

EBA/CP/2024/07	
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Consultation Paper

Draft Implementing Technical Standards

amending Commission Implementing Regulation (EU) 2021/451 on supervisory reporting under Article 430 (7) of Regulation (EU) No 575/2013 concerning operational risk



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1. Responding to this consultation

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 **30.04.2024**. 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

The EBA regulatory reporting framework helps national and European supervisory authorities to consistently regulate and supervise credit institutions. It facilitates monitoring of institutional risks using the common supervisory risk assessment and the compliance by institutions with regulatory requirements. It also allows micro- and macroprudential authorities to track system-wide risk. Therefore, it is important to keep this framework updated to consider the reporting needs of users of information, and the regulatory requirements changes.

Regulation (EU) No 575/2013 ('the CRR') mandates the EBA, in Article 430(7), to develop uniform reporting requirements. These reporting requirements are included in the proposed Implementing Technical Standards. These standards cover information on institutions' compliance with prudential requirements as put forward by the CRR and related technical standards as well as additional financial information required by supervisors to perform their supervisory tasks. As such, the ITS on supervisory reporting need to be updated whenever prudential or supervisory requirements change.

New regulatory requirements and impact on reporting

On 27 June 2023, a political agreement¹ was reached between the Council of the European Union ² and the European Parliament ³ on the proposal put forward by the European Commission on 27 October 2021 on the banking package. The banking package includes amendments to the Capital Requirements Regulation (CRR 3) and to the Capital Requirements Directive (CRD VI). Following the political agreement and the subsequent technical meetings of the trialogue negotiators, the present consultation paper (CP) is based on the text of the <u>Provisional agreement reached on the implementation of Basel III reforms</u> published on the Council's website on 6 December 2023.

The banking package will implement the latest Basel III reforms, which will underpin a robust regulatory framework, efficient supervision, and enhanced risk control by credit institutions. Following the CRDVI/CRR3, the EBA is asked to work on the layer of the regulatory products that ensures a technical implementation of the prudential framework, including amendments to the reporting framework.

On 14 December the EBA published the <u>"EBA Roadmap on Strengthening the Prudential Framework"</u>. This roadmap explains the implementation timeline of the EBA mandates under the banking package clarifying how the EBA will develop the mandates implementing the legislation, and how it expects to finalise the most significant components prior to the application date.

¹ Commission welcomes political agreement on EU banking package.

² The Council of the European Union agreed on 15 February 2023 their position: <u>Council agrees its position on the implementation of Basel III reforms.</u>

³ The European Parliament confirmed their position in the plenary on 15 February 2023: Report on the proposal for a regulation 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.



According to this roadmap, when developing reporting and disclosure requirements, the EBA will follow a two-step process prioritising in step 1 those mandates and changes necessary to implement and monitor Basel III requirements in the EU. In step 2, the EBA will implement other reporting and disclosure requirements that are not directly linked to Basel III implementation. Following this approach, the EBA has published already on 14 December a Consultation Paper on draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation (EU) No 575/2013 concerning output floor, credit risk, market risk and leverage ratio, to consult on the changes to the current reporting framework that derive from the implementation of Basel III reforms in the CRR3.

The reporting requirements for operational risk are to be consulted separately in this Consultation Paper given the need to align the development process of the operational risk reporting framework and of other EBA Level 2 products on operational risk, in particular related with: i. the mandate to specify the components of the Business indicator under Article 314(6)(a) of the CRR and the elements to be excluded from the Business Indicator under Article 314(6)(b) of the CRR and ii. mapping of the Business Indicator components with corresponding supervisory reporting references under Article 314(7) of the CRR. The implementation of Pillar 3 disclosure requirements for operational risk are being developed and consulted in parallel with this consultation paper, ensuring integration between both frameworks.

The EBA aims to bring together the reporting requirements that are now being consulted separately in the finalisation of the draft ITS on supervisory reporting which will be published as a one single package and submitted to the Commission.

The remaining impact of CRR3 and CRD VI on operational risk reporting will be incorporated into a second consultation paper which is expected to be published in 2025, accounting for pending policy work development in particular with respect to operational risk losses.

Pursuant to Article 430 paragraph 7, subparagraph 1 as amended by the CRR 3, the templates and related instructions included in this consultation paper will not be part of the ITS published in the official journal, as they shall be published on the EBA website as part of the ITS-related IT tools. This change in the process aims at easier operationalisation of the ITS. The templates and instructions will be available in all languages and shall remain directly applicable in all Member States as part of the ITS, once the ITS are adopted by the European Commission and published in the Official Journal of the EU.

Next steps

After a consultation period of 3 months the EBA will incorporate the amending draft ITS on operational risk reporting in the final draft ITS on supervisory reporting and deliver it to the EU Commission in order for the implementation date of the supervisory reporting to be aligned with the application of the CRDVI/CRR3 requirements.

The EBA's submission of the final updated ITS to the EU Commission for the adoption process is expected to take place at the beginning of the third quarter of 2024. The EBA will also develop the



data-point model (DPM), XBRL taxonomy and validation rules based on the final draft ITS. The application date of these ITS will be 1 January 2025 and the first reference date 31 March 2025, in line with the date of application of the CRR3.

