

EBA/CP /2023/03

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21 March 2023

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# Consultation Paper

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Draft Implementing Technical Standards

Amending Regulation (EU) 2021/453 with regard to the specific reporting requirements for market risk

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# 1. Responding to this consultation

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The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

## Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 21 June 2023. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

## Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

## Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

## 2. Executive Summary

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1. Regulation (EU) 2019/876 ('CRR2') amending Regulation (EU) No 575/2013 ('CRR') introduced the Fundamental Review of the Trading Book (FRTB), developed by the Basel Committee on Banking Supervision (BCBS), into the prudential framework of the EU. Despite not yet being binding in terms of own funds requirements, the FRTB was implemented by means of a reporting requirement, constituting the first step towards the full implementation of the FRTB in the EU.
2. Article 430b CRR mandates the EBA to specify the details of the reporting on the own funds requirements calculated in accordance with the FRTB. The Implementing Technical Standards on specific reporting requirements for market risk (or 'ITS on FRTB reporting') have been requiring institutions to submit high-level information on the size of their business subject to market risk and the own funds requirements calculated on the basis of the Alternative Standardised Approach for market risk (A-SA) since 2021.
3. As the full implementation of the FRTB in the EU approaches, and with the aim to support institutions' preparation for it, this consultation paper sets out proposals for the expansion of the FRTB reporting framework. The proposals complement the already existing reporting requirements with a comprehensive set of templates to capture details on the instruments and positions in scope of the A-SA, as well as templates to capture summary and detailed information on the instruments and positions in scope of the alternative internal model approach (A-IMA). As the A-SA serves as a fallback-approach for calculating own funds requirements for A-IMA desks, where the performance of the model is a matter of concern, institutions will also have to report details on the A-SA own funds requirements for their A-IMA desks.
4. The new reporting requirements regarding the A-SA and the A-IMA introduced through this proposal would effectively impact first and foremost the reporting by entities with sizeable business subject to market risk.
5. Besides amendments to the ITS on FRTB reporting, this consultation paper also sets out ideas and some concrete, first proposals regarding amendments to Regulation (EU) 2021/451 (ITS on Supervisory Reporting), linked to the introduction of the FRTB in the EU. The most noteworthy of those proposals is a template for reporting information on reclassifications of positions between the regulatory books.

### Next steps

Feedback to the proposals included in this consultation paper is expected by 20 June 2023. Following the analysis of the responses, the EBA will finalise the draft amending ITS and submit them to the European Commission for adoption. The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft ITS. Depending on the date of

adoption, the amended ITS are expected to apply at some point in time in the second half of 2024, giving institutions approximately a year for implementing the requirements.

## 3. Background and rationale

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### 3.1 Background

6. Regulation (EU) 2019/876 ('CRR2') amending Regulation (EU) No 575/2013 ('CRR') introduced the Fundamental Review of the Trading Book (FRTB), developed by the Basel Committee on Banking Supervision (BCBS), into the prudential framework of the EU. Despite not yet being binding in terms of own funds requirements, the FRTB was implemented by means of a reporting requirement, constituting the first step towards the full implementation of the FRTB in the EU. The full implementation of the FRTB is approaching now, as the EU co-legislators are discussing the amendments to the CRR in the context of the CRR3/CRD6-package<sup>1</sup>.
7. Article 430b CRR mandates the EBA to specify the details of the reporting on the (theoretical) own funds requirements calculated in accordance with the FRTB. In response to this mandate, the EBA published the Final draft ITS on specific requirements for market risk<sup>2</sup> (or 'ITS on FRTB reporting') in 2020. Those ITS included a thresholds template, providing insights into the size of institutions' trading books and the volume of their business subject to market risk, and a summary template, reflecting the own funds requirements calculated on the basis of the Alternative Standardised Approach for market risk (A-SA). The ITS adopted by the Commission as Regulation (EU) 2021/453 have been in place, and the data provided through them in use, for roughly two years.
8. The EBA took a gradual approach to answering to the mandate of Article 430b CRR, mindful of the importance of expanding the reporting requirements resulting from the FRTB in a proportionate manner, as institutions continued to be subject to the current market risk framework and the associated reporting.
9. As the full implementation of the FRTB in the EU approaches, and with the aim to support institutions' preparation for it, this consultation paper sets out proposals for the expansion of the FRTB reporting framework. Targeting an application in Q3 2024, this proposal should disentangle institutions' preparations for the FRTB from those referring to other Basel III reforms that are intended to be introduced by the CRR3.

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<sup>1</sup> [https://finance.ec.europa.eu/publications/banking-package\\_en](https://finance.ec.europa.eu/publications/banking-package_en)

<sup>2</sup> <https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/draft-its-specific-reporting-requirements-market-risk#pane-new-ed8f3c99-9589-454a-a87e-37f2578a1783>

## 3.2 Overview of the reporting obligations

10. The table below shows an overview over the reporting of information on market risks (excluding counterparty credit risk and CVA) as well as on the trading book, if the proposals included in this consultation paper are implemented.

|   | <b>'No significant trading entities'</b>  | <b>'SSA entities'</b>   | <b>'FRTB entities'</b>        |
|---|---|---|-------------------------------|
| Size of the trading book (Article 94 CRR)                                       | <b>Small</b>  | <b>Not small</b>  | <b>Not small<sup>3</sup></b>  |
| Size of the business subject to market risk (Article 325a CRR)                  | <b>'Non-sizeable'</b>   | <b>'Non-sizeable'</b>   | <b>'Sizeable'</b>             |
|   | ↓   | ↓   | ↓                             |
| <b>Prudential framework applied to business subject to market risk</b>          |   |   |                               |
| CRR2  | Credit risk framework for positions to equity and interest rate risk <sup>4</sup> , market risk framework for FX and commodities risk | Current SA and/or current IMA   | Current SA and/or current IMA |
| CRR3 (with FRTB as binding framework for calculation of own funds requirements) | As under CRR2   | Simplified Standardised approach (SSA) <sup>5</sup> (unless institution chooses to apply the A-SA and/or A-IMA) | A-SA and/or A-IMA             |

<sup>3</sup> The table omits the case of an institution having a small trading book, but sizeable business subject to market risk. Such cases occur in practice, especially where institutions have significant business subject to foreign exchange risk. Currently, those institutions are exempted from the reporting in accordance with Article 430b CRR, but, depending on the outcome of the negotiations on the CRR3, they may have to apply the FRTB approaches to their business activities subject to foreign exchange and commodities risk.

<sup>4</sup> Unless the institution chooses to apply the market risk framework

<sup>5</sup> If the entities decide to make use of the derogation of Article 325a CRR.



|   | ‘No significant trading entities’  | ‘SSA entities’   | ‘FRTB entities’   |
|---|--|--|---|
|   | ↓  | ↓  | ↓   |
|   | Future reporting on...   |  |   |
| ... Trading book thresholds                 | Likely <sup>6</sup> <b>unchanged</b> compared to current requirement included in the ITS on FRTB reporting |  |   |
| ... own funds requirements for market risks | <b>Current / modified</b> versions of C 22.00, C 23.00   | <b>Current / modified</b> versions of the templates C 18.00 to C 23.00 | <b>Current / modified</b> versions of the templates C 18.00 to C 23.00 <sup>7</sup> |
|   |  |  | <b>Expanded</b> A-SA and / or A-IMA templates                                       |
| ... trading book boundary                   | <b>New template</b> capturing reclassifications between books and the associated own funds requirements    |  |   |

11. The proposals included in this consultation paper focus on the reporting requirements highlighted in grey above. The core of the reporting – the information on the application of the A-SA and A-IMA – effectively impacts, first and foremost, entities whose business subject to market risk exceeds the thresholds stipulated in Article 325a CRR.

12. As illustrated above, the prudential framework for market risk includes several elements of proportionality. The reporting on the own funds requirements for market risk automatically reflects those elements embedded into the CRR (‘intrinsic proportionality’). Considering the intrinsic proportionality of the underlying prudential framework, and to avoid unnecessary complexity, no additional elements of proportionality (‘explicit proportionality’), such as reporting thresholds, were added to the FRTB reporting framework.

<sup>6</sup> Subject to verification against the final version of the CRR3

<sup>7</sup> Only until the FRTB becomes the binding framework for the calculation of own funds requirements



## 3.3 General considerations on the reporting

### 3.3.1 ITS on FRTB reporting vs. ITS on Supervisory Reporting

13. This consultation paper focuses on amendments to the ITS on FRTB reporting, created in response to the mandate of Article 430b CRR. The proposals detail the information to be provided on the A-SA and the Alternative Internal Model Approach (A-IMA). The formal proposal for the amending ITS can be found in Section 4 of this document, and the attachments to this consultation paper.
14. In addition to the amendments to the ITS on FRTB reporting, this consultation paper also presents selected, possible amendments to the ITS on Supervisory Reporting, i.e. Regulation (EU) 2021/451. The amendments to those ITS are either linked to the ITS on FRTB reporting, or are to be made in response to the CRR3. They will become relevant at the latest when the FRTB becomes the binding framework for calculating own funds requirements and the additional requirements on reclassifications between books are introduced. As there will be a specific consultation on amendments to the ITS on Supervisory Reporting in the context of the CRR3, no formal amending ITS is presented in this consultation paper. The proposals included in this consultation paper do not cover all possible and necessary amendments in response to the CRR3, as the negotiations on the CRR3 are still ongoing.
15. The EBA envisages to integrate the reporting requirements of the ITS on FRTB reporting into the ITS on Supervisory Reporting in the medium term, and ideally at the latest when the FRTB becomes the binding framework for calculating own funds requirements for market risks. This would ensure that reporting entities understand the full scope of their reporting obligations, and the detailed information to be provided, by consulting only one single legal act. For legal as well as administrative reasons, the integration of the requirements of the ITS on FRTB reporting into the ITS on Supervisory Reporting cannot be achieved yet with this amendment.

