broken down on a risk-by-risk basis.</p>	<p>No changes made.</p>
<p>Para 6.5.1.35.b</p> <p>Description of</p>	<p>It was not clear to one of the respondents how to define the reverse stress test within ICAAP compared with the reverse</p>	<p>The requirements and supervisory expectations regarding the use of reverse stress testing and its</p>	<p>A new Section 5.4 on general stress</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
integration of ICAAP stress testing into overall stress testing	stress test in the recovery plan, since, according to the EBA GL on stress testing and supervisory stress testing, they should be different. However, this seemed ambiguous, as both are based on a 'near-default' scenario.	role in the institution's stress testing programmes are addressed in the EBA Guidelines for stress testing and supervisory stress testing. Based on the comments and considering the information requirements for SREP assessment of institutions' wider stress testing capabilities, the approach to collecting stress testing-related information in these Guidelines has been reviewed to have a general section on information regarding stress testing programmes and framework (new Section 5.4) and then more specific information regarding scenarios, assumptions and outcomes of stress tests within ICAAP and ILAAP that lead to revisions of Sections 6.5 and 7.6 respectively.	testing framework and programmes has been introduced. Sections 6.5 and 7.6 have been revised to focus on more specific ICAAP- and ILAAP-related information.
Para 6.5.2.36	Some respondents submitted that it is unclear whether all reports for a year or an end-of-year report in a summarised form should be made available to competent authorities.	<p>The minimum frequency for collecting ICAAP (and ILAAP) information is annual for Category 1 institutions. For other categories of institutions, as defined by the competent authorities in accordance with paragraphs 13-14, the frequency can be lower.</p> <p>The operational and supporting documentation specified in these Guidelines and requested by the competent authorities should correspond to the period covered by ICAAP. This also includes the possibility of sending multiple supporting documents, should, for example, ICAAP or ILAAP be discussed by the management body on various occasions.</p> <p>Furthermore, competent authorities should ensure that they receive all relevant information and this information remains valid at the remittance date.</p>	Coverage of information with respect to ICAAP/ILAAP time horizon has been clarified in new paragraph 17.
Evidencing full implementation of ICAAP stress test and its outcome			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		<p>This information may be contained in documents with a different production date from the reference date as long as the content is applicable at the remittance date. Documents related to any information item specified in these Guidelines produced between the reference date and the submission date should be included where relevant for ICAAP and ILAAP (taking into account materiality as specified in these Guidelines).</p>	
	<p>Respondents suggested that the ICAAP/ILAAP stress test be required annually or less frequently.</p>	<p>The Guidelines do not define frequencies or timelines for the stress tests performed by institutions, as this is addressed in the EBA Guidelines on stress testing and supervisory stress testing.</p>	<p>No changes made.</p>
<p>Para 6.6.37 ICAAP-specific information – minutes of relevant committees and management bodies</p>	<p>Respondents suggested that the supervisor should request the supporting documentation on an ad-hoc basis, or in the form of brief accounts of the different positions taken in the discussions, since the minutes of the relevant management body meeting are too extensive.</p>	<p>The Supporting Documentation sections (Sections 6.6 and 7.8) refer to the minimum of the management body meetings where ICAAP and ILAAP are discussed and approved, which is essential information to assess the governance arrangements around ICAAP and ILAAP frameworks. Furthermore, competent authorities, in line with the SREP Guidelines, have to assess how ICAAP and ILAAP are used in risk management of an institution. Such information will be also used by the competent authorities for the purposes of assessment of other SREP elements, in particular internal governance and institution-wide controls. It is also noted that, in accordance with paragraph 21, competent authorities might decide to omit some information</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>Para 7.1.2.39</p> <p>Evidence of full implementation of robust framework for liquidity and funding risk management</p>	<p>While not explicitly stated in the paragraph, according to one respondent the paragraph made reference to LCR and NSFR. The respondent proposed that the EBA make an explicit reference to the EBA funding plan templates where LCR/NSFR forecast is required, and state that it is sufficient for meeting the requirement under this paragraph. It was also indicated that compliance with the requirements is already assured by banks in their financial planning process, in the context of the annual budget and/or multi-year strategic plan.