3. Background and rationale

- The EBA reporting framework, specified in binding technical standards, is uniformly and directly applicable ensuring maximum harmonisation, level playing field for institutions and comparability of data. The EBA reporting framework has evolved over the years since its inception, with the first reporting framework published in 2013. The EBA has since then has reviewed the content of the framework on a regular basis to ensure its continued relevance and has also continued to develop the technical package and version management to facilitate implementation and support of reporting processes.
- 2. The main task of the EBA is to contribute, through the adoption of binding Technical Standards (BTS) and Guidelines, to the creation of the European Single Rulebook in banking. The Single Rulebook aims at providing a single set of harmonised prudential rules for financial institutions throughout the EU, helping create a level playing field and providing high protection to depositors, investors and consumers. The Regulation (EU) 2021/451 refering to the ITS on supervisory reporting of institutions reflect the CRR part of the single rulebook at the reporting level together with the amending draft ITS that is now being consulted. These draft ITS form part of this single rulebook for banking in Europe and become directly applicable in all Member States once adopted by the European Commission and published in the Official Journal of the EU.
- 3. The CRR mandates the EBA, in Article 430(7), to develop implementing technical standards (ITS) specifying uniform reporting requirements. These reporting requirements are included in the Commission Implementing Regulation (EU) 2021/451 laying down ITS with regard to supervisory reporting of institutions (EBA ITS on supervisory reporting). These standards cover information on institutions' compliance with prudential requirements as put forward by the CRR and related technical standards as well as additional information required by supervisors to perform their supervisory tasks. Hence, the ITS on supervisory reporting needs to be updated whenever the underlying legal requirements change, or it is necessary to improve the supervisors' ability to monitor and assess institutions.
- 4. The EBA is committed to the prompt and faithful implementation of the Basel III accord in Europe via the banking package. Regulation XXX of the European Parliament and of the Council amending Regulation (EU) No 575/2013 (the Capital Requirements Regulation 3 CRR3) introduces in EU a revised framework for operational risk, according to which all existing approaches for the calculation of the regulatory capital on operational risk are replaced by a single, non-model-based approach, the Business Indicator Component (BIC). The BIC bases the capital requirements on operational risk on the Business Indicator (BI), a financial statement-based proxy for operational risk, in line with the BCBS standards [OPE 25.1(1)].



5. In this context, this CP includes changes to the current reporting framework for operational risk that derive from the implementation of Basel III reforms in the CRR3. An overview of the reporting requirements for operational risk is presented below.

Figure 1. Overview of proposed draft reporting requirements on Operational risk

Reporting template	Frequency	Scope of institutions
C 16.01	quarterly	All institutions, Ind and Con
C 16.02	quarterly	All institutions, Ind and Con
C 16.03	quarterly	All institutions, Ind and Con
C 16.04	quarterly	Information at subsidiary level
C 17.01	Semi-annual	Same scope as dec 2024 reporting ⁴ ; Ind and Con
C 17.02	Semi-annual	Same scope as dec 2024 reporting; Ind and Con

3.1. Reporting in scope of own funds requirements for Operational risk

- 6. Template C 16.00 is currently capturing the information on own funds requirements for operational risk according to the 3 approaches that institutions are currently allowed to use for the calculation of the own funds requirements: the Basic Indicator Approach (BIA), Standardised/Alternative standardized approach (TSA/ASA) and Advanced measurement approaches (AMA). Its frequency is quarterly and is reported by all institutions at individual and consolidated level. In addition to template C 16.00, template C 02.00 captures the overall risk exposure amounts of the institutions for all risks including for operational risk. Template C 02.00 is reported quarterly by all institutions at individual and consolidated level.
- 7. The CRR3 proposal is to replace all the methods currently allowed with one single approach, the so-called Business Indicator Component (based on a Business Indicator (BI) which is a financial statement-based proxy for operational risk). For this reason, it is needed that template C 16.00 be decommissioned. Instead, four new template(s) have been developed that would cover the reporting in scope of assessing institutions' compliance with the own funds requirements for operational risk, as depicted in Figure 2.
- 8. Rows 0600, 0610 and 0620 in template C 02.00 will also need to be deleted as they are corresponding to operational risk figures computed following the 3 methods currently allowed

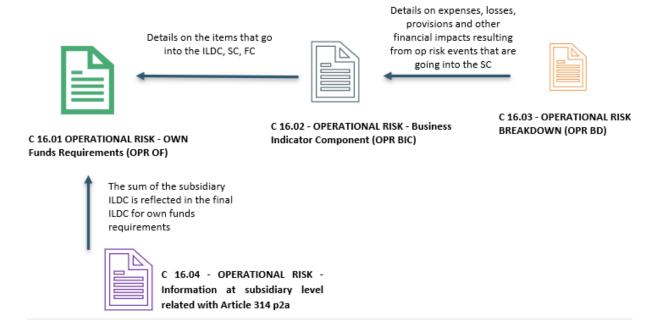
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⁴ See section 3.2 of this Consultation paper



to be used to compute the own funds for operational risk and that are no longer applicable under the CRR3.

Figure 2. Proposed templates to capture information on own funds requirements calculation



9. These new templates shall be completed on an individual and consolidated basis in accordance with Section 2 of Chapter 2 of Title II of Part 1 of Regulation (EU) No 575/2013 with the exception of template C 16.04 which contains information at subsidiary level and will be submitted on consolidated basis only.

3.1.1. Template C 16.01 - OPERATIONAL RISK – Own Funds Requirements (OPR OFR)

- 10. This template is covering both the calculation of the own funds requirements for operational risk under the Business Indicator Component and the Risk exposure amount (REA) for operational risk.
- 11. The BIC comes from the so-called Business indicator (BI), a financial-statement-based proxy, multiplied by a set of regulatory determined marginal coefficients. The BI comprises three components: the interest, leases and dividend component (ILDC), the services component (SC) and the financial component (FC). Then, the BI is defined as follows:

$$BI = ILDC + SF + FC$$

12. Each of the three components of the BI, which shall be calculated as the average over the last three years, are defined in the formula below (further details are reported in template C16.02



in which information by year is presented) which mirrors the methodology set out in the Basel framework⁵:

Interest, leases and dividend component (ILDC) = min (Interest component (IC), 0.0225*asset component (AC)) + dividend component (DC)

Services component = max (other operating income (OI), other operating expenses (OE)) + max (fee and commission income component (FI), fee and commission expenses component (FE))

Financial component (FC) = Trading book component (TC) + Banking book component (BC)

13. To calculate the BIC, the BI is multiplied by the marginal coefficients which increase with the size of the BI as shown below. For banks in the first bucket (i.e. with a BI less than or equal to €1bn) the BIC is equal to BI x 12%. The marginal increase in the BIC resulting from a one unit increase in the BI is 12% in bucket 1, 15% in bucket 2 and 18% in bucket 3.