### 3.3.2 Prudential framework as a basis for the reporting

16. The vast majority of the proposals included in this consultation paper are the EBA's response to the mandate of Article 430b CRR. It complements the work started in 2019, which resulted in the current requirement to provide information on the size of reporting entities' business activities relevant for the assessment of the thresholds of Articles 94 and 325a CRR (threshold template, C 90.00) and the overview over the own funds requirements calculated on the basis of the A-SA (MKR ASA SUM template, C 91.00).
17. The core and major elements of the Basel Committee's FRTB were introduced by Regulation (EU) 2019/876 in the EU. Later, they were complemented by Commission Delegated Regulation (EU) 2021/424. The proposals included in this consultation paper are mainly based on the CRR as amended by those two regulations.
18. The CRR includes several mandates for the EBA to draft Regulatory Technical Standards (RTS) to detail the calculation of own funds requirements both on the basis of the A-SA and on the basis of the A-IMA. The EBA has been delivering those RTS in accordance with its roadmap for the new

market and counterparty credit risk approaches<sup>8</sup>, and they were taken into account when developing the proposals included in this consultation paper. Among those RTS, the following ones are being explicitly referenced in the instructions:

- The RTS on the Residual Risk Add-on ([Regulation \(EU\) 2022/2328](#));
- The RTS on criteria for assessing the modellability of risk factors under the A-IMA ([Regulation \(EU\) 2022/2060](#));
- The RTS on back-testing and profit and loss attribution requirements ([Regulation \(EU\) 2022/2059](#));
- The RTS on the capitalisation of non-modellable risk factors under the FRTB ('RTS on SSRM', adoption of the [final draft RTS submitted by the EBA](#) pending);

19. On 27 October 2021, the European Commission published a proposal for amendment to the CRR<sup>9</sup> regarding credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (CRR3 proposal or CRR3/CRD6-package). The proposals included in this consultation paper take into account some of the elements included in the Commission's proposal, most notably the requirement to include an add-on to the own funds requirements for reclassifications between the trading and the non-trading book. However, given that the legislative process has not concluded yet, other elements introduced by the CRR3 are not covered yet by this proposal.

### 3.3.3 Core design principles

20. The design of the reporting templates reflects the process of calculating own funds requirements as closely as possible. This aims to contain and mitigate the cost of compliance with the reporting requirements. Additional information is requested, where it is considered necessary to facilitate the monitoring of risks that the institutions is exposed to. Additional breakdowns and information are mainly requested as regards positions subject to default risk covered by an institution's internal default risk model.

21. The EBA continues to pursue the objective of integrating reporting and disclosure requirement, started in response to the CRR2, i.e. it aims to ensure that the quantitative information, and standardisable qualitative information, that is to be made available by institutions to the public in accordance with Part Eight of the CRR, can be retrieved from data reported to competent authorities. The basis for the disclosures by entities applying the FRTB will be defined as part of the CRR3 negotiations (see amended Articles 445 and 455 CRR in the Commission's proposal), and they will be detailed through amendments to the ITS on disclosures ([Regulation \(EU\) 2021/637](#)). Considering the pending discussions at EU level, the disclosure requirements developed by the BCBS (DIS50<sup>10</sup>, as applicable from 1 January 2023) were used as a reference for the development of

<sup>8</sup> <https://www.eba.europa.eu/sites/default/documents/files/documents/10180/2844544/ab272ad0-f256-4d70-9563-376e1d772feb/EBA%20roadmap%20for%20the%20new%20market%20and%20counterparty%20credit%20risk%20approaches.pdf>

<sup>9</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0664>

<sup>10</sup> [https://www.bis.org/basel\\_framework/chapter/DIS/50.htm?inforce=20230101&published=20211111](https://www.bis.org/basel_framework/chapter/DIS/50.htm?inforce=20230101&published=20211111)

these templates. Certain disclosure requirements to be considered were excluded from this proposal to wait for developments at EU level (see below).

The disclosures on the FRTB approaches and results foreseen by the BCBS and their integration into the ITS on FRTB reporting

| <i>Applicable to all institutions</i>   |   |
|---|---|
| ∇   | <b>MRA: Description of the risk management objectives and policies for market risk</b>            |
| <i>Applicable to A-SA institutions</i>  | <i>Applicable to A-IMA institutions</i>   |
| Ω <b>MR1</b><br>Own funds requirements by risk class  | <del>∇</del> <b>MRB</b><br>Scope, main characteristics, and key modelling choices of A-IMA models |
| ∇ <b>MRC</b><br>Structure of trading desks  | Ω <b>MR2</b><br>Components of the capital requirement by risk type                                |
| Ω <b>MR3</b><br>Reasons for variations in RWEA between reference dates  |   |
| Nature of disclosures<br>∇ = purely qualitative<br>Ω = (mainly) quantitative<br><br>Integration envisaged<br>- now (blue)<br>- potentially at later point in time (green) or<br>- not at all (struck-through) |   |

### 3.3.4 Reporting frequency, submission deadlines and periodicity of data

22. Both the FRTB standard issued by the BCBS and the CRR3 proposal foresee that institutions calculate the own funds requirements in accordance with A-SA at the very least on a monthly basis (see MAR 20.2 of the BCBS framework and Article 325c(3) CRR of the European Commission’s proposal for the CRR3). The CRR3 proposal does not prescribe that the results of that calculation must systematically be reported to the competent authority on a continuous basis. The only requirement that it stipulates is that A-IMA institutions need to report monthly results regarding the A-SA calculations for the A-IMA desks (Article 325(3) of the CRR3 proposal). The calculations in the context of the A-IMA are and have to be performed on a more frequent basis (e.g. MAR 33.2 and 33.20, Articles 325bb(4) CRR and 325bn(2) CRR).

23. In alignment with the frequency of reporting on own funds and own funds requirements (COREP, Annexes I and II to the ITS on Supervisory Reporting), the ITS on FRTB reporting foresaw and continues to foresee reporting of all the information specified on a quarterly basis and for the standardised reference dates of 31 March, 30 June, 30 September and 31 December of a calendar year. The submission deadlines – six weeks after the reference date (12 May, 11 August, 11 November and 11 February) also remain unchanged compared to the ones already stipulated in the ITS.

24. Most of the templates included in the proposal ask for information reflecting the situation at the reference date. The threshold template (C 90.00) has included, since the very beginning, information on the three ends of the month covered by the quarterly report, in line with the provisions of Articles 94 and 325a CRR. Many of the A-IMA templates, especially the ones on daily

risk measures and back-testing, foresee the reporting of daily data inside the frame of a quarterly report.

25. The EBA might propose to increase the frequency of the reporting of A-SA and A-IMA information in the future, or modify the templates to accommodate information referring to multiple reference dates, should competent authorities deem it necessary, taking into account the provisions of the CRR.

### **3.3.5 Considerations on the application date**

26. The EBA targets 30 September 2024 as first reference date for reporting in accordance with the amended ITS. In the light of the minimum of six months of implementation time provided for by Article 430b(6) CRR, the application date is specified as the later of 16 September 2024 and six months after the entry into force of the amending regulation. Considering the expected timeline for the finalisation of the amending ITS, that wording ensures that institutions will have approximately one year, starting from the date of publication of the final draft ITS by the EBA, to prepare for and implement the amended reporting requirements.

27. In accordance with the provisions of Article 430b CRR, only the information specified in the trading book template and the templates referring to the A-SA would have to be provided (or continue to be provided), as soon as the amendment to the ITS on FRTB reporting applies.

28. As regards the desks and positions in scope of the A-IMA, Article 460b(3) CRR foresees that the obligation to report information will only take effect at the end of a three year period following the date of entry into force of the RTS referred to in Articles 325bd(7) (liquidity horizons), 325be(3) (risk factor eligibility test), 325bf(9) (profit and loss attribution) and 325bg(4) (back-testing) CRR enters into force, and therefore only by November 2025 (first reference date December 2025). Depending on the outcome of the negotiations on the CRR3/CRD6 package, the reporting of information included in the A-IMA templates of this proposal might start earlier than in November 2025, and possibly as soon as the CRR3 starts applying.

29. The information on reclassifications between the trading book and the non-trading book, and the associated own funds requirements, will have to be reported, once the underlying prudential rules (mainly Article 104b CRR) start applying.

## **3.4 Amendments to the ITS on FRTB reporting**

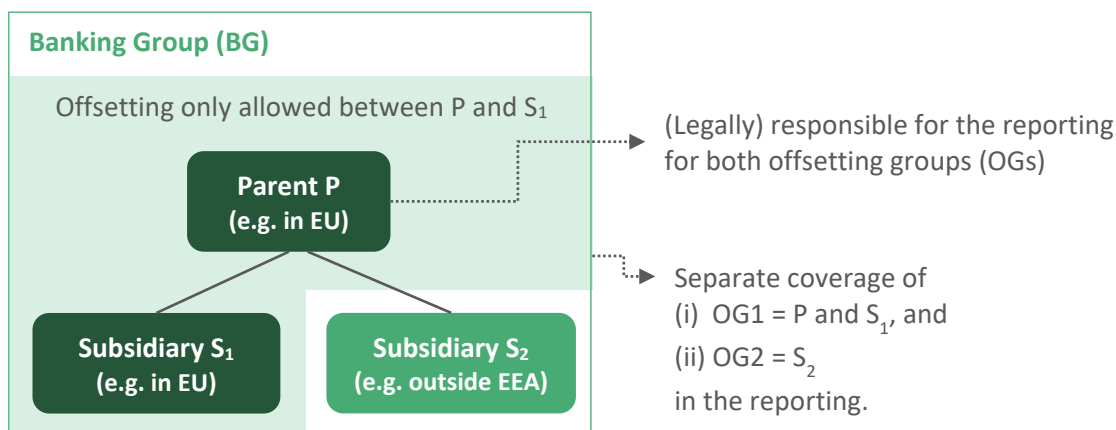
### **3.4.1 The 'offsetting group'-based reporting**

30. Article 325b CRR foresees that institutions can use positions in one institution or undertaking to offset positions in another institution or undertaking, where they have obtained the permission of the competent authority to do so.

31. For the purposes of the reporting in accordance with the amended ITS on FRTB reporting, as set out in this proposal, any subset of entities (or all entities of the group) where such a permission to offset has been granted is called 'offsetting group' (OG). Any individual entity whose positions are not

allowed to be netted against the position of any other group entity is also called an ‘offsetting group’.

Example for ‘Offsetting groups’ in accordance with Article 325b CRR



32. The proposal presented in this consultation paper foresees that the templates are filled in separately for each offsetting group. In most of the templates, a z-axis was added for this purpose.

33. Where the templates are filled in at individual level, the offsetting group field is expected to be set to ‘Single offsetting group’. Where the templates are filled in at consolidated level and different offsetting groups exist inside the scope of the banking group, those are identified as ‘offsetting group 1’, ‘offsetting group 2’ etc.; where only one offsetting group (being equal to all entities of the banking group) exists, ‘single offsetting group’ would be reported. The EBA envisages to add a mapping of the entities of the group to the different offsetting groups to template C 06.02 (Group solvency) of Annex I to the ITS on Supervisory Reporting (see also section 3.5).

34. In addition to the reporting by offsetting group, the two summary templates (MKR ASA SUM, C 91.00, and MKR IMA SUM, C 95.00) shall be filled in for the ‘sum of all offsetting groups’ (i.e. at the level of the banking group as a whole).

#### Question 1 – Offsetting group-based reporting

- a) Did you identify any issues regarding the implementation and use of the offsetting group-concept of Article 325b CRR in the context of these ITS?
- b) Are instructions regarding the reporting by offsetting group clear? If you identify any issues, please include suggestions how to rectify them.