</p>	<p>items.</p> <p>If an institution has internal LCR/NSFR forecasts or any other internal financial (and liquidity) planning documents related to the requirements of this paragraph, it can provide these to the competent authorities, indicating the reference and explanation in the 'reader's manual' accordingly.</p> <p>The EBA also notes that merely complying with the LCR and the NSFR is not sufficient to prove the implementation of a robust risk management framework. Rather, this implies compliance with the CEBS GL on Liquidity Buffers and Survival Periods from December 2009 (still in force).</p>	<p>No changes made.</p>
<p>Para 7.1.2.39.a</p> <p>Assessment of intragroup liquidity risk</p>	<p>Some respondents suggested that the meaning of intragroup liquidity risk is unclear, and asked whether it means excluding any external sources of liquidity of the individual group entities, or external sources of liquidity have to be included.</p>	<p>The focus of this element of the assessment is on the evidence of the banks' own assessment of intragroup liquidity flows and funding positions, including the analysis of possible legal or regulatory impediments to the transfer of liquidity within the (sub-)group.</p>	<p>Paragraph 41(a) has been amended to clarify that the focus is on intragroup liquidity flows and funding positions.</p>
<p>Para 7.2.1.40.b, c and d</p> <p>Policy document on maintaining presence in markets/funding concentration risk/funding in foreign currencies</p>	<p>A respondent remarked that the information required on the policy document on maintaining presence in markets is not necessary for active market making banks. These banks have continuous and coordinate access to the wholesale markets through their subsidiaries, and the debt market franchise is confirmed through their track record.</p> <p>Regarding policy documents in funding, including concentration risk (paragraph 7.39.c) and foreign currencies (paragraph 7.39.d), the respondent suggested that not all banks consider</p>	<p>The EBA recognises and agrees that having a policy on market presence for banks with continuous access to markets, including through their subsidiaries, is not relevant for all institutions; therefore, paragraph 42(b) explicitly says 'where appropriate'.</p> <p>The EBA understands the concern that policy documents on funding concentration risk and funding in foreign currencies may not be relevant to</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	them relevant.	<p>all institutions; therefore, paragraphs 42(c) and (d) explicitly say ‘where appropriate’.</p> <p>If institutions deem that such information is not appropriate or relevant given their particular circumstances they can reflect it in the ‘reader’s manual’.</p>	
Para 7.2.2.41.c	<p>One respondent asked the EBA to confirm if the requirement could be satisfied by providing templates for the harmonised funding plan according to the EBA Guidelines.</p>	<p>The EBA notes, that while the funding plan template contains data on the forecast changes in the liquidity profile, for ILAAP/SREP purposes it is essential to gain the institution’s reasoning and assessment of the feasibility of such, in addition to raw data.</p>	No changes made.
<p>Forward-looking view on the development of the funding position over at least 3 years</p>	<p>Another respondent proposed that the EBA should set up the horizon of the funding plan as 1 year. Preparation of 3-year views on an annual basis will result in continuous review of already stated projections, which are also provided in the Basel III monitoring tools.</p>	<p>With respect to the time horizon, it is noted that these Guidelines do not set any specific time horizon, which is set in the EBA Guidelines on harmonised definitions and templates for funding plans, which have been subject to a separate public consultation. It is also noted that the funding plans should have a longer-term view, while being reviewed at least annually.</p>	No changes made.
Para 7.3.1.42	<p>One respondent asked for clarification of the meaning of ‘collateral’, e.g. if reference is made to the collateral involved in asset encumbrance that is in turn connected with the generation of liquid assets, such as retained covered bonds and/or retained ABS.</p>	<p>Buffer and collateral management strategy depends on institution-specific characteristics. Therefore, no precise definition of collateral is needed. Institutions need to provide documentation that evidences that they monitor and control available and used collateral for the purposes of contingency planning.</p>	No changes made.