BI ranges and marginal coefficients

Bucket	BI range (in €bn)	BI marginal coefficients
1	≤1	12%
2	1 < BI ≤30	15%
3	> 30	18%

- 14. For example, for a given BI amounting to €50bn, the BIC = (1 x 12%) + (30-1) x 15% + (50-30) x 18% = €8.07bn.
- 15. Finally, the REA for operational risk are equal to 12.5 times of the own funds requirements.
- 16. Template 16.01 distinguishes 3 categories of ILDC within the BI accounting for the possible application of Article 314 paragraphs 2a and 2b of Regulation (EU) No 575/2013.
 - The ILDC related to the individual or consolidated group excluding entities considered by Article 314 (2a) and/or the business lines considered by Article 314 p2b where applicable.
 The value in this row is based on the detailed figures presented in C 16.02.
 - Paragraph 2a of Article 314 of Regulation (EU) No 575/2013 states that under certain conditions, an institution may opt to calculate a separate interest, leases and dividend component for any of its specific subsidiary and sum the outcome of this calculation with the interest leases and dividend component calculated, on a consolidated basis, for the other entities of the group. This means that the ILDC shall be calculated at consolidated level except for those institutions for which ILDC is calculated separately. Thus, Template C16.01 covers both categories of ILDC, the one belonging to the rest of the consolidated group (as explained in the previous point) which is to be reflected in row 0040 and the one belonging

⁵ See paragraph OPE25.5 from Basel III OPE – Calculation of REA for Operational risk.



to the specific subsidiaries to which the derogation of paragraph 2a of Article 314 of CRR3 applies, which is to be reflected in row 0050.

- Paragraph 2b of Article 314 of Regulation (EU) No 575/2013 states that for those Institutions that have received the permission to apply the Alternative Standardised Approach for the business lines 'retail banking' and 'commercial banking', in order to calculate their own funds requirement for operational risk, they may continue to use the Alternative Standardised Approach (ASA) as it stood prior to the entry into force of the CRR3. Therefore 2 rows have been included to capture the "ILDC" for these two business lines, computed according to the ASA approach.
- 17. The final ILDC will be the sum of the 3 separate ILDCs, where values will be filled in if applicable.
- 18. As a memorandum item, institution are also required to report the ILDC related to individual and consolidated reporting under the hypothesis that Article 314, paragraphs 2a and 2b would not apply. Therefore the figure reported in the memorandum item (row 0100) would be the same with the figure reported in row 0040 if the institution would not apply any of the mentioned derogations, in which case the institution does not need to report the memorandum item). The memorandum item is important for supervisory authorities as it would facilitate the assessment of the appropriate basis for calculating own funds requirements for operational risk.
- 19. The value of the BI and its components included in this template should consider the adjustments due to mergers, acquisitions and/or disposals of entities or activities. To reflect the materiality of these adjustments, information on the size of these adjustments in comparison with the total value of the main components of the BI is requested in the template.
- 20. An example of how to report the template C16.01 taking into consideration the different ILDC can be seen in example 1 Section 5.3.

3.1.2. Template C 16.02 - OPERATIONAL RISK - Business Indicator Component (OPR BIC)

- 21. This template provides a detailed breakdown of the sub-components that go into the calculation of the three BI components (ILDC, SC and FC as reported in C 16.01). Values for the list of items that go into the computation of the sub-components will be reported for each of the last three financial year-ends.
- 22. The values of the items included in this template related to Year –3 and Year –2 consider the adjustments due to mergers, acquisitions and/or disposals of entities or activities.
- 23. All the values reported are based on exact or approximate references to FINREP reporting. For the purpose of this consultation paper, where an exact identity with the FINREP value is expected, the reference to the FINREP data point is reflected in the specific cell in the template. Where there is no exact mapping to FINREP, but figures are related to information included in FINREP, they have been indicated in the left side of the template. Such information will be reflected ultimately in the technical package (in the DPM modelling, for the definition of the



concepts and where possible in the validation rules) once it will be developed. In addition, instructions reflect the links with FINREP reporting.

Interest, leases and dividend component

- 24. The ILDC component of the BI consists of three sub-components: IC, AC and DC.
- 25. The lease sub-component is embedded in the IC, following the same logic as in the Basel standard.
- 26. In case an entity applies the derogation stated in Article 314 paragraphs 2a and 2b, the institution should exclude from all the items reported in the ILDC related figures (rows 0010 0240), those figures related to those derogations. Template C16.02 shall therefore capture (i) the ILDC calculated for the individual institution or whole consolidated group, in the case the two derogations mentioned before are not applicable, or (ii) the ILDC of the rest of the consolidated group or individual reporting that has applied any of the derogations of paragraphs 2a and 2b of Article 314 of CRR3 (without considering the specific subsidiaries whose ILDC is calculated separately in accordance with paragraph 2a of Article 314 of CRR3 and without considering the Retail and Commercial banking business lines for those entities applying the derogation stated in paragraph 2b of Article 314 of CRR3).

Services Component (SC)

- 27. The SC is divided in four sub-components: Other operating income, Other operating expenses, Fee and commission income and Fee and commission expenses.
- 28. Article 314(3) of the CRR requires institutions to include operational risk event expenses and losses within their other operating expenses. However, the financial consequences of such events are reflected in an institution's profit and loss (P&L) statement using various accounting breakdowns encompassing not only expenses and losses but also broader economic impacts extending beyond the direct associations with operational risk events. Consequently, establishing a clear alignment with the various components of an institution's P&L statement becomes a more complex undertaking.
- 29. Member institutions belonging to a compliant institutional protection scheme according to the specifications in Article 113(7) of the CRR can determine the SC excluding any income received from or expenses paid to other institutions within the same institutional protection scheme (IPS). Therefore, there are specific rows in the template to capture these amounts that should not contribute to the SC calculation.

Financial Component (FC)

30. The FC is calculated as the sum of the trading book component and the non-trading (i.e. banking) book component (Article 314 paragraph 4) each representing the average net profit or loss in the respective trading/banking book.