### 3.4.2 A-SA reporting

#### a. Overview and summary templates

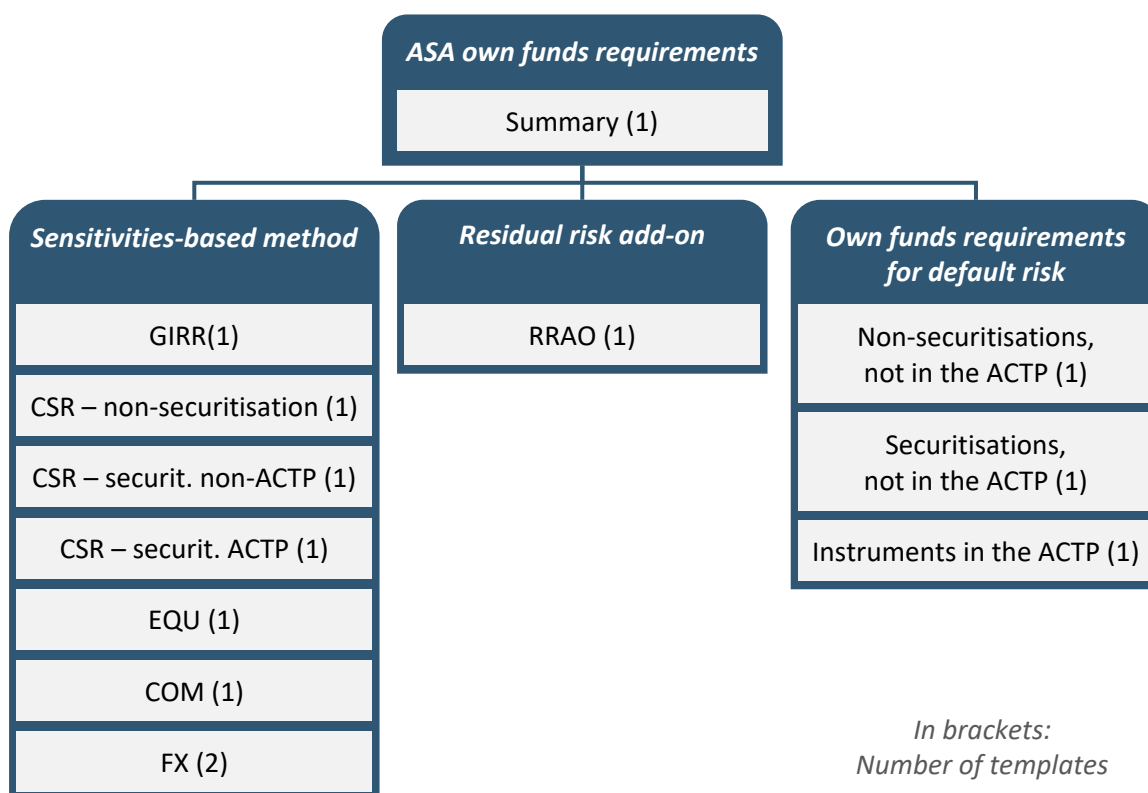
35. The information included in the templates capturing the own funds requirements and other information calculated on the basis of the A-SA will be reported both by institutions exclusively

applying the A-SA and institutions that have obtained the permission to apply the A-IMA at least to some of their positions of the trading book (please see section 3.4.3 for further information on the reporting of A-SA information by A-IMA institutions). In order to identify the scope of positions which the A-SA is applied to, each of the A-SA templates includes a z-axis capturing the scope.

36. Institutions exclusively applying the A-SA will have to report each of the A-SA templates both at individual and consolidated level, unless a waiver was granted by the competent authority.

37. The own funds requirements calculated on the basis of the A-SA are summarised in template C 91.00. This template remains unchanged in terms of the type of information requested compared to the version already in use. However, a breakdown by offsetting group is being added, as well as an indication of the scope of positions covered by the template.

38. The proposal presented in this consultation paper foresees the addition of twelve templates, as shown in the schema below, each dedicated to a specific type of risk or own funds requirements calculated on the basis of the A-SA.



**b. Templates for the reporting of information on the own funds requirements calculated on the basis of the sensitivities-based method**

39. The templates reserved for reporting information on the own funds requirements calculated on the basis of the sensitivities-based method (SBM) closely follow, in their design, the process of calculating own funds requirements. Information is requested on core steps and interim results of the calculation process. This aims to contain institutions’ cost of compliance with the reporting



requirements. The schema below illustrates the information to be provided in each of the SBM templates in more detail.

| <b>A-SA SBM templates - Structure</b>                    |   |  |                                |   |  |   |                                |                |     |     |
|--|---|--|--------------------------------|---|--|---|--------------------------------|----------------|-----|-----|
| Offsetting group:  |   | <input type="text"/>                                       |                                |   |  |   |                                |                |     |     |
| Scope:   |   | <input type="text"/>                                       |                                |   |  |   |                                |                |     |     |
|  | Unweighted sensitivities ( $\sum_k S_k$ ) |  |                                |   | Weighted sensitivities ( $\sum_k WS_k$ ) |   |                                |                |     |     |
|  | Delta risk factors                        |  | Vega risk factors              |   | Delta risk factors                       |   | Vega risk factors              |                | >>> |     |
|  | Breakdown by delta risk factors           |  | Breakdown by vega risk factors |   | Breakdown by delta risk factors          |   | Breakdown by vega risk factors |                | >>> |     |
|  | Bucket                                    | ...  |                                | ...                                     |  | ...                                       |                                | ...            |     | >>> |
|  |   |  |                                |   |  |   |                                |                |     | >>> |
| Curvature risk positions                                 |   |  |                                | Sum of weighted sensitivities ( $S_b$ ) |  | Sum of curvature risk positions ( $S_b$ ) |                                |                |     |     |
| Curvature risk   |   |  |                                | Delta risk                              | Vega risk                                | Curvature risk                            |                                | >>>            |     |     |
| Upward net curvature risk position ( $\sum_k CVR_{k+}$ ) |   | Downward net curvature risk position ( $\sum_k CVR_{k-}$ ) |                                |   |  |   |                                | >>>            |     |     |
|  |   | ...  |                                | ...                                     |  | ...                                       |                                | ...            |     | >>> |
|  |   |  |                                |   |  |   |                                |                |     | >>> |
| Own funds requirements in the different scenarios        |   |  |                                |   |  |   |                                |                |     |     |
| Low correlation scenario                                 |   |  | Medium correlation scenario    |   |  | High correlation scenario                 |                                |                |     |     |
| Delta risk   | Vega risk                                 | Curvature risk   | Delta risk                     | Vega risk                               | Curvature risk                           | Delta risk                                | Vega risk                      | Curvature risk |     |     |
| 1000   | 1010                                      | 1020   | 1030                           | 1040                                    | 1050                                     | 1060                                      | 1070                           | 1080           | >>> |     |
|  |   |  |                                |   |  |   |                                |                | >>> |     |

40. There is one template for each broad category of risk, apart from foreign exchange risk (two templates). The templates are either closed templates, where the CRR lists all buckets associated with a broad category of risk explicitly and that list is exhaustive, or open templates, where the CRR defines a rule for the definition of the buckets (e.g. in case of foreign exchange risk). There are two templates for reporting information on foreign exchange risk – one covering delta and curvature risk, the other one capturing vega risk – considering that the CRR foresees two different rules for the identification of the relevant buckets in case of the former two versus the latter.

41. The CRR2 includes specific provisions regarding the prudential treatment of investments in Collective Investment Undertakings (CIUs), and the CRR3 is going to modify certain elements of it. Depending on the nature and amount of information available to an institution, institutions can either look through to the underlying positions of the CIU, calculate the own funds requirements based on the mandate or treat the investment as equivalent to an investment in an equity position. Although the individual institutions' application of the prudential rules warrants special supervisory scrutiny, no template exclusively dedicated to positions in CIUs was added to this proposal.

**Question 2– CIU reporting**

Is it clear how positions in CIUs are to be reflected in the three template groups (SBM, RRAO, DRC) of the A-SA templates? If you identify any issues, please suggest how to clarify their treatment in the templates and/or instructions.

**c. Templates for the reporting of information on the residual risk add-on**

42. The structure of the template for providing information on the residual risk add-on is conceptually similar to the one used to identify positions in scope of the Prudent Valuation Framework (C 32.01). Institutions are asked to provide information on the gross notional amount of positions subject to residual risks (c0010), then show positions excluded from the scope of the framework (c0020 to c0040), and finally present both the nominal value and the own funds requirements of the positions subject to the additional own funds requirements (c0050 and c0110).

43. Institutions are also asked to allocate instruments subject to other types of residual risks to the ‘most relevant’ of one of five broad asset classes (interest rates, foreign exchange, credit, equities, commodities), based on expert judgement. This aims to provide supervisors with a higher level, aggregate view of the nature of the residual risks that the institution is exposed to.

| A-SA RRAO template - Structure |  |   |   |  |  |                        |
|--------------------------------|--|---|---|--|--|------------------------|
|                                |  | Offsetting group: <input type="text"/>                                |   | Scope: <input type="text"/>                                      |  |                        |
|                                |  | Gross notional amounts - instruments <u>subject to residual risks</u> | Gross notional amounts of instruments <u>exempted from the RRAO</u> | Gross notional amounts of instruments <u>subject to the RRAO</u> | Gross notional amount broken down by asset class | Own funds requirements |
|                                |  | 0010  | ...   | 0050   | ...  | 0110                   |
| 0010                           | <b>ALL UNDERLYINGS</b>                                       |   |   |  |  |                        |
| 0020                           | <b>Instruments referencing an exotic underlying</b>          |   |   |  |  |                        |
| ...                            | Breakdown by type of exotic underlying                       |   |   |  |  |                        |
| 0080                           | <b>Instruments bearing other residual risks</b>              |   |   |  |  |                        |
| ...                            | Breakdown by type of instrument bearing other residual risks |   |   |  |  |                        |

**d. Templates for the reporting of information on the own funds requirements for default risk**

44. In line with the distinction made by the CRR, there are three different templates for capturing the instruments subject to default risk, and their associated own funds requirements: One for non-securitisations, one for securitisations not included in (outside) the Alternative Correlation Trading Portfolio (ACTP) and one for instruments in the ACTP. In all three cases, institutions are asked to provide information on the inputs and interim results of the calculation of the own funds requirements, including the gross JTD amounts, net JTD amounts before application of any risk-weights, the bucket-level weighted-to-short ratio as well as the own funds requirement.