Para 7.3.1.42.e	<p>The respondent proposed including examples clarifying the meaning of correlation between liquid assets and cash-flows in</p>	<p>The focus is on the evidence of institutions addressing concentration risk in the liquidity buffer,</p>	Paragraph 44(e) has

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Policy document on liquidity concentration risk in the liquidity buffer	the counterbalancing capacity.	including principles for measuring and monitoring of potential loss of available liquidity due to this concentration.	been clarified.
Para 7.3.1.42.a Methodology for internal minimum required level of liquid assets	A respondent suggested replacing the term 'liquid assets' with 'level of required stress liquidity reserve portfolio to cover potential outflows', since financial institutions may have their own liquidity management methodology.	Since the term 'liquid assets' is already used in the SREP Guidelines and is more understandable than the suggested replacement, the EBA finds it reasonable to keep the same wording in the Guidelines. Should an institution use any other definitions for internal purposes, such definitions should be included in the information provided to the competent authorities.	No changes made.
Para 7.3.1.42.b Policy document on collateral management	Some respondents suggested that 'collateral management' could have a broad interpretation and financial institutions should be left to decide which collateral is concerned in this context.	The Guidelines do not prescribe which collateral is acceptable; therefore, it is implied that the credit institution can define which collateral is suitable/acceptable in its policy document. The Guidelines request institutions' own internal documents on collateral management, including definitions of acceptable collaterals, where relevant for ILAAP purposes.	No changes made.
Para 7.3.2.43. b Quantification of buffer of liquid assets	Certain respondents proposed using another term instead of 'buffer of liquid assets' given the differences in the institutions' internal practices.	The term 'buffer of liquid assets' refers to the term 'liquidity buffer' from Delegated Regulation 2015/61. Furthermore, the EBA finds it appropriate to use the same terminology as in the SREP Guidelines, where the term 'liquidity buffer' is used.	The use of terminology has been clarified to align with the SREP Guidelines.
Para 7.3.2.43. d Projection for the internal required	Some respondents suggested that the requirement of presenting 'projections of the development of the internal required minimum volume of liquid assets and available liquid	The institutions should have a robust view of their liquidity that is monitored by the management on the ongoing basis. This means that the management	No changes made.

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minimum volume of liquid assets	assets over appropriate time horizons under both “business as usual” and stressed conditions’ is an additional requirement that the draft GL introduce beyond what is required under the SREP GL, and the information will be quickly outdated.	should be properly informed about liquidity adequacy. The information flow to the management should, inter alia, include information on the current liquidity needs and projections for the near future, with such information and projections updated in a timely fashion. Competent authorities will assess such management information for the purpose of the ‘use test’ of ILAAP.	
Para 7.3.1.42 and 7.3.2.43 Liquidity buffers and collateral management strategies and their implementation	A respondent proposed simplifying the list of requirements and providing examples, as the items in these paragraphs often include similar items without a clear aim.	Information items specified in these Guidelines are split between ‘methodology and policy’ documents and ‘operational’ documents. This split is essential to understand how methodologies and policies are applied in practice.	No changes made.
Para 7.4.2.46.a Evidencing full implementation liquidity cost-benefit mechanism	The respondent also asked for clarification of the meaning of ‘quantitative overview of its current calibration’.	Under the term ‘calibration’ in this instance the EBA means information on, for example, interest rate curves, internal reference rates for main categories of assets and liabilities in use, etc.	Paragraph 48(a) has been clarified.
Para 7.5.1.48.c Linkage between intraday liquidity risk management	One respondent proposed that the notion of materiality be introduced with respect to intraday liquidity.	The EBA agrees that intraday liquidity risk may not be an issue for all banks, but where applicable it should be assessed by the competent authorities in accordance with the requirements of the EBA SREP Guidelines (see Section 8.2). The EBA notes that all information items regarding intraday liquidity risk are introduced as ‘where appropriate’.	No changes made. Paragraph 48(c) has been deleted.