31. C 16.02 captures by row the sub-items that are to be considered in calculating the FC divided into the trading and banking books. Unlike ILDC and SC, for the FC, institutions applying the Prudential Boundary Approach (PBA)⁶, will report the values for the sub-items in accordance with the PBA. In this case, institutions should also report the values in accordance with the accounting approach. When institutions apply the PBA, the values based on the PBA are used instead of the accounting ones when calculating the trading/banking book components. If a bank chooses to revert to the accounting approach, it will no longer report the values in accordance with the PBA and instead the accounting values will be considered for the calculation. (Example 2 in Section 5.3)

3.1.3. Template C 16.03 - OPERATIONAL RISK - Operational Risk Breakdown (OPR BD)

- 32. To acquire thorough and comprehensive insights into the allocation of financial impacts stemming from operational risk events within an institution's P&L statement, this template includes, for each of the last three financial years, a breakdown of the total losses, expenses, provisions and other financial impacts resulting from operational risk events, as recorded in the institution's Profit and Loss statement.
- 33. The value reported for the total in C 16.03 shall correspond to the value reported in row 0320 of C 16.02, contributing to the calculation of the SC.

3.1.4. Template C 16.04 - OPERATIONAL RISK - Information at subsidiary level related with Article 314(2a)

- 34. In accordance with Article 314(2a) institutions may for a certain period and upon a prior permission, which is to be evaluated every two years by CAs calculate a separate ILDC for some of their subsidiaries. By 31 December 2031, EBA shall report to the Commission on the use and appropriateness of this derogation having regard to the specific business models concerned and to the adequacy of the related own funds requirements for operational risk.
- 35. Template C 16.04 is capturing the information related to the ILDC computed for those entities. The sum of the ILDC for all entities would feed into C 16.01 total ILDC value for entities considered by Article 314(2a) (via row 0050).

3.2. Proposal on templates that would cover information related to operational risk loss

36. Article 316 of the CRR requires institution to calculate an annual operational risk loss while according to Article 317 of the CRR, institutions shall have in place arrangements, processes and mechanisms to inform and maintain updated on an on-going basis a loss data set recording operational risk events stemming from all entities that are part of the prudential scope of consolidation.

⁶ The prudential boundary is a concept that clarifies the separation between the trading and the non-trading (i.e. banking) books and Chapter 3 in Part three, Title I of CRR3 outlines the rules and procedures to follow in order to proceed with this separation



- 37. Institutions are currently reporting information on operational losses: in template C 17.01 detailed information grouped by business lines and event types as well as statistics on the distribution of such losses are reported, while in C 17.02 granular information on large loss events is being reported. These templates are requested with a semi-annual frequency at both individual and consolidated level while the scope of the institutions to report such data is dependent on the size of the institution and the method of own fund requirements calculation it applies.
- 38. Given the changes brought by CRR3 to the operational risk framework and the requirements on operational loss data, templates C 17.01 and C 17.02 would need to be adjusted or decommissioned in favour of new templates to capture the new provisions.
- 39. The CRR3 foresees a series of Level 2 mandates to be developed⁷ with impact on institution's operational risk loss datasets and calculations which are in the process of development and the finalisation of which is expected later. For this reason, the proposal in this CP is to make only minor changes to the currently applicable reporting framework for operational losses and to proceed with the modifications to the operational loss reporting framework once the Level 2 mandates will be finalised.
- 40. The draft proposal in this consultation paper is therefore that templates C 17.01 and C 17.02 and the scope of reporting remain as they are: institutions that calculate in December 2024 their own funds requirement in accordance with one of the three methods shall continue to report the same information as they did for reference date December 2024, for an interim period, which depends on the finalisation of the Level 2 mandates.
- 41. Requiring institutions to keep reporting C 17.01 and C 17.02 will ensure supervisors have the necessary data to perform their analysis and will avoid any breaks in the time series. Proportionality has been considered in this decision and it is expected that it would entail minimum costs for the institutions:
 - Very minor changes are proposed to these templates therefore the cost of system adaptation for the institutions to report this data should be limited;
 - Institutions already have in place the processes, business knowledge and IT systems to report the data;
 - Institutions that do not report such data for reference date December 2024 will not be required to report C 17.01 and C 17.02 to avoid any burden in implementing such templates for the interim period;

⁷ In particular: the development of a risk taxonomy on operational risk and loss event classification, exclusion of losses from operational risk loss calculation and adjustment to the operational risk loss calculation due to mergers and acquisitions



- No new templates are being developed and requested from the institutions that would have been needed to be changed after the policy products would have been developed. Therefore, the proposed way forward considers that is less burdensome for institutions to continue to report what they have reported so far as opposed to implementing new templates for an interim period and then further changing them.
- 42. Few minor amendments have been made to the instructions to ensure the alignment to the CRR3 requirements, in particular referring to:

	Considerations	Actions
Definitions	Most of the definitions used in reporting of C 17.01 and C 17.02 are aligned with CRR3: e.g. losses and recoveries, new loss events, loss adjustments, gross losses	Update of the instructions with the new references in CRR3.
Recoveries from insurance and other risk transfer mechanism		Update the instructions and template.
Reporting of grouped events	Reporting as a group -> Losses caused by a common operational risk event or by multiple events linked to an initial operational risk event generating events or losses. With CRR3 this has changed -> losses will no longer be grouped but reported following the impact in accounting.	Updated instructions.

3.3. Other changes

43. Given the significant changes made to the reporting framework on operational risk the Q&As on operational risk reporting have been revised and where additional clarifications were needed, they have been reflected in the instructions. Therefore, the following Q&As will be archived: 2014_1233, 2014_1448, 2014_1571, 2017_3522, 2018_4208, 2018_4259, 2013_285, 2013_580.

3.4. Reporting considerations: FINREP vs COREP Operational Risk reporting

44. The reporting framework for operational risk is part of the COREP reporting package. As per the CRR3 requirements, it has been developed to ensure alignment with the accounting framework.



The list of items that are part of the sub-components and components of the BI are either directly linked or a subset of the FINREP reported figures, in line with the *draft RTS* on the components of the Business indicator under Article 314(6)(a) of the CRR and the elements to be excluded from the Business Indicator under Article 314(6)(b) of the CRR and with the draft ITS on the mapping of the Business Indicator components with corresponding supervisory reporting references under Article 314(7) of the CRR which are under consultation in parallel with the reporting consultation paper.

45. Below we highlight some aspects to be considered from a reporting perspective related to this dependence between FINREP and COREP values.