45. The templates dedicated to the instruments outside the ACTP are closed templates. As far as non-securitisations are concerned, the template asks for a breakdown of some information at a more granular level than the buckets prescribed by the CRR: As regards the reporting of the gross JTD amounts, a breakdown by type of instrument (Article 325v CRR) and by default-assumption regarding the LGD (Article 325w(3) CRR) is requested, in order to provide the supervisor with better insights into of the structure of the portfolio subject to default risk. The template for securitisations outside the ACTP includes a row for every bucket defined in Article 325aa CRR.



46. The ACTP-template is an open template, enabling the institution to report a separate row for every bucket corresponding to an index, in accordance with Article 325ad CRR.

| A-SA DRC templates - Structure |   |       |  |  |                               |                       |
|--------------------------------|---|-------|--|--|-------------------------------|-----------------------|
| Offsetting group:              |   |       |  |  |                               |                       |
| Scope:                         |   |       |  |  |                               |                       |
|                                | Instruments<br>(for ACTP: with breakdown into tranching and non-tranching products) |       |  |  |                               |                       |
|                                | Gross JTD amounts   |       | Net long JTD amounts (not risk-weighted)                   | Net short JTD amounts (not risk-weighted)                  | Weighted-to-Short ratio (WtS) | Own funds requirement |
|                                | Long  | Short | Breakdown by CQS or risk weight band / unrated / defaulted | Breakdown by CQS or risk weight band / unrated / defaulted |                               |                       |
|                                | 0010  | 0020  | ...  | ...  | ...                           | ...                   |
| ...                            | Bucket / combination of counterparty, instrument type, seniority                    |       |  |  |                               |                       |

**Question 3– Comments on the overall A-SA reporting**

a) Did you identify any issues regarding the representation of A-SA (policy) framework in the reporting templates?

b) Are

- the scope of application of the requirement to report the different templates,
- the scope of positions/instruments/ etc. included in the scope of every template,
- the template itself and
- the instructions

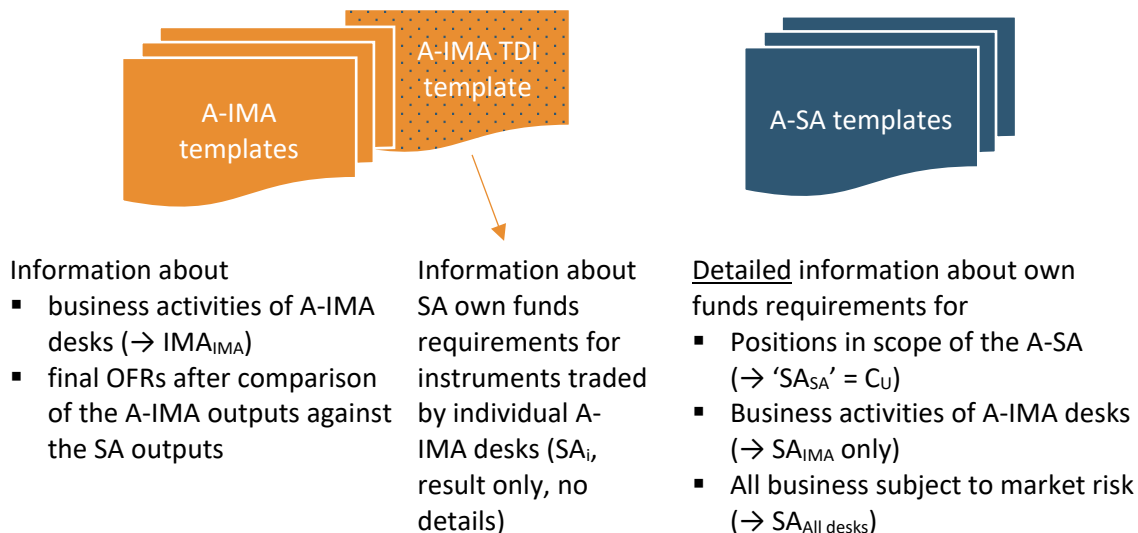
clear? If you identify any issues, please clearly specify the affected templates and instructions, and include suggestions how to rectify the issues.

### 3.4.3 A-IMA reporting

#### a. Scope of information to be reported by an institution applying the A-IMA

47. Where an institution obtained permission to calculate the FRTB own funds requirements for the positions assigned to at least one trading desk based on an internal model, it has to provide the information specified in the A-IMA templates. However, the CRR and the RTS on back-testing and the profit-and-loss-attribution test require the institution to compare the outputs of the A-IMA against the outputs of the A-SA (see further below). In line with that, institutions applying the A-IMA will also have to provide either the result (one figure) or the full details (fill in all A-SA templates) of the calculation of (comparative) own funds requirements determined on the basis of the A-SA.

Overview over the information to be reported by an institution applying the A-IMA to at least one of its trading desks



48. With regard to the own funds requirements calculated for each individual trading desk, institutions would have to report only the result of the calculations on the basis of the A-SA (i.e. the A-SA own funds requirement for the positions of this desk,  $SA_i$ ), without any details, for example, on the size or composition of the positions of this trading desk.

**b. Overview over the A-IMA templates**

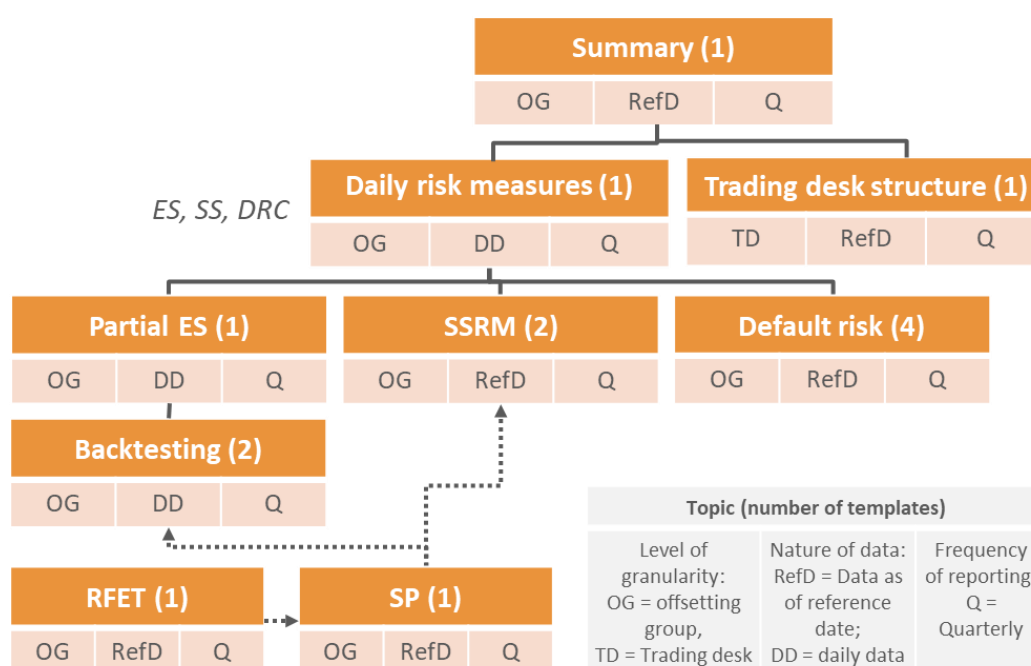
49. The reporting on the results of the A-IMA covers every major step of the calculation of own funds requirements. In a simplified manner, this process is being translated into different templates as follows:

| Calculation step...  | ... reflected in template group   |
|--|-----------------------------------|
| 1 Assess which risk factors can be modelled  | RFET                              |
| 2 Select stress periods  | SP                                |
| 3 Calculate the Expected Shortfall (ES) measure for risk factors that can be modelled        | Partial ES, Daily risk measures   |
| 4 Calculate the Stress scenario risk measure (SSRM) for risk factors that cannot be modelled | SSRM, Daily risk measures         |
| 5 Assess the quality of the model and determine the multiplier for the ES model              | Back-testing, Summary             |
| 6 Calculate the own funds requirements for default risk                                      | Default risk, Daily risk measures |

|   |   |                        |
|---|---|------------------------|
| 7 | Where applicable, calculate the capital surcharge | Trading desk structure |
| 8 | Determine the final own funds requirement         | Summary                |

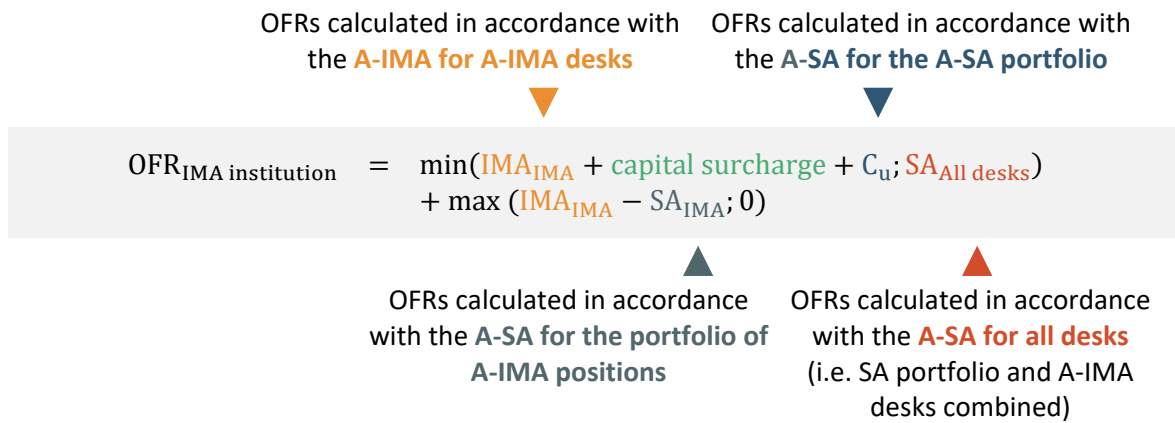
50. All of the A-IMA templates are to be submitted with quarterly frequency. Most of them foresee that data as of the reference date is reported for each offsetting group, while the rest cover data for each (business) day of the quarter in question. One of the templates includes information at the level of the trading desk, instead of data at the level of an offsetting group.

Overview over the content of the A-IMA templates



c. The summary template

51. Considering the provisions of Article 325ba CRR in conjunction with the Article 16 of Regulation (EU) 2022/2059 (RTS on back-testing and PLAT), the own funds requirements (OFRs) for the business subject to market risk of an institution applying the A-IMA to at least one trading desk (A-IMA institution) are calculated as follows:



52. The capital surcharge is added, if there is at least one A-IMA desk failing the profit & loss attribution test, and is calculated as follows:

$$\begin{aligned} \text{Capital surcharge} &= k \cdot \max(\text{SA}_{\text{IMA}} - \text{IMA}_{\text{IMA}}; 0) \\ &= 0.5 \cdot \frac{\sum_{i \in \text{NG}} \text{SA}_i}{\sum_{i \in \text{IMA}} \text{SA}_i} \cdot \max(\text{SA}_{\text{IMA}} - \text{IMA}_{\text{IMA}}; 0) \end{aligned}$$

OFRs calculated in accordance with the **A-SA for individual A-IMA desks**

- Numerator: Sum over all 'non-green'-desks
- Denominator: Sum over all A-IMA desks

53. All the inputs to this calculation of the own funds requirements, as well as its result, are captured in the summary template. The own funds requirements presented in the summary template are the own funds requirements before the application of the output floor introduced by the CRR3.

