

Question ID	2021_6323
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	430
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
Article/Paragraph	Annex II, C 24.00 (MKR IM)
Date of submission	22/12/2021
Published as Final Q&A	10/03/2023
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	C 24.00: Capital multipliers due to model limitations
Question	Which is the correct way to report add-ons to the Own Funds Requirements in COREP C 24.00 (MKR IM) required by the regulator due to limitations of internal models?
Background on the question	Due to limitations of internal models the regulator may ask firms to apply an add-on to their own funds requirements for market risk. This could be achieved by directly multiplying the own funds requirements (row 0010 / column 0120) of COREP template C 24.00 (MKR IM) by the add-on. When multiplying this data point in the template, EBA validation rule eba_v0637_m is broken, blocking the COREP submission. The question is if this should be treated as a valid exception (non-blocking) or if the add-on should be applied in a different way, i.e. by one of the alternatives: the additional Own Funds Requirements due to the add-on should be reported in COREP template C 02.00 (CA2), row 'other risk exposure amounts' the add-on should be applied to columns 0030 - 0070 in template C 24.00 (MKR IM)
Final answer	The main purpose of the information provided in the templates of Annex I to Regulation (EU) 2021/451 (ITS on Supervisory Reporting, ITS) is to provide an indication of institutions' compliance with the Pillar 1 requirements, and

here specifically the one of Article 92 of Regulation (EU) No 575/2013 (CRR). If an add-on is imposed, for example, in the context of Pillar 2, it must not be reported in template C 02.00 of Annex I, nor any of the market risk templates.

With regard to any add-ons for model weaknesses imposed in the context of Pillar 1, the following scenarios should be considered:

Reporting in C 24.00

Where the competent authority requires an institution to apply an add-on to the own funds requirements for internal market risk models in accordance with Article 364 CRR (Pillar 1) by increasing the multiplication factors m_c and/or m_s in accordance with Article 366 CRR, its effect should be reflected in template C 24.00, columns 0030, 0050, 0150 and 0160, as applicable.

Where the competent authority requires an institution to apply an add-on to the own funds requirements for internal market risk models in the context of Pillar 1, not in accordance with Article 364 CRR, but in accordance with a different legal basis (for example in accordance with Article 101 of Directive 2013/36/EU), and the measure is compatible with the 'logic' or 'algorithm' of calculating own funds requirements on the basis on internal models for market risk, its effect should also be reported in template C 24.00. Such measures could include, for example,

- increased floors for parameters entering the VaR/sVaR calculation, in which case the values reported in columns 0030 to 0060 should be adjusted accordingly,
- multiplication of the 12 weeks average measure for the IRC by a multiplication factor, which should be reflected in column 0070 of C 24.00.

Reporting in C 02.00

Measures imposed by the supervisor

Where the competent authority requires an institution to apply an add-on to the own funds requirements for internal market risk models in the context of Pillar 1, not in accordance with Article 364 CRR, but in accordance with a different legal basis (for example in accordance with Article 101 of Directive 2013/36/EU), and the measure is not compatible with the 'logic' or 'algorithm' of calculating own funds requirements on the basis on internal models for market risk, its effect should be reflected in row 0690 ('Other risk exposure amounts') of C 02.00.

Such measures could include, for example,

- multiplication factors applied to the overall own funds requirements

for market risk (SA + IM),

- multiplication factors applied to the IRC as calculated in accordance with Article 364(2), point (b), CRR (i.e. to the maximum of the 12 weeks average measure and the last measure).

Add-ons voluntarily applied by the institution

Where the institution decides to apply a self-imposed add-on to the own funds requirements for internal market risk models, its effect should be reported in COREP as 'Additional risk exposure amount due to Article 3 CRR' (COREP C 02.00, row 0760, column 0010).

Such measures could include, for example, the add on for 'Risks not in the model engine' (RNIME) as described in section 7.2 of the [Single Supervisory Mechanism's guide to internal models](#).

In neither of these scenarios, validation rule v0637_m would become invalid / not applicable.

In accordance with Annex II, paragraph 15, of the ITS on Supervisory Reporting, measures imposed in the context of Pillar 2 (SREP) should not be reflected in templates C 02.00 or C 24.00.

Link

https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6323

European Banking Authority, 08/06/2023
www.eba.europa.eu