Different requirements on the reporting of Finrep vs Corep information

- 46. Especially relevant for the purpose of an exact mapping between FINREP and COREP concepts, the requirements to report some information for FINREP purposes may be different from the reporting requirements that apply for COREP purposes. In this case, although there is a direct mapping in COREP with the FINREP concepts and data points, the value reported in FINREP will not match with the value reported in COREP due to possibly additional difference in the reporting requirements⁸. To this end reference to FINREP values should be understood as referring to the business concept (same definition) and not to the underlying data reported in FINREP.
- 47. Any thresholds for reporting applicable in FINREP should not apply to the data point needed for COREP Operational Risk reporting unless otherwise specified. For example, FINREP template F 21.00 is to be reported if tangible assets subject to operating leases are equal to or higher than 10 % of total tangible assets; this threshold should not be accounted for when reporting the values for COREP). A similar problem in reconciling the data may appear if the frequency of reporting or submission dates are different between COREP and FINREP values.

Different scope of consolidation

48. As part of the EEA harmonized reporting framework, FINREP is required to be reported only at consolidated level. Therefore, validation rules defined between FINREP and COREP may be possible to apply only for the consolidated level. At national level authorities may collect the FINREP data points at individual level that are also relevant for COREP Operational Risk at individual level, and in this case national authorities may enhance the scope of validations performed on their side.

NGAAP vs IFRS

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⁸ E.g. values for year -2 and year -3 are to be reported as adjusted by mergers, acquisitions and disposal in COREP and therfore will not reflect the information in FINREP.



49. FINREP templates are developed to account for both IFRS and for national accounting frameworks. When developing the reporting framework for operational risk all references to FINREP should therefore account for both IFRS and NGAAP reporting and therefore the cells in FINREP to which the information is referring to should cover both possibilities of reporting (e.g. held for trading (IFRS) and trading (NGAAP)).

Reporting of limited identical information between FINREP and COREP

- 50. Templates in COREP related to operational risk contain certain data points that are an exact mapping to FINREP values. By referencing the same data point in FINREP to be reported in COREP the operational risk reporting, institutions would need to double report this information (once as part of the FINREP module and once as part of the COREP module). According to the current draft proposal on reporting, only 6 data points have been identified that would have the same definition in both modules.
- 51. The definition of the data point is the same, as reflected in the instructions and as will be reflected in the technical package. These data points are essential information that is part of the computation of the own funds requirements on institutions. In addition, only FINREP consolidated is harmonized at EEA level and this information would not be available from FINREP solo. Given the above, from a cost and benefit analysis it was proposed that these data points shall be collected also as part of the COREP framework as opposed to leveraging on the FINREP data in order to ensure consistency in the information reflected in the templates and avoid implementing, for the moment, new processes that would be needed to bring the information together given the limited scope.



4. Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation (EU) No 575/2013 concerning operational risk

[this part of the draft implementing technical standards will be merged with the draft ITS currently under consultation: Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 concerning output floor, credit risk, market risk and leverage ratio. Recitals and paragraph numbers will need to be amended.]



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

of XXX

amending Commission Implementing Regulation (EU) 2021/451 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 supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 concerning operational 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 648/2012⁹ and in particular Article 430(7), first subparagraph and Article 430(1) point a thereof,

Whereas:

- (1) Regulation (EU) No 575/2013 as amended by Regulation (EU) XXXX/XXX of the European Parliament and of the Council¹⁰ ('Regulation (EU) XXXX/XXX) implements the final set of international standards in the Basel Committee on Banking Supervision (Basel III). These developments call for a revision of the reporting framework as set out in the Commission Implementing Regulation (EU) No 2021/451¹¹.
- (2) Given the changes to the prudential framework for own fund requirements for operational risk, new reporting templates need to be developed to ensure institutions report according to the new framework in place.
- (3) Regulation (EU) No 575/2013 gives a series of mandates to the EBA to develop regulatory technical standards (RTS) and implementing technical standards (ITS) to further specify the application of the operational risk reporting framework. These delegated and implementing acts impact the structure and content of the reporting framework. Therefore, close coordination in

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⁹ OJ L 176, 27.6.2013, p. 1. ELI: http://data.europa.eu/eli/reg/2013/575/oj

¹⁰ Regulation (EU) XXXX/XXX 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

¹¹ Commission Implementing Regulation (EU) No 2021/451 of 17 December 2020 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 supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (OJ L 97, 19.3.2021, p. 1)



- the development process needs to be ensured, with the reporting framework being changed gradually as the associated delegated and implementing acts become available.
- (4) In particular, with respect to the computation of own funds requirements, pursuant to Articles 314(6), 314(7) and 315(3) of Regulation (EU) No 575/2013, the European Banking Authority is to develop draft RTS to specify the components of the business indicator and the elements listed in Article 314(5) referring to items to be excluded from the business indicator, draft ITS to specify the items of the business indicator by mapping those items with the corresponding reporting cells and draft RTS to specify the adjustments to the business indicator due to merged, acquired or disposed entities or activities. The reporting framework capturing the own funds requirements has been closely coordinated with the development of these RTS and ITS.
- (5) With respect to the operational risk losses, pursuant to Articles 317(9), 320(3) and 321(2) of Regulation (EU) No 575/2013, the European Banking Authority is to develop draft RTS establishing a risk taxonomy on operational risk and a methodology to classify the loss events based on it, draft RTS to specify among others how the average annual operational risk loss should be computed due to exclusion of losses and draft RTS to specify how institutions shall determine the adjustments to their loss data set following the inclusion of losses from merged or acquired entities or activities. These delegated acts, which are still to be developed, impact the structure and content of the needed reporting framework for operational losses which will therefore be developed to fit for purpose with the new requirements at a later stage.
- (6) In order to ensure the authorities will continue to have access to operational risk loss data and avoid any structural breaks in the time series, institutions that reported such data at December 2024 should continue to report the existing templates following the existing instructions, which have been amended minimally. This requirement comes with a minimum cost for the institutions while ensuring supervisory authorities have access to essential information on operational risk losses. For new institutions, it was considered that the cost of requiring them to report the existing templates for the interim period would be too high in comparison with the benefits for authorities of having access to the data on operational losses. Considering that only few institutions would be affected, and that the gap in the data on the authorities' side would be minimal and only for a short period of time, new institutions will not be required to report the existing templates for the interim period.
- (7) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority (EBA) to the Commission.
- (8) EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010¹².
- (9) Implementing Regulation (EU) 2021/451 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

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¹² 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, ELI: http://data.europa.eu/eli/reg/2010/1093/oj).