**A-IMA: Summary of own funds requirements - Structure**

Offsetting group

| Modellable risk factors: Expected shortfall measure |   |  |      |                              |      |                          |  |
|---|---|--|------|------------------------------|------|--------------------------|--|
| Previous day's risk measure (ES <sub>t-1</sub> )    | Average of daily risk measure over the preceding 60 business days (ES <sup>avg</sup> · m <sub>c</sub> ) | Multiplier m <sub>c</sub>                    |      |                              |      |                          |  |
|   |   | of which: quantitative add-on (back-testing) |      | of which: qualitative add-on |      | Memorandum items         |  |
|   |   |  |      |                              |      | Number of over-shootings | Recognition of extraordinary circumstances |
| Rows  | 0010  | 0020   | 0030 | 0040                         | 0050 | 0060                     | 0065                                       |
| 0010  |   |  |      |                              |      |                          |  |

| Non-modellable risk factors: Stress scenario risk measure |  | Default risk  |  | IMA own funds requirements for IMA desks |
|---|--|---|--|--|
| Previous day's risk measure (SS <sub>t-1</sub> )          | Average of daily risk measure over the preceding 60 business days (SS <sup>avg</sup> ) | Most recent own funds requirements for default risk | Average own funds requirement for default risk over the preceding 12 weeks | IMA <sub>IMA</sub>                       |
| 0070  | 0080   | 0090  | 0100   | 0110                                     |

The other A-IMA templates primarily provide more details on the sections highlighted in orange.

| SA own funds requirements for all IMA desks | Capital surcharge calculation                     |  |               |                   | SA own funds requirements for SA desks | SA own funds requirements for all desks | Own funds requirements for the on- and off-balance sheet business subject to market risk | Total risk exposure amount |
|---|---|--|---------------|-------------------|--|---|--|----------------------------|
|   | SA own funds requirements for non-green IMA desks | SA own funds requirements for all IMA desks (desk by desk) | k-coefficient | Capital surcharge |  |   |  |                            |
| SA <sub>IMA</sub>                           | $\sum_{(i \text{ in NG})} SA_i$                   | $\sum_{(i \text{ in IMA})} SA_i$                           | k             |                   | C <sub>U</sub>                         | SA <sub>All desks</sub>                 |  |                            |
| 0120  | 0130  | 0140   | 0150          | 0160              | 0170                                   | 0180                                    | 0190   | 0200                       |

**d. Reporting on the outcome of the risk-factor eligibility test, expected shortfall and stress scenario risk measures as well as back-testing results**

54. In the template on the risk factor eligibility test, institutions are asked to provide simple statistical information on the number of risk factors, assessed individually or at bucket level, that were ultimately considered to be modellable and non-modellable, respectively, for each risk class. This aims to provide supervisors with a rough indication of the quality of crucial inputs to the institution's market risk model. As regards non-modellable risk factors, additional statistical information on the availability of real price observations for those risk factors is requested.

55. The Stress Periods template (MKR IMA SP) gathers information on the stress periods taken into account in the calculation of the own funds requirements for modellable (1 stress period) and non-modellable (1 stress period for broad category of risk) risk factors, as well as information on the last time the institution reviewed its choice of those stress periods.

56. As far as modellable risk factors are concerned, the proposal presented in this consultation paper foresees that institutions report very detailed information on all the partial expected shortfalls measures to be calculated in accordance with Articles 325bb and 325bc CRR (considering the different sets of risk factors/scenarios, liquidity horizons, and the different broad categories of

risk/all broad categories of risk) and the unconstrained expected shortfall in template MKR IMA PES. The (final) expected shortfall measure derived from those partial and unconstrained expected shortfall measures is shown in the daily risk measures (MKR IMA DRM) template. The information should be aggregated across all trading desks that belong to the same offsetting group.

57. The PES- and DRM-templates are complemented by two templates capturing back-testing information, at institution level and trading desk level, respectively. They include information on the VaR and various profit and loss measures used to identify overshootings for the purposes of the determination of the multipliers and the assessment of the desks' compliance with the back-testing requirements in accordance with Article 325bf CRR. As a complementary information, institutions are also asked to report expected shortfall values calculated on the same assumptions as the VaRs used for back-testing, to facilitate the supervisory assessment of the outliers.

58. As regards the own funds requirements for non-modellable risk factors, the templates foresee the provision of granular information consisting of a breakdown of the aggregate stress scenario risk measures by risk (sub-)category (template MKR IMA SSRM1) and statistical information on the number of non-modellable risk factors capitalised based on the different SSRM methods (template MKR IMA SSRM2). That granular information is only requested for the reference date. Daily data only needs to be provided, to the same extent as for modellable risk factors, in the DRM-template, covering only the final, aggregate stress scenario risk measure.

59. Information on the risk measures, interim results of the calculation of the expected shortfall measure and back-testing results, is, in principle, requested for every business day. Where the CRR foresees the calculation of a certain measure on a less frequent basis – as it is the case for the final own funds requirements for default risk<sup>11</sup> – or where, for example, the reporting institution obtained the competent authority's permission to perform the last steps of the calculation of the expected shortfall measure only on a weekly basis, institutions' reports would only have to cover data for the days on which they actually calculate the measures.

60. For the purposes of the analysis of the data by the data users, it would have been most convenient to ask institutions to provide data for the preceding 250 business days (or year) every quarter. In that case, the data submitted for the more recent quarter supersedes the data submitted on the preceding quarter. Resubmissions to update and correct the data, for example if an institution gets the permission to exclude an overshooting for a certain reference date with a certain delay, would only be needed to the extent they change data for a quarter not covered by the most recent report. On the other hand, the request to provide data only for the quarter in question is clearer in nature and avoids the reporting of overlapping data. In the light of these considerations, the proposal presented in this consultation paper foresees only that data is reported for every (business) day in the quarter.

#### e. Reporting on the trading desk structure

61. The trading desk structure template (MKR IMA TDS) pools core information on every trading desk included in the scope of the permission to apply the A-IMA. Trading desks should be listed there,

<sup>11</sup> unless the institution makes use of its right to perform the calculation more frequently

irrespective of the offsetting group they are allocated to, and irrespective of the approach applied for the calculation of own funds requirements as of the reference date.

62. The main purpose of the TDS template is to capture and deliver information regarding the situation of the A-IMA trading desk as of the reference date, and the suitability of the model applied. For that purpose, institutions are asked to provide information on the results of the profit and loss-attribution test and state whether the back-testing requirements were met. As a consequence of that, the template also includes the information whether the A-IMA or the A-SA were effectively applied for calculating own funds requirement for this trading desk as of the reference date. If the institution has at least one non-green trading desk (or always, should Article 325(3) of the Commission's proposal for the CRR3 remain in the final CRR3), institutions are also asked to provide the final result of the calculation of the own funds requirements for every individual trading desk on the basis of the A-SA (= SA<sub>i</sub>).

63. The information on the 'suitability' of the application of the A-IMA to the trading desk as of the reference date is complemented by more stable, qualitative information aiming to capture the nature of the activities of the trading desk. For this purpose, institutions should indicate, for every trading desk, the kinds of risks and the kinds of instruments that are (usually) traded at the trading desk, and whether the trading includes also instruments subject to the default risk charge.

#### f. Reporting on instruments subject to default risk

64. As a complement to the weekly overall DRC measure reported in template DRM, the DRC- (C 98.01.1, C 98.01.2) and CORR-templates (C 98.02.1, C 98.02.2) aim to provide more detailed insights into the composition of the portfolio of instruments subject to default risk covered by the institution's DRC model. The templates capture that composition as of the reference date only (i.e. no provision of information for multiple dates).

65. The DRC-templates require institutions to break down the potential losses, determined based on the DRC model, separately for long and short positions towards the different issuers, broken down by PD (DRC1) and LGD (DRC2), respectively. The PD bands defined for that purpose roughly mirror the default probabilities associated with the different Credit Quality Steps assigned for the purposes of the calculation of the own funds requirements for default risk in the context of the A-SA. Similarly, the breakdown by type of issuer (rows) aims to reduce institutions' cost of compliance with the reporting by enabling them to re-use a mapping of issuers/risk factors to broad sub-categories of risk factors (Article 325bd CRR, credit spread category) that institutions have to produce as part of the fall-back calculation of A-SA-based own funds requirements for their A-IMA desks.

66. In the light of the importance that the CRR attributes to the soundness of the methodology for estimating correlations, the last two templates of the A-IMA-template set are dedicated to the correlations used in the DRC model. With a view to limiting the cost of compliance with the reporting requirements, the templates gather information on the default correlations between the 25 most significant issuers the institution is exposed to. The correlation matrix is complemented by information on the size of the institution's exposure to the 25 issuers, as well as information on the

systematic risk factors used for modelling the issuers' defaults, only a correlation matrix needs to be filled in.

#### Question 4– Comments on the overall A-IMA reporting

a) Did you identify any issues regarding the representation of A-IMA (policy) framework in the reporting templates?

b) Are

- the scope of application of the requirement to report the different templates,
- the scope of positions/instruments/profits and losses etc. included in the scope of every template,
- the template itself and
- the instructions

clear? If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

#### 3.4.4 Reporting of P&L information

67. With the implementation of the FRTB in the EU, the number of institutions using internal models to calculate their own funds requirements for market risk is expected to significantly decrease. Many institutions with significant market risk exposures that currently use internal models will apply exclusively the A-SA in the context of Pillar 1. As regards the few institutions who will use internal models in the future, the A-SA will serve as the implemented fall-back mechanism, has to be considered in the context of the output floor, and will be applied for any desk without internal model approval.

68. Institutions applying internal models are asked to calculate different types of (regulatory) profit and loss (P&L) figures to their supervisors in the context of back-testing requirements, and will report them as explained in the previous section. No comparable regulatory or reporting requirement has been in place so far for institution exclusively using the standardised approach. However, the future A-SA, with its main component, the sensitivities-based method, is based on risk sensitivities and strongly resembles a market risk model (variance covariance approach).