	Other respondents suggested that the description of the intraday liquidity risk management and the CFP is an additional	The EBA agrees with the concerns raised.	

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	requirement imposed with the draft GL. Furthermore, the respondents considered that the linkage between the intraday liquidity risk management and CFP is remote.		
<p>Para 7.6.2.51.c</p> <p>Evidence of full implementation of liquidity stress testing</p>	A respondent suggested further specification of the level of detail included in the Contingency Funding Plan (CFP).	It remains the responsibility of an institution to determine the breadth and volume of its internal documentation.	No changes made.
<p>Para 7.6.2.51.c</p> <p>Quantitative and qualitative analysis of stress testing outcome on funding profile</p>	According to one respondent it was not clear whether the testing procedures under this paragraph are already part of the CFP as per paragraph 53.a or other additional initiatives.	The EBA agrees with the concern raised and concludes that the text was unclear, as it implied stress testing of the Liquidity Contingency Plan, which was not meant in the draft Guidelines.	Paragraph 53(c) has been deleted.
<p>Para 7.7.1.52.d</p> <p>CFP testing procedures</p>	One respondent asked if the EBA could specify what the notion ‘testing procedures’ covers. What if a ‘test’ is not feasible in practice (e.g. unwinding portfolio of less liquid assets, sale of an entity etc.)?	The EBA believes that testing of contingency plans can be considered good risk management practice. In particular, in relation to testing of liquidity contingency plans, institutions may try sales of new asset types, pledging collateral with central banks, etc. However, the EBA also understands that not all actions from the plan can be practically tested.	Paragraph 54(d) has been clarified.
<p>Para 7.8.54.d</p> <p>Impact of executing management action in the CFP</p>	Some respondents proposed that the wording of the paragraph is very general, and therefore could include for submission every single new product/new market decision documentation that mentions funds transfer pricing. Respondents proposed that the requirement be limited to important decisions.	The EBA agrees with the concern raised and has clarified that only examples of significant decisions regarding ICAAP and ILAAP use in NPAP should be provided.	Paragraphs 56(d) and 39(d) have been clarified.
<p>Information on changes made or planned to the</p>	Respondents suggested that it should be clarified that in this point no model change policy (MPC) and no conditional	The EBA confirms that these Guidelines do not introduce any new requirements in relation to	No changes made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
ICAAP/ILAAP framework	approval have been introduced.	model change policies, or supervisory approval of models, as such are not within the scope of these Guidelines. However, institutions are expected to explain the material changes they have introduced (or plan to introduce) into their ICAAP and ILAAP methodologies and models.	
<p>Para 8.57</p> <p>Explanation of how ICAAP/ILAAP provides reliable results</p>	<p>Respondents asked for clarification of the meaning of ‘internal validation/reviews of ICAAP and ILAAP methodologies’. According to one respondent the phrase ‘performed by independent validation function’ does not indicate what specific requirements there are concerning independence, and suggested deletion of this paragraph.</p> <p>Some respondents suggested that an additional requirement has been introduced in respect of the validation process, since it is not a supervisory requirement for the independence of the validation function.</p>	<p>The EBA notes that validation of the models and their outcomes by a party independent of the model development is considered good risk management practice. Furthermore, competent authorities would expect models used for the calculation of capital requirements to be internally validated, by analogy with the models used for the calculation of minimum own funds requirements, in order to ensure the reliability of model outcomes. By these Guidelines the EBA does not introduce any new requirements regarding internal validation, prescribe any particular approach or specify any particular means to ensure that the validation is independent of the model development, which is for the institutions themselves to organise.</p>	<p>Paragraph 59 has been amended.</p>
<p>Question 2. What are your views on the general criteria for the organisation of the collection of ICAAP and ILAAP information as specified in Section 4 of the draft Guidelines?</p>			
<p>Q2 General Comments</p>			
<p>Interdependence of capital and liquidity management</p>	<p>According to one respondent the draft GL could be further enhanced by recognising areas of interdependence in capital and liquidity risk management, including risk events (impact of stress test on capital and liquidity ratios), external triggers (e.g.</p>	<p>The EBA agrees about the importance of institution-wide risk management and an integrated approach across various risk categories, and the value of information regarding this for the purposes of the</p>	<p>Paragraph 25(d) has been revised to give more prominence to integrated</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	effect of spreads on CDS and bonds, share price, negative revenue surprises, credit-rating downgrades) and contingency action (dependence of the management action on the type of event).	assessment of ICAAP and ILAAP.	institution-wide risk management.