Implementing Regulation (EU) 2021/451 is amended as follows:

- (1) Article 5, paragraph 11 is replaced by the following:
- '11. Institutions shall submit information on own funds requirements related to operational risk as specified in Annex I, templates 16.01, 16.02, 16.03 in accordance with the instructions in Annex II, Part II, point 4'
- (2) Article 6, paragraph 4 is replaced by the following:
- '4. Information on material losses regarding operational risk shall be reported as follows:
- (a) institutions that calculate in December 2024 own funds requirements relating to operational risk in accordance with Part Three, Title III, Chapter 4, of Regulation (EU) No 575/2013 shall continue to report that information as specified in Annex I, templates 17.01 and 17.02, in accordance with the instructions in Annex II, Part II, point 4.2;
- (b) large institutions that calculate in December 2024 own funds requirements relating to operational risk in accordance with Part Three, Title III, Chapter 3, of Regulation (EU) No 575/2013 shall continue to report that information as specified in Annex I, templates 17.01 and 17.02, in accordance with the instructions in Annex II, Part II, point 4.2;
- (c) institutions other than large institutions that calculate in December 2024 own funds requirements relating to operational risk in accordance with Part Three, Title III, Chapter 3, of Regulation (EU) No 575/2013 shall continue to report, in accordance with the instructions in Annex II, Part II, point 4.2, the following information:
 - (i) the information as specified in Annex I, template 17.01, column 0080 for the following rows:
 - number of events (new events) (row 0910),
 - gross loss amount (new events) (row 0920),
 - number of events subject to loss adjustments (row 0930),
 - loss adjustments relating to previous reporting periods (row 0940),
 - maximum single loss (row 0950),
 - sum of the five largest losses (row 0960),
 - total direct loss recovery (except insurance) (row 0970),
 - total recoveries from insurance (row 0980);
 - (ii) the information as specified in Annex I, template 17.02.
- (d) institutions referred to in point (c) may report the complete set of information specified in Annex I, templates 17.01 and 17.02, in accordance with the instructions in Annex II, Part II, point 4.2;
- (e) large institutions that calculate in December 2024 own funds requirements relating to operational risk in accordance with Part Three, Title III, Chapter 2, of Regulation (EU) No 575/2013 shall continue to report the information as specified in Annex I, templates 17.01 and 17.02, in accordance with the instructions in Annex II, Part II, point 4.2;



- (f) institutions other than large institutions that calculate in December 2024 own funds requirements relating to operational risk in accordance with Part Three, Title III, Chapter 2, of Regulation (EU) No 575/2013 may continue to report the information as specified in Annex I, templates 17.01 and 17.02, in accordance with the instructions in Annex II, Part II, point 4.2.
 - (2) Article 7 the following point is added:
- '(c) Annex I, template 16.04 in accordance with the instructions in Annex II, Part II, point 4 on a quarterly basis '.
 - (3) Annex I is replaced by the text set out in Annex I to this Regulation.
 - (4) Annex II is replaced by the text set out 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.

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]

LIST OF ANNEXES

Annex I (Solvency)

Annex II (Solvency)



5. Accompanying documents

5.1. Draft cost-benefit analysis / impact assessment

- 52. 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'.
- 53. This analysis presents the IA of the main policy options included in this Consultation Paper on the draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation (EU) No 575/2013 concerning operational risk ("the Draft ITS"). 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

- 54. Article 430(7) of the Regulation (EU) No 575/2013 ('the CRR') mandates the EBA to 'develop draft implementing technical standards to specify the uniform reporting formats and templates, the instructions and methodology on how to use those templates, the frequency and dates of reporting, the definitions and the IT solutions for the reporting (...).'. Under this mandate the EBA developed several ITS to create the reporting templates and their instructions but also, over time, to adapt these reporting templates and instructions to the related changes of the regulations. These ITS, adopted by the Commission, are now published by the Commission under the Commission Implementing Regulation (EU) 2021/451. Thus, this Regulation is important for institutions and competent authorities as it gathers the latest reporting templates and instructions; therefore, this Regulation needs to be updated when the underlying related Regulation is modified.
- 55. Currently, the EU co-legislators are finalizing amendments to the CRR in the context of the Capital Requirements Directive (CRD 6) and Capital Requirements Regulation (CRR 3) package. The CRR3 will implement Basel III reforms, which will underpin a robust regulatory framework, efficient supervision, and enhanced risk control by credit institutions. Some new or modified requirements from the CRR3 (compared to the CRR2) are related to operational risk and have an impact on reporting elements that will thus make the current operational risk reporting templates and instructions out to date.
- 56. Consequently, Commission Implementing Regulation (EU) 2021/451 needs to be amended to adapt operational risk reporting templates and instructions to CRR3 related requirements.



B. Policy objectives

57. The draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation (EU) No 575/2013 concerning operational risk aims at adapting the current reporting templates and instructions to the CRR3 related new requirements.

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

58. 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.

Operational Risk Breakdown

59. The CRR currently contains several different approaches for the computation of the regulatory capital on operational risk. Under the CRR3, the existing approaches will be replaced by one single, non-model based, approach called Business Indicator Component ('BIC') approach. With these changes, the deletion of the former Operational Risk template and its replacement by one template on the Operational Risk Own Fund Requirements (OPR OF) and one on Operational Risk Business Indicator Component (OPR BIC) was deemed necessary. On the OPR BIC template, institutions will be required to report, as one aggregate amount, their total losses, expenses, provisions and other financial impacts resulting from operational risk events. Regarding the need of an addition of one template giving a breakdown of these total losses, expenses, provisions, and other financial impacts, as recorded in the institution's Profit and Loss statement the EBA considered two policy options.

Option 1a: To add a template with a breakdown of the total losses, expenses, provisions, and other financial impacts, as recorded in the institution's Profit and Loss statement but only those resulting from operational risk events (OPR BD).

Option 1b: Not to add a template with a breakdown of the total losses, expenses, provisions, and other financial impacts.