69. Against this background, the proposal presented in this consultation paper includes a template for collecting data on the 'economic' P&L, both from institutions applying the A-SA and the A-IMA. The data collected would allow supervisors to compare realised P&Ls against the output of the institution's regulatory A-SA 'model'. At the level of individual institutions, supervisors would be able to understand how well the model outputs reflect the actual risk of the institution's business. At a horizontal level, the data could be used to monitor the appropriateness of the calibration of the risk weights and correlations used in the regulatory calculation, as well as to identify cases, where the realised market volatility systematically exceeds the regulatory calibration (e.g. for a certain risk class or certain groups of institutions).



70. As all the other information presented in this proposal, the P&L data would be reported with a quarterly frequency. Institutions are asked to provide the P&L for every business day of the quarter.
71. Institutions are asked to report the total 'economic' profits and losses generated by all their activities subject to market risk, and to attribute or allocate those 'economic' profits and losses to the risk classes of the sensitivities-based method, to the extent possible.
72. The data reported should cover at least trading book positions. Institutions are expected to have daily data on economic profits and losses associated with those positions because of the requirements of Article 105(3) CRR (daily revaluation of trading book positions). Ideally, the data on economic profits and losses should cover all positions subject to market risk, i.e. also the economic profits and losses generated by positions in the banking book, to the extent those profits and losses are attributable to market risks (i.e. result from foreign exchange and/or commodities risk). As daily data may not be available for banking book positions, institutions are given the choice to include or exclude information on them in / from the template, but have to explicitly indicate whether or not the economic profit and loss reported for a given business day covers also those positions.
73. Beyond this high-level guidance, no specific methodology is prescribed for determining the economic P&L, or for allocating the components of the economic P&L, to the extent they can be allocated, to the different risk classes of the sensitivities-based method. The absence of more detailed guidance aims to enable institutions to re-use a profit and loss metric that they monitor anyway (e.g. the P&L for reporting to senior management), or can generate with a reasonable effort. In the light of the methodological freedom granted, institutions are asked to explain their methodological choices for the determination of the P&L value and for allocating the P&L components to risk classes (e.g. components systematically included/excluded in both cases). While the data on the economic profits and losses reported may not be comparable between institutions, the approach described aims to contain the cost of compliance associated with this reporting requirement.

**Question 5– Profit and loss data**

The objective of this template is to obtain (economic) profit and loss values, that can be compared to the own funds requirements calculated on the basis of the FRTB approaches, i.e. which are, at least to some extent, conceptually compatible with the latter. Against this background, and as explained above, the instructions specify only certain 'minimum requirements' regarding the profit and loss data to be reported. Beyond those minimum requirements, institutions are free to make their own methodological choices.

Does this approach work for you? Or do you need any further, or different, guidance regarding the elements of the P&L and the scope of the positions to be covered by that P&L? Which additional specifications could facilitate your compliance with this reporting requirement? Which general methodology would you envisage to allocate P&L to the risk classes of the sensitivities-based method?

## 3.5 Amendments to the ITS on Supervisory Reporting

### 3.5.1 Reporting of information on the reclassification of positions between trading book and non-trading book

74. Besides the A-SA and the A-IMA, the CRR2 also introduced the revised framework for allocating positions to the trading book and non-trading book (banking book), including the default assumptions for the allocation to books, documentation and monitoring requirements, and the own funds requirement for certain reclassifications. The legal provisions may be subject to changes introduced by the CRR3/CRD6 package currently being negotiated.
75. Given that reclassifications are expected to be a rare occurrence and should be subject to close supervisory scrutiny, the proposal presented in this consultation paper includes a template capturing the reclassification of instruments between books (C 24.01, 'MOV' for 'movement between books'). The template aims to provide the supervisors with all information about reclassifications relevant as of the reference date. With this objective in mind, its scope does not only include any reclassifications in the reference period (three months period ending with the reference date), whether or not they lead to an add-on to the own funds requirements in accordance with Article 104a(3), point (b), CRR, but also reclassifications that took place in preceding reporting periods, to the extent they either still attract the own funds requirements for the reclassification as of the reference date or ceased to be subject to own funds requirements during the reference period because of a decision by the competent authority.
76. For each of the reclassifications in scope, the template asks for basic information on the reclassification itself: the regulatory book that the instrument was originally assigned to (origin book), the regulatory book it is now allocated to (destination book), the date of the classification, reason for classification. Institutions are also asked to provide data on the impact on the own funds requirements, including the duration of that impact: the net increase or decrease in own funds requirements, the date of maturity or envisaged derecognition of the instrument, and the effective date of the competent authority's permission to waive the own funds requirements.
77. For the time being, the reason for the reclassification is to be provided in a free text field. The free text field may be replaced or complemented by a standard list of reasons in the future, if the Guidelines to be developed in accordance with the mandate of Article 104a CRR support such a standardisation.
78. Formally and in principle, the prudential framework for the reclassification between books applies to any institution, both those making use of the derogation of Article 94 CRR and those applying the SSA, A-SA or A-IMA. For this reason, no institutions would be excluded from the obligation to report the MOV-template.
79. The MOV-template and its accompanying instructions are set out in Annexes III and IV to this consultation paper. Annex III also includes an example, illustrating the reporting of different transactions in the template over time.

**Question 6 - Reporting on reclassifications between books**

- a) Did you identify any issues regarding the representation of the prudential framework for reclassifications and the associated own funds requirement in the reporting template?
- b) Are the scope of application of the reporting requirement, the scope of transactions to be reported in the template, the template itself and the instructions clear? If you identify any issues, please include suggestions how to rectify them.

**3.5.2 Trading book boundary**

80. In addition to monitoring reallocations between the two regulatory books, supervisors also identified the need to monitor the boundary between the two regulatory books.

81. For the purposes of monitoring the boundary, the EBA is considering the possibility of introducing a template (or templates) that capture the composition of the banking and trading books. The information provided in that template should enable supervisors to understand how the institution applies Article 104 CRR, and particularly how it makes use of the discretions stipulated in this article. It could be complemented by other relevant information, such as information on internal risk transfers or internal hedges across books, links to the accounting classification and treatment, or the breakdown by the different types of market risks.

82. The information captured in such a template would, in principle, have to be provided by any institution, irrespective of the framework or approach for calculating own funds requirements for their business subject to market risk.

**Question 7 - Reporting on the boundary between trading and banking book**

- a) With regard to the data to be provided in such a template, which measures (book value, notional value, market value, other measure) do you deem most appropriate for the monitoring of the boundary between the books? Which measures do you use or plan to use for your monitoring of the allocation between the two books and can you therefore provide, considering possible breakdowns by instrument type or element of the boundary framework (as per Article 104 of the draft CRR3), accounting treatment and allocation to regulatory books? Which breakdowns do you monitor internally, and are there any constraints regarding the use of certain metrics for certain breakdowns?
- b) Which benefits and challenges do you foresee as regards this reporting? Which issues should be taken into account or addressed, to maximise the benefit and reduce the cost of compliance with this particular reporting requirement?

**3.5.3 Small amendments to the group Solvency reporting (C 06.02) and breakdown of the RWEA by type of risk (C 02.00)**



83. As already mentioned in the section on general considerations on the reporting, amendments to the ITS on Supervisory Reporting will be necessary at the very latest when the FRTB becomes the binding framework for calculating own funds requirements for business subject to market risk. The core idea of two of these amendments are explained in more detail below. It should be noted that the proposals described here may be further refined or slightly amended, before they are introduced into the ITS on Supervisory Reporting.
84. As explained above, both the A-SA and the A-IMA template are envisaged to be filled in for each offsetting group. In order to facilitate access to information on the scope of those offsetting groups, ultimately supporting the interpretation of the data, it is envisaged to add a simple mapping of the different legal entities of a group subject to consolidated supervision in accordance with the CRD to the different offsetting groups to template C 06.02 (Group Solvency) of Annex I to the ITS on Supervisory reporting. The template C 06.02 already captures qualitative and quantitative information on entities included in the scope of consolidation of a banking group. It is reported with a semi-annual frequency, which suits the fact that the mapping of the legal entities to the offsetting groups is not expected to be subject to frequent changes.
85. The overview over the composition of the RWEA, presented in template C 02.00 of Annex I to the ITS on Supervisory Reporting, will have to be amended as well, with effect as of the date of application of the CRR3 or, at the very latest, with effect as of the date where the FRTB becomes the binding framework for calculating own funds requirements for market risk. It is not foreseen to introduce a breakdown by offsetting group into this template.

| C 02.00 - OWN FUNDS REQUIREMENTS (CA2) - Excerpt |           |   |        |
|--|-----------|---|--------|
| Rows   | Item      | Label   | Amount |
| 0010   | 1         | <b>TOTAL RISK EXPOSURE AMOUNT</b>   |        |
| ...  | ...       | ...   |        |
| 0520   | 1.3       | <b>TOTAL RISK EXPOSURE AMOUNT FOR THE BUSINESS SUBJECT TO MARKET RISK</b>   |        |
| 0530   | 1.3.1     | <b>Risk exposure amount for business subject to market risk calculated by entities exclusively applying the simplified standardised approach (SSA)</b>    |        |
| 0540   | 1.3.1.1   | <b>Traded debt instruments</b>  |        |
| 0550   | 1.3.1.2   | <b>Equity</b>   |        |
| 0555   | 1.3.1.3   | <b>Particular approach for position risk in CIUs</b>  |        |
| 0556   | 1.3.1.3*  | <b>Memo item: CIUs exclusively invested in traded debt instruments</b>  |        |
| 0557   | 1.3.1.3** | <b>Memo item: CIUs invested exclusively in equity instruments or in mixed instruments</b>   |        |
| 0560   | 1.3.1.4   | <b>Foreign Exchange</b>   |        |
| 0570   | 1.3.1.5   | <b>Commodities</b>  |        |
| 0580   | 1.3.2     | <b>Risk exposure amount for Position, foreign exchange and commodities risks under internal models (IM)</b>   |        |
| 0581   | 1.3.3     | <b>Risk exposure amount for market risk calculated by entities applying exclusively the Alternative standardised approach (A-SA)</b>                      |        |
| 0582   | 1.3.4     | <b>Risk exposure amount for market risk calculated by entities applying the Alternative Internal Models Approach (A-IMA) to at least one trading desk</b> |        |
| 0588   | 1.3.5     | <b>Risk exposure amount for reclassifications between banking and trading book</b>  |        |
| ...  | ...       | ...   |        |
| ???  | ???       | <b>ADDITIONAL RISK EXPOSURE AMOUNT DUE TO THE OUTPUT FLOOR</b>  |        |
| ...  | ...       | ...   |        |

|  |   |
|--|---|
|  | Label change                              |
|  | Label change or (small) change of concept |
|  | Deleted                                   |
|  | Added                                     |

86. The section of the template dedicated to the current standardised approach (rows 0530 to 0570) would likely only have to be modified to a minor extent. It will continue capturing the RWEA of entities applying the (then renamed to simplified) standardised approach, as a summary of the more detailed information included in template C 18.00 to C 23.00 of Annex I to the ITS on Supervisory Reporting. The rescaling of the own funds requirements calculated on the basis of this simplified approach (Article 325(2) of the Commission’s proposal for the CRR3) would be reflected in the detailed templates and/or in the validation rules linking template C 02.00 and the detail templates.