ICAAP and ILAAP governance issues	Another respondent submitted that the expectations set out are redundant and create duplications with other requirements and frameworks, such as the Risk Appetite Framework for SSM firms. The draft GL formalise the expectations that ICAAP and ILAAP metrics must be quantitatively allocated across an institution.	The assessment of governance arrangements supporting ICAAP and ILAAP frameworks as well as the overall internal governance and institution-wide control arrangements are important elements being assessed by the competent authorities as part of SSREP (see Section 5 of the SREP Guidelines). The requirement to allocate ICAAP and ILAAP quantitative metrics across institutions stems from the level of application of ICAAP and ILAAP, which according to CRD is not only the consolidating level (see also Section 2 of the Guidelines defining its scope and level of application).	No changes made.
	The respondent additionally asked for further guidance on the understanding of ‘management body’ and ‘senior management’ with respect to firms with two-tier governance systems.	‘Management body’ is defined in Article 3(1)(7) of the CRD.	No changes made.
Split between ‘methodology and policy documentation’ and ‘operational documentation’ in Section 6 and Section 7	One respondent suggested that the split between ‘methodology and policy documentation’ and ‘operational documentation’ is not necessary, since it is inconsistent with the document structure of the SREP GL, which does not make this differentiation.	The split between ‘methodology and policy documentation’, ‘operational documentation’ and ‘supporting documentation’ is made for operational reasons and simplifies the regular submission of the information to the competent authorities, where no changes have been made. In particular, where there are no changes to the methodology or policies, competent authorities may request only regular updates of the operational or supporting documents, rather than requesting the same policy	No changes made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		documents. Furthermore, this split is essential to understand how methodologies and policies are applied in practice.	
Order of contents of Title 7: ILAAP-specific information	Many respondents proposed an alternative structure for the contents of ILAAP, suggesting that the current order was confusing and it could be simplified. The proposed alternative was the example of the structure adopted in 'PRA's approach to supervising liquidity and funding risks'.	The structure of these Guidelines follows the structure of the SREP Guidelines.	No changes made.
Q2 Specific Comments			
Para 4.9.b General considerations for collection of ICAAP/ILAAP information	A respondent advocated for more explanation of how the comparison with peers will be performed.	These Guidelines do not provide any methodologies for the assessment of ICAAP or ILAAP, but focus on the collection of information for the purposes of such assessments. The assessment methodologies are provided in the SREP Guidelines, which have been subject to a separate public consultation.	No changes made.
Para 4.10 Reader's manual	Some respondents asked for further specification of what is expected of the documentation in general, and the 'reader's manual' in particular. The respondent suggested that it should be considered that the 'reader's manual' is not a specific format for submission of information, and should allow flexibility reflecting the internal logic and procedures of banks.	The idea of the 'reader's manual' is to act as an index mapping institutions' own information and documents to the structure of information items presented in these Guidelines. The 'reader's manual' should be also used to provide information regarding any changes, updates etc. made to the documents already available to supervisors.	The description of the 'reader's manual' has been amended and expanded in new paragraph 11.