60. Requesting institutions to provide a breakdown of their total losses, expenses, provisions, and other financial impacts would create additional reporting costs for institutions. On the other hand, these costs should not be significant as the requested information should be already available on the institutions' side. The reporting of those additional information by institutions would trigger costs for Competent Authorities as well, as the additional templates will have to be controlled and reviewed in the context of their supervisory duties. On the benefit side, the reporting of this breakdown will provide much needed information for the supervisors to be able to monitor one important element of the computation of the risk weighted assets (i.e. losses, expenses, provisions and other financial impacts resulting



- from operational risk events) and, in fine, to enhance the quality of the performance of their supervisory tasks.
- 61. Based on the above, the Option 1a has been chosen as the preferred option and the reporting will contain a template requesting a breakdown of the total losses, expenses, provisions, and other financial impacts, as recorded in the institution's Profit and Loss statement but only those resulting from operational risk events (OPR BD).

Data on operational risk events

62. The current reporting request institutions to report details on operational risk events. One COREP template (C 17.01) requests detailed losses and recoveries by business lines and by event types as well as statistics on the distribution of such events and another COREP template (C 17.02) requests granular information on large loss events. In the context of changes brought by the CRR3, the EBA considered two options regarding the necessity to modify those templates.

Option 2a: To modify the COREP templates C 17.01 and C 17.02 for an application as of 1 January 2025.

Option 2b: To keep the COREP templates C 17.01 and C 17.02 unchanged.

- 63. Given the changes brought by the CRR3 to the operational risk framework and the requirements on operational loss data, the COREP templates C 17.01 and C 17.02 would need to be adjusted or decommissioned in favor of new templates to capture the new provisions. On the other hand, the CRR3 also foresees a series of Level 2 mandates which would impact the institution's operational risk loss datasets and calculations and those mandates are in the process of development with a finalization expected at a later date. As such, if the modification or a replacement of the COREP templates C 17.01 and C 17.02 was done in this Draft ITS, another modification or replacement of those templates would have to be done at a later stage (i.e. when the additional level 2 mandates will have been developed). As keeping the current templates13 will not be contradictory with the Level 1 new obligations and the Competent Authorities could continue their monitoring of operational risk events with those templates from the time being, the costs for institutions and Competent Authorities of a double modification and changes of the templates is not deemed to exceed their benefits.
- 64. Based on the above, the Option 2b has been chosen as the preferred option and the reporting will keep the COREP templates C 17.01 and C 17.02 unchanged and the EBA will reassess the need of modification in the light of the upcoming development of related operational risk Level 2 mandates.

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 $^{^{13}}$ minor adjustments have been made to ensure full alignment with level 1 text



D. Conclusion

65. The Draft ITS will amend the Commission Implementing Regulation (EU) 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation (EU) No 575/2013 concerning operational risk to adapt the current reporting templates and instructions with the underlying related changes of the Regulation (EU) No 575/2013 brought by the CRR3. For the institutions, the Draft ITS requirements are expected to trigger costs given that more information will be requested with new additional templates. However, the majority of these requirements are linked to the CRR3 changes and thus the costs are not all to be associated with the Draft ITS but with the underlying related changes brought by the CRR3. Moreover, these requirements are necessary to allow supervisors to perform an adequate monitoring of the application of the CRR3 operational risk requirements and this benefit exceeds the costs for institutions and the additional costs of monitoring that will be incurred to the supervisors. 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: Are the instructions and templates clear to the respondents?

Question 2: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

Question 3: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

Question 4 - 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.

Question 5 - Do you agree that proposed instructions and templates reflect in this draft CP cover all the clarifications needed from existing Q&As on operational risk reporting and those Q&As should be archived (as explained in Section 3.3)? If not, please refer to the Q&A number when explaining.



5.3. Examples on reporting

Example 1. Reporting of the Template C 16.01 - OPERATIONAL RISK – Own Funds Requirements (OPR OFR)

Scenario 1: The reporting institution is a group of entities with consolidated requirements and has the following sub-components of the BI, at consolidated level:

- ILDC: 100 bn€ taking into consideration that the whole proportion of this ILDC comes from the consolidated group. This means that the institution does not opt for any derogation stated in Art. 314 paragraphs 2a nor 2b of the CRR3.
- SC: 50 bn€.
- FC: 20 bn€.

The full breakdown of the three sub-components shall be detailed in Template C 16.02 - OPERATIONAL RISK - Business Indicator Component (OPR BIC). Then, the BI should be the sum of ILDC + SC + FC which is 170bn€ and, consequently, the BIC should be 29.67 bn€ and the REA associated to this BIC should amount to 370.88 bn€.

The above mentioned shall be reported in Template C 16.01 - OPERATIONAL RISK — Own Funds Requirements (OPR OFR) as follows:

C 16.01 - OPERATIONAL RISK - OWN Funds Requirements (OPR OF)

		Value	of which: adjustments due to merge/acquisition of entities or activities	Adjustments due to disposal of entities or activities	BIC/own fund requirements	Risk exposure amount
		0010	0020	0030	0040	0050
0010	Business indicator component				29,67	370,88
0020	Business indicator	170	0	0		
0030	Interest, leases and dividend component	100	0	0		
0040	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(2a) and/or the business lines considered by Article 314(2b) where applicable)	100	<u>0</u>	<u>0</u>		
0050	ILDC for entities considered by Article 314(2a)	0				
0060	ILDC for the business lines considered by Article 314(2b) (Retail	0				
0070	ILDC for the business lines considered by Article 314(2b) (Commercial banking)	0				
0080	Services component	50	0	0		
0090	Financial component	20	0	0		
0100	Memorandum Item:ILDC related to the Individual institution/consolidated Group (including entities considered by Article 314(2a) and/or including the business lines considered by Article 314(2b))	0				



Scenario 2: The same reporting institution as in scenario 1 has the following sub-components of the BI:

- ILDC: 95 bn€ taking into consideration that 5 bn€ comes from one subsidiary whose ILDC has been calculately separately according with Art. 314 paragraph 2a and 90 bn€ comes from the rest of the consolidated group. This means that the institution has opt for the derogation stated in Art. 314 paragraph 2a resulting in a lower ILDC value amounting to 5 bn€ (100bn€ 90 bn€ 5 bn€).
- SC: 50 bn€.
- FC: 20 bn€.