87. Once the current internal model approach cannot be used anymore, row 0580 will be deleted.

88. Two new rows added to the template will not distinguish anymore, as it is currently done, between the RWEA calculated according to the different approaches applied to individual instruments or positions. Instead, they will distinguish between the RWEA of entities that do not apply the A-IMA at all (row 0581), and those applying the A-IMA to at least one trading desk (row 0582). This reflects the fact that the own funds requirements of an institution applying the A-IMA to at least one trading desk are, ultimately, determined not only on the basis of the A-IMA itself, but also through a comparison of the own funds requirements calculated on the basis of the A-IMA and those calculated on the basis of the A-SA for certain scopes of exposures (see section 3.4.3 above).

89. It will not be permitted to combine the use of the SSA with the use of A-SA or A-IMA (Article 325(4) of the Commission’s proposal for the CRR3) – therefore, the three rows dedicated to the application SSA-applicants (row 0530), A-SA applicants and A-IMA applicants will be mutually exclusive and complementary.

90. A new row in the template will also capture possible own funds requirements associated with the reclassification of instruments between books, reflecting the result detailed in the MOV-template described in the previous section.

91. The information included in all the templates of the ITS on FRTB reporting rows highlighted above do not include the effect of the application of the output floor, as that would hamper the

comparability of the detailed information between institutions. The effect of the output floor will be captured separately, and outside the market risk templates.

**Question 8 - Interactions between the ITS on Supervisory Reporting and these ITS**

- a) Do you have any comments on the considerations regarding the interactions and links between the ITS on FRTB reporting and the ITS on Supervisory Reporting presented above?
- b) Did you identify any other issues regarding the interactions and conceptual links between the ITS on FRTB reporting and the ITS on Supervisory Reporting, either resulting from the CRR or the discussion on the CRR3, that should be considered? If yes, please also include suggestions how to rectify those issues.

**Question 9 - Cost of compliance with the reporting requirements**

Is or are there any element(s) of this proposal for new and amended reporting requirements that you expect to trigger a particularly high, or in your view disproportionate, effort or cost of compliance? If yes, please

- specify which element(s) of the proposal trigger(s) that particularly high cost of compliance,
- explain the nature/source of the cost (i.e. explain what makes it costly to comply with this particular element of the proposal) and specify whether the cost arises as part of the implementation, or as part of the on-going compliance with the reporting requirements,
- offer suggestions on alternative ways to achieve the same/a similar result with lower cost of compliance for you.

## 4. Draft implementing technical standards

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In between the text of the draft ITS that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.



## COMMISSION IMPLEMENTING REGULATION (EU) .../...

of **XXX**

### **amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/453 laying down implementing technical standards for the application of specific reporting requirements for market risk**

Text with EEA relevance

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012<sup>12</sup>, and in particular the last subparagraph of Article 430b(6) thereof,

Whereas:

- (1) Regulation (EU) 2019/876 of the European Parliament and of the Council<sup>13</sup> amended Regulation (EU) No 575/2013 to introduce the requirement for institutions to report information on the own funds requirements for market risk calculated on the basis of alternative, more risk-sensitive approaches into the prudential framework of the Union. [Regulation XXXX of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor converts that reporting obligation into an obligation to comply with the own funds requirements for market risk calculated on the basis of those alternative approaches as part of the overall solvency framework.]
- (2) Since 2021, institutions with significant business subject to market risk have been reporting information on the own funds requirements calculated on the basis of the alternative standardised approach. That information is of high-level nature and focuses on the size of the instruments and positions in scope of that approach, as well as on the final result of the calculation of the own funds requirements. Considering that such institutions apply the alternative standardised approach either to calculate binding own funds requirements, or as a fall-back solution, where their internal models show notable weaknesses, the EBA considers it necessary to revise and expand the set of information to

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<sup>12</sup> OJ L, 176, 27.6.2013, p. 1.

<sup>13</sup> Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, p. 1).





be provided by those institutions. This should provide supervisors with a sound basis for understanding institutions' progress regarding the implementation of the alternative standardised approach, assessing both the magnitude and nature of the market risks entered into by an institution, as well as monitoring institutions' compliance with the own funds requirements.

- (3) Institutions may also choose to apply the alternative internal model approach with the permission of their competent authority. As this approach is even more sophisticated than the alternative standardised approach, institutions should also provide detailed information on the scope and nature of the instruments and positions that they include in the scope of application of their internal models for market risk, as well as on the different steps of the calculation of own funds requirements on the basis of this approach. In accordance with Article 430b(3) of Regulation (EU) No 575/2013, the obligation to provide that information will only take effect as of [15 November 2025].
- (4) Institutions that apply the alternative internal model approach have to calculate own funds requirements for the positions in scope of that internal model, as a fall-back solution, also on the basis of the alternative standardised approach. Those institutions should also report the templates dedicated to the alternative standardised approach for certain scopes of positions and instruments included in the scope of the internal model.
- (5) In accordance with Article 430b(6) of Regulation (EU) No 575/2013, the amendments introduced by this Regulation shall not be applicable earlier than six months from the date of the entry into force of this Regulation. Institutions should also not have to start reporting the amended set of information earlier than for the reference date 30 September 2024.
- (6) Implementing Regulation (EU) 2021/453<sup>14</sup> should therefore be amended accordingly.
- (7) This Regulation is based on the draft implementing technical standards submitted to the Commission by the European Banking Authority.
- (8) The European Banking Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council<sup>15</sup>,

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<sup>14</sup> Commission Implementing Regulation (EU) 2021/453 of 15 March 2021 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the specific reporting requirements for market risk (OJ L 89, 16.3.2021, p. 3)

<sup>15</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).



HAS ADOPTED THIS REGULATION:

*Article 1*

Implementing Regulation (EU) 2021/453 is amended as follows:

- (1) Article 3 is replaced by the following:

‘Article 3

**Reporting on the alternative standardised approach**

(1) Institutions that apply the alternative standardised approach to all or some of their business subject to market risk, shall report the results of the calculations based on the alternative standardised approach as referred to in [Article 430b(1)] of Regulation (EU) No 575/2013 on an individual basis or on a consolidated basis, as applicable, by using templates 91, 92.1, 92.2, 92.3, 92.4, 92.5, 92.6, 92.7.1, 92.7.2, 93, 94.1, 94.2 and 94.3 of Annex I to this Regulation and in accordance with the instructions set forth in Annex II, Part II, Section 2, to this Regulation, with regard to the scope of positions set out in Annex II, Part II, Section 2.1, paragraph (4), point (a), to this Regulation.

(2) In addition to the reporting in accordance with paragraph (1) of this Article, institutions that have obtained the permission to apply the alternative internal model approach to the positions of at least one trading desk, shall report the results of the calculations based on the alternative standardised approach as referred to in [Article 430b(1)] of Regulation (EU) No 575/2013 on an individual basis or on a consolidated basis, as applicable, by using templates 91, 92.1, 92.2, 92.3, 92.4, 92.5, 92.6, 92.7.1, 92.7.2, 93, 94.1, 94.2 and 94.3 of Annex I to this Regulation and in accordance with the instructions of Annex II, Part II, Section 2, to this Regulation, with regard to the scope of positions set out in Annex II, Part II, Section 2.1, paragraph (4), point (b), to this Regulation.’;

- (2) the following Article 3a is inserted:

‘Article 3a

**Reporting on the alternative internal model approach**

Institutions that apply the alternative internal model approach shall report the results of the calculations based on the alternative internal model approach as referred to in [Article 430b(3)] of Regulation (EU) No 575/2013 on an individual basis or on a consolidated basis, as applicable, by using templates 95, 96.1.1, 96.1.2, 96.2, 96.3, 96.4.1, 96.4.2, 96.5.1, 96.5.2, 97, 98.1.1, 98.1.2, 98.2.1 and 98.2.2 of Annex I to this Regulation and in accordance with the instructions of Annex II, Part II, Section 3, to this Regulation, with regard to the scope of positions subject to the application of the alternative internal model approach.’;

- (3) the following Article 3b is inserted:

‘Article 3b

**Reporting on profits and losses generated by the business subject to market risk**

Institutions that apply the alternative standardised approach, and institutions that apply the alternative internal model approach, shall report information on the



profits and losses generated by their business subject to market risk on an individual basis or on a consolidated basis, as applicable, by using template 99 of Annex I to this Regulation and in accordance with the instructions of Annex II, Part II, Section 4, to this Regulation,;

- (4) Annex I is replaced by the text in Annex I to this Regulation.
- (5) Annex II is replaced by the text in Annex II to this Regulation.

### *Article 2*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from *[OP please insert date as the later of 16 September 2024 and 6 months after date of entry into force of this Regulation]*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission  
The President*

*On behalf of the President*

*[Position]*



**ANNEXES I and II**

*Please see separate files*

## 5. Accompanying documents

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### 5.1 Draft cost-benefit analysis / impact assessment

As per Article 15 of Regulation (EU) No 1093/2010 (EBA Regulation), any draft implementing technical standards (ITS) developed by the EBA shall be accompanied by an Impact Assessment (IA), which analyses ‘the potential related costs and benefits’.

This analysis presents the IA of the main policy options included in this Consultation Paper on the draft ITS amending Regulation (EU) 2021/453 with regard to the specific reporting requirements for market risk. The analysis provides an overview of the identified problem, the proposed options to address this problem as well as the potential impact of these options. The IA is high level and qualitative in nature.

#### A. Problem identification and background

Article 430b of Regulation (EU) No 575/2013 (‘the CRR’) mandates the EBA to specify the details of the reporting on the own funds requirements calculated in accordance with the FRTB framework. To answer this mandate, in 2020, the EBA proposed to the European Commission the ITS on specific reporting requirements for market risk (or ‘ITS on FRTB reporting’). The Commission adopted it via the Regulation (EU) 2021/453.

Since then, the FRTB framework has been formally in place and is being implemented – even though not yet being applied – but its application as binding framework for the calculation of own funds requirements, with minor adjustments, is approaching as the EU co-legislators are discussing the amendments to the CRR of the CRR3/CRD6 package. With that full application as binding in sight, the EBA considers that it is the right time to expand the FRTB reporting framework and complete the work on the mandate of Article 430b of the CRR by proposing an ITS to amend Regulation (EU) 2021/453 (the ‘draft ITS’).