	One respondent proposed that it would be useful to use a common template for the 'reader's manual'. Alternatively, it expressed interest in an overview of the methodology and description policies.	It is not the intention of the Guidelines to specify any specific forms, formats or templates for the submission of ICAAP and ILAAP information, but rather to indicate the scope of information to be collected by the competent authorities. Following	No changes made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		<p>the requirements of paragraph 11(d) of the Guidelines, competent authorities should set operational procedures and communicate to the supervised institutions, inter alia requirements regarding the technical means and formats for the provision of information, which may also include pre-defined templates to be used for the provision of some quantitative information, while recognising that both ICAAP and ILAAP should be institution-specific.</p>	
	<p>Respondents submitted that more granularity is necessary, e.g. with respect to materiality criteria for information disclosure and size, belonging to the perimeter of the SSM.</p>	<p>The EBA notes that the overall principle of proportionality applies throughout the Guidelines, and, unless competent authorities explicitly specify the level of detail or metrics, it is for the institutions to decide how to populate such information items.</p>	<p>No changes made.</p>
<p>Proportionality (In relation to paras 4.11, 4.13, 4.14, 4.19 and 4.20)</p>	<p>Some respondents observed that the proportionality clause contained in the draft GL depends on whether the competent authorities are actually provided with proposed discretion in the supervision of non-Category 1 institutions defined under the SREP GL. A lack of specific language on proportionality and lack of categorisation of institutions as per the SREP GL will be to the detriment of consistent application of the SREP GL.</p>	<p>The EBA agrees with the concern that the implementation of the categorisation of institutions as provided in the EBA SREP Guidelines is also important for the consistent application of the principle of proportionality in relation to these Guidelines. The EBA monitors the implementation of the SREP Guidelines as part of its ongoing work on the assessment of supervisory convergence.</p>	<p>No changes made.</p>
	<p>Certain respondents asked if it is correct to assume that the requirement for information about Category 1 institutions on ‘one single set date’ refers to quantitative data only, so that the</p>	<p>The reported information (quantitative as well as qualitative) should be applicable to the given reference date. All information specified in these Guidelines, and in particular operational and</p>	<p>The use of reference dates and time horizons has been</p>

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	<p>last day of a quarter is a reasonable choice. The respondents also suggested that the EBA should add that all additional documents should be the ones which are valid on the submission date (or at a particular date) in order to avoid an undue burden for institutions updating and approving these documents.</p>	<p>supporting documentation (as specified in Sections 6 and 7), should correspond with the time horizon covered by ICAAP and ILAAP projections respecting the reference dates set by the competent authorities in accordance with paragraph 11 of these Guidelines.</p>	<p>clarified in new paragraph 17.</p>
	<p>Another respondent suggested that it should be specified that the requirement for information submission under paragraph 4.14 of the draft GL for non-Category 1 institutions may be less frequent than annual.</p>	<p>Furthermore, the competent authorities should ensure that they receive all relevant information and this information remains valid at the remittance date. This information may be contained in documents with a different production date from the reference date as long as the content is applicable at the remittance date. Documents related to any information item specified in these Guidelines produced between the reference date and the submission date should be included where relevant for ICAAP and ILAAP (taking into account materiality as specified in these Guidelines).</p> <p>The submission of information for all institutions will depend on the frequency of the assessment of SREP elements for a particular institution (or group of institutions) performed under the minimum engagement model provided in the EBA SREP Guidelines, but also considering the outcomes of the previous SREP assessments.</p>	<p>No changes made.</p>
