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EBF RESPONSE TO EBA 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 OUTPUT FLOOR, CREDIT RISK, MARKET RISK AND LEVERAGE RATIO

The European Banking Federation (EBF) welcomes the opportunity to put forward our comments on the EBA Consultation Paper on the draft ITS on Supervisory Reporting. The EBF response to the consultation represents the consolidated view from all EBF members i.e., 33 national banking associations from across Europe representing in total about 3,500 banks.

We hope our comments are useful in the assessment of the draft ITS and remain at your disposal to clarify and/or provide further details on any comment.

GENERAL REMARKS

- **TIMELINE**

  The timeline between the expected delivery of the final DPM 4.0 ITS pack (3Q 2024) and first reference period of reporting (1Q 2025) is very short. As the change under CRR3 is significant in size and complexity, it does not leave enough room for proper change management activities like refinement, technical implementation, testing and reporting.

  Typically, banks need more than 12 months for a complete and sound implementation of such extensive changes. Especially the new rules of the *"Output Floor"* create exhaustive efforts as model banks have to implement the reporting for the standardized approaches from the scratch.

  Moreover, software vendors will not provide test versions before the relevant DPM is published, which will further shorten the time period left for banks to test and implement. Additionally, various applications have to be submitted and approved before a fully-fledged CRR3 reporting can be made e.g., for the usage of certain approaches like the SA-CVA or the return to less sophisticated approaches from internal models before the first-time application. Until that, it will not even be clear which approach shall be the basis for the reporting.

  Accordingly, we consider that the current setting does not provide the appropriate conditions towards a first reference date for reporting in 1Q 2025 (typically represented by having at least 12 months to implement significant new requirements from the date of submission of the final updated ITS to the European Commission and publishment of the relevant DPM which is planned for this ITS for 3Q 2024). We therefore strongly urge

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the EBA to respect the regular process and proceed different for future occasions, and for this time to provide the banking industry with the following ways to decrease the substantial burden on institutions and support these handling all changes in such a challenging implementation deadline:

- Publish as soon as possible the final updated ITS and relevant DPM.

- To allow focus on the changes to primary aspects of the own funds requirements and credit risk templates C 02.00, C 07.00 and C 08.00 consideration should be given to postponing the reporting (and disclosure) of new templates (specifically C.10, C25 and C90.05 and 90.06) and such templates could then go live at a later date (reference date at end-September 2025). Templates C91-C99 should also be postponed, given the uncertainty about the actual FRTB implementation date and calibration in light of the mandate in Article 461a CRR3. Given the time needed to have clarity in this regard, such templates should not be implemented before September 2025.

- Extend the remittance date period for the first two reference dates by 2 months (12 May → 12 July & 11 August → 11 October).

- Increased data quality tolerance for the first two reference dates, e.g., classify all EBA validation rules to *"warning"* only and advice the NCAs to handle this accordingly.

- **OUTPUT FLOOR**

  As industry, we do not share the choice of option 3b since this approach would be counterproductive and conflicts with the political objectives adopted by EU co-legislators towards preserving a level playing field with other jurisdictions and ensuring a smooth implementation.

  We accordingly urge the EBA to amend the obligation for institutions to report the *"fully loaded"* risk-based capital ratio and the risk exposures amounts considering the impact of the output floor excluding the EU transitional arrangements provisions because:

  - These transitional measures provide for the production of reports by the EBA that will allow the co-legislators to decide in due time on the final rules. This means that to date, there is no certainty about the final terms of the text after the end of the transition periods. If all or part of the transitional provisions were to be made permanent, we question the appropriateness of disclosing a view that, ultimately, will never materialize.

  - With the clear understanding that the US will further delay their reform; such disclosure could be particularly detrimental to EU banks that would be forced to show an excessively depleted ratio.