#### B. Policy objectives

The objectives of the draft ITS is to complement the already existing reporting requirements on market risk own funds requirements with a comprehensive set of templates to capture details on the instruments and positions in scope of the two following approaches contained in the current FRTB framework: the Alternative Standardised Approach and the Alternative Internal Model Approach. Thus, this draft ITS aims at updating the reporting framework for market risks by providing new or updated templates and by explaining in which situations templates should be used.



### C. Options considered, assessment of the options and preferred options

Section C. presents the main policy options discussed and the decisions made by the EBA during the development of the Draft ITS. Advantages and disadvantages, as well as potential costs and benefits from the qualitative perspective of the policy options and the preferred options resulting from this analysis, are provided.

#### Alternative Standardized Approach: Focus on certain steps of the calculation process, instead of asking for information on every single step

The EBA considered two policy options regarding the granularity of the templates related to the process for calculating own funds requirements under the Alternative Standardised Approach.

**Option 1a: To request, in the templates related to sensitivities-based method, information on main steps of the calculation process for the calculation of the own funds' requirements under the Alternative Standardised Approach**

**Option 1b: To request, in the templates related to sensitivities-based method, information on every single step of the calculation of the own funds' requirements under the Alternative Standardised Approach**

The calculation process of the own funds requirements for market risk under the Alternative Standardised Approach contains multiple separate computations related to the different subtypes of risk and risk factors associated with instruments subject to market risk (sensitivities-based method), the residual risk add-on and the own funds requirements for default risk. In order to report these computations, the EBA proposes in its draft ITS to add thirteen templates (of which 8 are related to sensitivities-based method, 1 is related to residual risk add-on and 4 are related to default risk). The addition of these templates is deemed necessary and seen as a strong added value as they are related to the main elements of the calculation of the market risk own funds requirements.

Regarding the reporting on the computations under the sensitivities-based method, one possibility could have been to require institutions to report information on every single step of the calculation. This could have had the benefit for the institutions, that the reporting matches and mirrors the internal processes of the institution put in place for the different calculation steps, and takes their outcome. Furthermore, competent authorities would have been able to entirely re-perform calculations for monitoring purposes. However, reporting information on every step would be associated with a notable cost of compliance for the institutions and would trigger modifications of the templates whenever even a single small change in the calculation process would have occurred (due to regulation modifications, for instance). Also, in the light of the general purpose of the reporting – compliance monitoring and risk analysis – not all of the interim results obtained would be of the same importance for the competent authorities as recipient of the data, at least not on a continuous basis. On the other hand, while filling the templates, sharing information on the main steps of the calculation would still create synergies with their internal processes for the institutions



and this would be sufficient to allow competent authorities to perform their monitoring, while keeping institution's cost of compliance with the reporting requirement at a reasonable level.

On these grounds, **the Option 1a has been chosen as the preferred option** and thus the draft ITS requests to disclose in the templates related to the sensitivities-based method the information on main steps of the calculation process for the calculation of the own funds' requirements under the Alternative Standardised Approach.

### Alternative Standardised Approach: Detailed Templates on sensitivities

The EBA considered two policy options regarding the reporting of sensitivities.

#### **Option 2a: To add a template on sensitivities details**

#### **Option 2b: Not to add a template on sensitivities details**

The sensitivities to risk factors are very crucial input to the calculations of the sensitivities-based method of the Alternative Standardised approach. Even institutions with a small to medium-sized portfolio of instruments and positions subject to market risk have to determine a significant number of sensitivities to capture the risk associated with those instruments and positions.

Detailed information on sensitivities could enable supervisors to assess the quality of that input, and would therefore be of added value for the supervision and the monitoring of the market risks, and the compliance with the associated own funds requirements.

However, it is not expected that supervisors would engage in an analysis of this very detailed data with a frequency that warrants quarterly reporting of such detailed information. Such information on sensitivities, and institutions' ability to determine them, is already being scrutinized as part of the Supervisory benchmarking exercise (annual reporting), although that exercise is focused on theoretical (rather than the institutions' actual) portfolios. Hence, even though the template included into the ITS on FRTB reporting was aligned with the template used in Supervisory Benchmarking and a certain degree of synergy could be thus achieved, overall, the cost for institution of producing additional templates on sensitivities details would exceed the potential benefits in the EBA's view.

On these grounds, **the Option 2b has been chosen as the preferred option** and thus the draft ITS does not include a template on sensitivities details.

### Alternative Standardised Approach and Internal Model Approach: Offsetting group-based reporting

Article 325b of the CRR foresees that, for the purpose of calculating net positions and own funds requirements on a consolidated basis, institutions can use positions in one institution or undertaking to offset positions in another institution or undertaking, where they have obtained the



permission of the competent authority to do so. A group of entities whose positions are allowed to be offset against one another, as well as any individual entity excluded from such offsetting, is called an 'offsetting group' in the proposed reporting framework. In this context, the EBA considered two policy options for the level of reporting the data in the templates:

**Option 3a: To request institutions to report the data at the level of offsetting groups**

**Option 3b: To request institutions to report the data at the usual level of consolidation (banking group / sub-group)**

The draft ITS foresee that institutions will have to fill fourteen templates for the Alternative Standardised Approach and thirteen templates for the Alternative Internal Model Approach. Amongst those twenty-seven templates, twenty-four templates are – given their nature – concerned by the question raised above on the level of reporting of data. They include information on the steps of the calculation process that involve possible offsetting of market risk positions. These statistics show, that the the choice to be made may have a significant impact.

Requesting institutions to fill in the templates for each offsetting group, i.e. providing a larger, more granular data set, would be associated with a comparatively higher cost of compliance with the reporting requirements. However, this cost of compliance could be attenuated, to some degree, by the fact that the data provided corresponds more directly to outputs generated by institutions anyway (i.e. irrespective of the reporting requirements), and that the necessary level of data quality could be achieved in an easier manner. In addition, reporting at the level of the offsetting groups would provide competent authorities with the means to monitor the compliance of the institutions with the offsetting rules and facilitates checking the consistency of the data inside the template.

On these grounds, **the Option 3a has been chosen as the preferred option** and thus the draft ITS requests institutions to report the data at the level of offsetting groups.

#### D. Conclusion

The draft ITS will amend the Commission Implementing Regulation (EU) 2021/453 and as such update the reporting requirements on own funds requirements for market risk, as they are calculated in accordance with the FRTB framework. This update of the reporting requirements will trigger the need of producing additional data for institutions, to fill in the templates. However, the costs related to this production will be mitigated by the fact that the reporting follows the main steps of the computation process (which makes it easier to fill the templates in and use the data). The major benefit of the proposal is that it provides the competent authorities with the means to monitor and follow up the computations performed by the institutions. Overall, the impact assessment on the draft ITS suggests that the expected benefits are higher than the incurred expected costs.



## 5.2 Overview of questions for consultation

### Question 1 – Offsetting group-based reporting

- a) Did you identify any issues regarding the implementation and use of the offsetting group-concept of Article 325b CRR in the context of these ITS?
- b) Are instructions regarding the reporting by offsetting group clear? If you identify any issues, please include suggestions how to rectify them.

### Question 2– CIU reporting

Is it clear how positions in CIUs are to be reflected in the three template groups (SBM, RRAO, DRC) of the A-SA templates? If you identify any issues, please suggest how to clarify their treatment in the templates and/or instructions.

### Question 3– Comments on the overall A-SA reporting

- a) Did you identify any issues regarding the representation of A-SA (policy) framework in the reporting templates?
- b) Are
  - the scope of application of the requirement to report the different templates,
  - the scope of positions/instruments/profits and losses etc. included in the scope of every template,
  - the template itself and
  - the instructions

clear? If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

### Question 4– Comments on the overall A-IMA reporting

- a) Did you identify any issues regarding the representation of A-IMA (policy) framework in the reporting templates?
- b) Are
  - the scope of application of the requirement to report the different templates,
  - the scope of positions/instruments/profits and losses etc. included in the scope of every template,
  - the template itself and
  - the instructions



clear? If you identify any issues, please clearly specify the affected templates and instructions and include suggestions how to rectify the issues.

#### **Question 5– Profit and loss data**

The objective of this template is to obtain (economic) profit and loss values, that can be compared to the own funds requirements calculated on the basis of the FRTB approaches, i.e. which are, at least to some extent, conceptually compatible with the latter. Against this background, and as explained above, the instructions specify only certain ‘minimum requirements’ regarding the profit and loss data to be reported. Beyond those minimum requirements, institutions are free to make their own methodological choices.

Does this approach work for you? Or do you need any further, or different, guidance regarding the elements of the P&L and the scope of the positions to be covered by that P&L? Which additional specifications could facilitate your compliance with this reporting requirement? Which general methodology would you envisage to allocate P&L to the risk classes of the sensitivities-based method?

#### **Question 6 - Reporting on reclassifications between books**

- a) Did you identify any issues regarding the representation of the prudential framework for reclassifications and the associated own funds requirement in the reporting template?
- b) Are the scope of application of the reporting requirement, the scope of transactions to be reported in the template, the template itself and the instructions clear? If you identify any issues, please include suggestions how to rectify them.

#### **Question 7 - Reporting on the boundary between trading and banking book**

- a) With regard to the data to be provided in such a template, which measures (book value, notional value, market value, other measure) do you deem most appropriate for the monitoring of the boundary between the books? Which measures do you use or plan to use for your monitoring of the allocation between the two books and can you therefore provide, considering possible breakdowns by instrument type or element of the boundary framework (as per Article 104 of the draft CRR3), accounting treatment and allocation to regulatory books? Which breakdowns do you monitor internally, and are there any constraints regarding the use of certain metrics for certain breakdowns?
- b) Which benefits and challenges do you foresee as regards this reporting? Which issues should be taken into account or addressed, to maximise the benefit and reduce the cost of compliance with this particular reporting requirement?

#### **Question 8 - Interactions between the ITS on Supervisory Reporting and these ITS**

- a) Do you have any comments on the considerations regarding the interactions and links between the ITS on FRTB reporting and the ITS on Supervisory Reporting presented above?



- b) Did you identify any other issues regarding the interactions and conceptual links between the ITS on FRTB reporting and the ITS on Supervisory Reporting, either resulting from the CRR or the discussion on the CRR3, that should be considered? If yes, please also include suggestions how to rectify those issues.

**Question 9 - Cost of compliance with the reporting requirements**

Is or are there any element(s) of this proposal for new and amended reporting requirements that you expect to trigger a particularly high, or in your view disproportionate, effort or cost of compliance? If yes, please

- specify which element(s) of the proposal trigger(s) that particularly high cost of compliance,
- explain the nature/source of the cost (i.e. explain what makes it costly to comply with this particular element of the proposal) and specify whether the cost arises as part of the implementation, or as part of the on-going compliance with the reporting requirements,
- offer suggestions on alternative ways to achieve the same/a similar result with lower cost of compliance for you.