	<p>Some respondents submitted that the requirement to submit up-to-date information and/or any changes made is a huge task considering the amount of documentation required. The</p>	<p>The ICAAP and ILAAP documentation should demonstrate in a comprehensive and easily accessible manner how an institution controls its risks. Version control of policy and methodology</p>	<p>No changes made.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>respondents proposed that it would be easier for institutions to submit the most up-to-date documents.</p> <p>Other respondents suggested that paragraph 4.19 benefits the supervisors, who would not need to search for the information that has been excluded from submission under this paragraph. It would be less burdensome for institutions to simply forward the complete information.</p> <p>In regard to paragraph 4.20 some respondents assumed that institutions are free to decide which approach to adopt and asked for further clarification.</p>	<p>documents is an essential element of this.</p> <p>An overlap of information should be generally avoided. However, to ensure that the information already received is up to date and the correctness of the assessment it is important to get a confirmation of the validity of information also by means of a ‘reader’s manual’.</p> <p>When organising the actual collection of information from institutions based on these Guidelines, the respective competent authorities will advise institutions on the scope, timelines and format for the information to be provided, including on the approach to providing internal documentation.</p>	<p>Paragraph 22 has been clarified to highlight the role of the competent authorities in setting the requirements for collecting the information.</p>
<p>Para 4.17</p> <p>Coordination of CAs for information collection in cross-border banking groups</p>	<p>A respondent welcomed the guidance on coordination between competent NAs involved in the supervision of cross-border banks about the dates, scope and information requested.</p>	<p>The EBA agrees that ICAAP and ILAAP information collection for groups and their entities should be duly coordinated in the college of supervisors, as explained in paragraph 18.</p>	<p>No changes made.</p>
<p>Para 5.5</p> <p>Information on disclosure of ICAAP and ILAAP</p>	<p>According to one respondent this paragraph is in contradiction with the European Market Abuse regulations. It may be read as though the intention was public disclosure of firms’ ICAAPs and ILAAPs. The respondent invited the EBA to consider that there are legitimate differences between how material risks are measured and represented for internal purposes and for</p>	<p>The key focus of the section on disclosures was to understand institutions’ own assessment of/reaction to the information on ICAAP and ILAAP (or wider liquidity information) that they publicly disclose and what impact such disclosures have on the management actions planned within the capital and</p>	<p>Section 5.5 has been dropped, the content of the ‘reader’s manual’ has been amended in paragraph 11, and</p>

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	reporting to the supervisors and to the market.	<p>funding plans, including liquidity contingency plans. There was no intention to introduce any new disclosure obligations, as institutions are already expected to disclose some ICAAP and ILAAP information in accordance with Article 438(a) of the CRR.</p> <p>However, based on the received feedback, the EBA dropped the specific section (former Section 5.5) on disclosures, but included references to the ICAAP and ILAAP information disclosed in the ‘reader’s manual’ that institutions have to prepare and added a specific item on the impact of the disclosure made by institutions for the feasibility and timeliness of management actions included in the liquidity contingency plan; Section 5.5 has been dropped, content of the ‘reader’s manual’ has been amended in paragraph 11, and specific liquidity related provision has been added in paragraph 55(c).</p>	a specific liquidity-related provision has been added in paragraph 55(c).
<p>Para 6.2.1.29.c</p> <p>Main differences between models for ICAAP and for calculation of minimum own funds</p>	One respondent suggested deletion of this paragraph, since ICAAP and own funds requirements are substantially different exercises and a risk-by-risk comparison is not feasible.	For the purposes of the assessment of the reliability of ICAAP estimates, Pillar 1 calculations of the same risks are an important reference point for the competent authorities. However, in order to make such assessment more meaningful, competent authorities need to understand the differences between models, data and assumptions used for Pillar 1 and ICAAP calculations.	No changes made.
<p>Intraday liquidity risk management</p>	One respondent proposed including only missed payments above a certain threshold with regard to the requirement of supervisors ‘to receive from institutions and overview with explanation of any payments missed or obligation not met in a	The EBA agrees that the overview of missed payments and obligations should cover only material payments and material obligations. However, it would also be important to know the overall number	Paragraph 51(b) has been amended accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	timely manner’.	of missed payments.	
