



13 January 2020

BANKING STAKEHOLDER GROUP

**Response on the consultation paper
„Draft Implementing Technical Standards – On public disclosures by
institutions of the information referred to in Titles II and III of
Part Eight of Regulation (EU) No 575/2013”
(EBA-CP-2019, 16 October 2019)**

Introduction

EBA has the mandate to develop implementing technical standards (ITS) via Regulation (EU) No 575/2013, Article 434a. The aim is to develop uniform disclosure formats and respective instructions under Titles II and III of Part Eight of the CRR.

Currently, the EBA Pillar 3 policy framework is spread over a range of different regulatory products. The framework include several ITS and regulatory technical standards (RTS) as well as numerous guidelines.

Uniform disclosure formats should in the near future lead to comprehensive and comparable information for users. ITS, therefore, want to maintain consistency of disclosure formats with international standards on disclosures. To promote market discipline EBA develops a comprehensive set of implementing technical standards (ITS) on disclosure – trying to achieve (amongst others)

- a single comprehensive package
- to further promote market discipline
- to facilitate access to users of information (regarding key prudential data of an institution)
- to increase the efficiency of disclosures and reduce costs (through the integration of quantitative disclosure data with supervisory reporting)

CRR2 amends the disclosure requirements under Part Eight of the CRR in order to implement new international standards as well as to reflect regulatory changes which have been introduced by CRR2. The draft ITS covers most of the disclosure requirements included in Titles II and III of the CRR2 (with two exceptions).

EBA has taken the decision to integrate as far as possible both, the information that institutions have to report to their supervisors and the regulatory information that they have to make public to (external) investors in general in order to exercise market discipline. To ensure consistency, integration with supervisory reporting was

conducted in the development the draft ITS on public disclosures – including the mapping between the quantitative disclosure templates and supervisory reporting. Therefore, formats and definitions are standardised and a common integrated database has to be used. As a side-effect the quality of the disclosed information should improve.

Within CRR2 proportionality is highlighted specifically. That means that CRR2 defines small and less complex institutions as well as large institutions for enhanced proportionality. Hence, Pillar 3 distinguishes required disclosures depending on their size, complexity and on whether they are listed or non-listed institutions. In addition, proportionality should also be reflected in the frequency of disclosures as well as in disclosure formats. Furthermore, some disclosures should be provided by large banks only – based on their risk profiles. For this purpose, thresholds in the disclosure on credit risk quality (non-performing exposures) and in the disclosure of encumbered and unencumbered assets are introduced.

In order to implement quantitative disclosure requirements templates, mostly based on fixed formats, are developed, whereas flexible tables implement qualitative information. That should foster the comparability and consistency of the data that have to be disclosed. As a consequence, this will make it easier for recipients of financial information to use pillar 3 reports, and to understand the differences between accounting and regulatory data. That also facilitates an integration with supervisory reporting. The BSG therefore believes that the new draft ITS fits the purpose of the underlying regulation.

Recommendations of the BSG

BSG welcomes the general strategy of EBA to align as best as possible the information to be reported to supervisors and the regulatory information that has to be disclosed to investors and other interested parties. BSG also supports to develop a comprehensive set of implementing technical standards (ITS) on disclosure. The standardisation of formats and definitions and the usage of a common integrated database are key to achieve these goals. It is also essential to fulfil the principle of proportionality. Based on that common understanding BSG developed some recommendations.

CRR3 will come soon and lead to further amendments of the supervisory reporting templates. Especially, reporting templates regarding the CORP standardised approaches (solvency) are expected to be changed significantly. BSG sees the necessity to incorporate follow-up changes of CRR2. However, EBA might reconsider that further amendments to templates which significantly concerned by CRR3 could (at least to a certain extend) be omitted – especially if their implementation is complex.

Regarding regulatory templates that are (only) necessary to show the compliance with the thresholds for the use of a relief or simplified approaches it could be considered that they might not be delivered by larger institutions that do not intend to make use of those reliefs. That might hold especially for derivatives where the exposure is reported in detailed templates linked to SA-CCR or IM. On the other hand the templates lack a

way of exemption from disclosure for small and simple institutions, if they are not applicable (e.g. REM3, Deferred remuneration).

Further regarding remuneration disclosure BSG suggests to incorporate the aim of a gender neutral remuneration policy (Art. 92 (2) aa) CRD V) in the disclosure templates, which at least requires quantitative remuneration data related to the sexes.

BSG wants to underline that the expectation that due to an integration of information to be presented to investors and other interested parties with supervisory reporting the disclosed information should improve doesn't mean by itself that generally there is a lack of data quality. Nevertheless, working on aligning the data and taking the same data basis for both requirements might lead to even a further improvement.

BSG suggests to specifically communicate to investors and other interested parties if EBA might assume that current Pillar 3 disclosure is not well accepted by that stakeholder groups. There might be a bundle of reasons for a minor acceptance, one could also be the disclosure of too many details and the high granularity. Therefore, BSG proposes to start a field study about the necessary disclosure level – including required disclosures from IFRS 7 (for those banks that use International Financial Reporting Standards). BSG also suggests to check whether double requirements and Pillar 3 and IFRS 7 can be avoided. Maybe, some of the formalised templates and tables could be streamlined.

BSG suggests that the frequency of the submission of data might be re-considered. Especially the reporting of counterparty credit risk has been extended by several templates which in the past had to be disclosed on a semi-annual basis only whereas the draft ITS requires the submission on a quarterly basis.

Currently, BSG has the impression that the process of restatement submissions is practiced quite differently by supervisors and banks. However, the disclosure templates will due to its integration into supervisory reporting be subject to stricter validation processes and to the restatement submissions (according to Art. 3 (4) of ITS on supervisory reporting). Therefore, BSG suggests to carefully consider to whether restatement submissions should have an impact on disclosure.