The full breakdown of the SC and FC shall be detailed in Template C 16.02 - OPERATIONAL RISK - Business Indicator Component (OPR BIC). However, with regard to the ILDC only the 90 bn€ referred to the rest of the consolidated group will be reported in this template (and detailed figures will be reflected in C 16.02) so the reporting institution will report the part of the ILDC related to the subsidiary directly in Template C16.01.

Then, the BI should be the sum of ILDC + SC + FC which is 165bn€ and, consequently, the BIC should be 28.77 bn€ and the REA associated to this BIC should amount to 359.63 bn€.

The above mentioned shall be reported in Template C 16.01 - OPERATIONAL RISK — Own Funds Requirements (OPR OFR) as follows:

C 16.01 - OPERATIONAL RISK - OWN Funds Requirements (OPR OF)

		Value 0010	of which: adjustments due to merge/acquisition of entities or activities	Adjustments due to disposal of entities or activities 0030	BIC/own fund requirements	Risk exposure amount
0010	Business indicator component				28,77	359,63
0020	Business indicator	165	0	0		
0030	Interest, leases and dividend component	95	0	0		
0040	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(2a) and/or the business lines considered by Article 314(2b) where applicable)	90	0	0		
0050	ILDC for entities considered by Article 314(2a)	5		_		
0060	ILDC for the business lines considered by Article 314(2b) (Retail	0				
0070	ILDC for the business lines considered by Article 314(2b) (Commercial banking)	0				
0080	Services component	50	0	0		
0090	Financial component	20	0	0		
0100	Memorandum Item:ILDC related to the Individual institution/consolidated Group (including entities considered by Article 314(2a) and/or including the business lines considered by Article 314(2b))	100				



Scenario 3: The same reporting institution as in scenario 1 has the following sub-components of the BI:

- ILDC: 92 bn€ taking into consideration that 5 bn€ comes from one subsidiary whose ILDC has been calculately separately according with Art. 314 paragraph 2a of CRR3, 7 bn€ comes from the derogation of Art. 314 paragraph 2b (4 bn€ related to the the retail business line and 3 bn€ related to the commercial business line) and 80 bn€ comes from the rest of the consolidated group. This means that the institution has opted for the derogation stated in Art. 314 paragraphs 2a and 2b, resulting in a lower ILDC value by 8 bn€ (100bn€ 80 bn€ 5 bn€ 4 bn€ 3 bn€).
- SC: 50 bn€.
- FC: 20 bn€.

The full breakdown of the SC and FC shall be detailed in Template C 16.02 - OPERATIONAL RISK - Business Indicator Component (OPR BIC). However, with regards the ILDC only the 80 bn€ referred to the rest of the consolidated group will be reported in that template (and detailes will be reported in C 16.02) so the reporting institution will report the part of the ILDC related to the subsidiary and to the Retail and Commercial business lines directly in Template C 16.01 (related figures will not be considered in Template C16.02).

Then, the BI should be the sum of ILDC + SC + FC which is 162bn€ and, consequently, the BIC should be 28.23 bn€ and the REA associated to this BIC should amount to 352.88 bn€.

The above mentioned shall be reported in Template C 16.01 - OPERATIONAL RISK — Own Funds Requirements (OPR OFR) as follows:



C 16.01 - OPERATIONAL RISK - OWN Funds Requirements (OPR OF)

		Value	of which: adjustments due to merge/acquisition of entities or activities	of entities or activities	requirements	Risk exposure amount
		0010	0020	0030	0040	0050
0010	Business indicator component				28,23	352,88
0020	Business indicator	162	0	0		
0030	Interest, leases and dividend component	92	<u>0</u>	0		
0040	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(2a) and/or the business lines considered by Article 314(2b) where applicable)	80	0	0		
0050	ILDC for entities considered by Article 314(2a)	5				
0060	ILDC for the business lines considered by Article 314(2b) (Retail	4				
0070	ILDC for the business lines considered by Article 314(2b) (Commercial banking)	3				
0080	Services component	50	0	0		
0090	Financial component	20	0	0		
0100	Memorandum Item:ILDC related to the Individual institution/consolidated Group (including entities considered by Article 314(2a) and/or including the business lines considered by Article 314(2b))	100				

Example 2. Reporting of Financial Component

Scenario 1: the institution is not using the PBA approach, or has reverted back to using the accounting approach in order to calculate the trading and banking book parts of the FC. This approach takes the average of the net profit or loss applicable to the banking and trading book according to the accounting approach values over the past three financial years (below is a reduced example of figures to be reported).

		YEAR-3		YEA	R-2	LAST	YEAR	
		Value	Value - Prudential Boundary Approach	Value	Value - Prudential Boundary Approach	Value	Value - Prudential Boundary Approach	Average value
		0010	0020	0030	0040	0050	0060	0070
	3. Financial co	omponent (FC	:)					
0400	Trading book component							3,700,000
0410	Net profit or loss applicable to trading book	4,200,000		2,900,000		4,000,000		
0450	Banking book component							7,600,000
0460	Net profit or loss applicable	7,500,000		6,400,000		8,900,000		



to	o banking				
b	ook				

Scenario 2: the institution is using the PBA approach. The institution must still report the values for the sub-items (r0420:r0440 & r0460:r0510) according to the accounting approach for each of the past 3 years, in addition to reporting the values according to the PBA. When calculating the trading book and the banking book components, only the PBA values shall be considered (below is a reduced example of figures to be reported).

		YEAR-3		YEA	YEAR-2		LAST YEAR	
		Value	Value - Prudential Boundary Approach	Value	Value - Prudential Boundary Approach	Value	Value - Prudential Boundary Approach	Average value
		0010	0020	0030	0040	0050	0060	0070
	3. Financial c	omponent (FC	:)					
0400	Trading book component							2,800,000
0410	Net profit or loss applicable to trading book	4,200,000	3,400,000	2,900,000	1,700,000	4,000,000	3,300,000	
0450	Banking book component							6,600,000
0460	Net profit or loss applicable to banking book	7,500,000	6,500,000	6,400,000	5,700,000	8,900,000	7,600,000	