Para 7.6.2.51.c	According to some respondents the requirement to perform quantitative and qualitative analysis of the outcomes of stress testing on the funding profile, and on the feasibility of the funding plan and contingency funding plan, imposes an obligation to produce a funding plan under stress assumptions in addition to the normal funding plan, which is not a supervisory requirement of stress test funding. The respondents proposed deletion of the paragraph.	The EBA agrees with the concern raised and concludes the text was unclear, as it implied stress testing of the Liquidity Contingency Plan, which was not meant in the draft Guidelines.	Paragraph 53(c) has been deleted.
Para 7.7.1.53.d	A respondent observed that establishing a regular testing procedure is not feasible, since the testing actions would be effectively implemented only in the market, and additionally proposed testing based on an internal ‘dry run’, which is a requirement for recovery plans.	The EBA believes that testing of contingency plans can be considered good risk management practice. In particular, in relation to testing of liquidity contingency plan, institutions may try sales of new asset types, pledging collateral with central banks, etc. However, the EBA also understands that not all actions in the plan can be practically tested.	Paragraph 54(d) has been clarified.
Information on funding plan			
Para 7.7.2.53.b	Respondents considered the phrase ‘concrete management action’ inappropriate, as it depends on the individual situation, and that at best a ‘set of possible management actions’ could be provided.	The EBA agrees with the concern raised.	Paragraph 55(b) has been clarified.
Implementation of CFP – management actions			
Para 7.8	A respondent suggested revising what items must be provided and which should be available upon request.	The Guidelines do not prescribe any specific form for the information collection, as they are addressed to the competent authorities, which should organise the collection of information based on the requirements of these Guidelines. When organising the actual collection of information from institutions, the respective competent authorities	No changes made.
Supporting documentation			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Para 7.8.54.f	Some respondents suggested that information submitted under this paragraph should include decisions on management actions related to intraday liquidity risk. Since intraday liquidity consists of a large number of daily decisions and actions and since the term 'where relevant' is relatively undetermined, it was proposed to delete the paragraph.	will advise institutions on the scope, timelines and format for the information to be provided. Furthermore, competent authorities may omit specific information items from their request in accordance with paragraph 21. It is noted, however, that all relevant documents should be provided to the competent authorities.	Paragraph 56(f) has been clarified.
Management action regarding intraday liquidity risk		The focus of this element is on the decisions on management actions related to intraday liquidity risk after internal escalation due to intraday liquidity events.	
Para 8.55	Respondents suggested that the requirement to submit the changes to the business model, strategy etc. under paragraphs 55.a and 55.b constitutes interference in the management area of responsibility, and that the requirements should be restricted to material changes.	One of the important aspects of the assessment of ICAAP and ILAAP frameworks is their integration into risk management and use in the decision making of an institution. To this end, competent authorities need to understand how ICAAP and ILAAP are used in decision making and may influence business models and strategies. This is by no means considered interference in the management area of responsibility, but is rather seeking evidence in support of the actual use of ICAAP and ILAAP (i.e. 'use test'). The EBA, however, agrees that to reduce the reporting burden such information should be provided in relation to material changes only.	Paragraphs 57(b)-(d) have been clarified.
Conclusion on internal capital and liquidity assessments			
Para 5.5.1 Information on business	Some respondents submitted that the projected costs and benefits are purely qualitative and vague, and that the analysis would benefit from quantification of the burden imposed on individual categories of financial institutions. The analysis should	Most of the authorities already collect ICAAP- and ILAAP-related information from institutions in a structured way. Information items referred to in	No changes needed.

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model and strategy	also consider whether the required information is already available or should be produced in addition (including here producing and updating the reader's manual).	these Guidelines reflect to a great extent existing practices of such authorities and aim at their harmonisation and better coordination between the authorities. Also, based on the experience of the authorities collecting structured information for their assessments of ICAAP and ILAAP, information requested from the institutions is generally readily available, at least in the form of internal documents. Furthermore, the Guidelines do not prescribe any specific format or templates, and they allow competent authorities to collect information in the form of institution-specific internal documents. Against these considerations, it was considered not feasible to carry out quantitative cost analysis (also for the purposes of the cost-benefit analysis of such quantitative cost collection).	