  - Finally, and above all, the transitional provisions of Article 465 of CRR3 seek to reflect certain specificities of the European banking model and can be made permanent by the legislator after an assessment period. These provisions clearly reflect the willingness of the co-legislators to preserve the competitiveness of EU banks insofar as they concern among other things:

    - Residential real estate: to ensure that the impacts of the output floor on low-risk residential mortgage lending by institutions using IRB approaches are spread

over an extensive period (2032) and thus avoid disruptions to that type of lending caused by abrupt massive increases in own funds requirements, the legislators chose to provide for a specific transitional arrangement. During the term of the arrangement, when calculating the output floor, IRB institutions should be able to apply a lower risk weight to the portion of their residential mortgage exposures that is considered to be secured by residential property under the revised SA-CR.

- Unrated corporates: during the transitional period until 2032, institutions using IRB approaches should be able to apply favorable treatment when calculating their output floor for investment grade exposures to unrated corporates. Indeed, most EU corporates, however, do not seek external credit ratings, in particular due to cost reasons. To avoid disruptive effects on bank lending to unrated corporates and to provide sufficient time to implement public or private initiatives to increase coverage of external credit ratings, the legislators have decided that it is necessary to allow for a transitional period to support the rise in the coverage.

- Securitization: This transitional arrangement has been set as the introduction of the output floor have a significant impact on own funds requirements for securitization positions held by institutions using the SEC-IRBA, applying SEC SA as is from 2025 for Output floor purpose would affect the economic viability of the securitization operation because of an insufficient prudential benefit of the transfer of risk. This comes at a juncture where the development of the securitization market is part of the action plan on capital markets union and also where originating institutions might need to use securitization more extensively in order to manage more actively their portfolios if they become bound by the output floor. Additionally, the 2032 deadline was precisely set to allow waiting for the implementation of the reform in progress that may lead to another calibration of P factor.

- SA-CCR: The calibration issue of the alpha factor raised by the industry and recognised by the US led the co-legislators to set alpha at 1 till 31 December 2029 with the possibility for the EC to issue a legislative proposal that may lead to another calibration.

Based on all considerations detailed above, we consider that inclusion of these fully loaded output floor ratios and related total SA Risk Exposure Amount *"fully loaded"* would not reflect a forward-looking perspective of institutions' solvency based on target treatment.

We acknowledge that the information may be considered as useful metrics to monitor and evaluate appropriateness of these transitional arrangements, however it is not the purpose of the supervisory reporting, especially as the information, as part of COREP, would be made publicly available via EBA Transparency Exercise.

We know from experience that this ratio would de facto be the only one considered by the market. This would in practice lead to lose all the benefits expected from the application of these transitional measures, and hence to depriving them of any usefulness.

Hence, we ask to remove the obligation for banks to report the *"fully loaded output floor"* risk-based capital ratios and related risk exposures amounts excluding the EU transitional arrangements provided by Article 465 (3) to (7) of the CRR 3 text, from both ITS on supervisory reporting and P3 disclosures, considering that this

information should be collected through ad hoc data collection not through supervisory reporting and to limit the notion of "*fully loaded output floor*" capital ratios to the application of an output floor set at 72.5%.

- **TREA**

  Article 92(3) requires the calculation of the TREA (TREA=max (U TREA; x S TREA)) at institution level and on the sum of all risks (Articles 92.4 & 5). But Article 438(d) require the calculation of the TREA to be broken down the different risk categories or exposure classes for the disclosure of own funds requirements and risk-weighted exposure amounts. We identify inconsistency inside the regulatory text and incapacity to implement this feeding into reporting and disclosure because the TREA is calculated only at Group level or solo level with the sum of risks and because no allocation rules defined anywhere.

- **ASSET CLASS EXPOSURE IN STANDARD**

  The granularity required in the breakdown of exposures in credit risk templates on loan splitting for standard method contravenes with what is required by the regulatory text, adding confusion and complexity in the reading and the analysis of P3 disclosure.

- **TRACK CHANGES FINAL DRAFT ITS**

  It is noticed that when final versions of ITSs are published on the EBA's website the track changes versions of the templates (Excel) and instructions (Word) provided are the ones between the former ITSs and the amended ITSs. No track changes versions of templates / instructions are provided between draft ITSs consultation and final draft ITSs.

  In this sense, to ease the comparison between the consultation versions and the final amended versions, could the EBA:

  - Continue to provide the track changes versions of templates/disclosures between the current ITSs in application and the amended ITSs to be applied? (as is currently the case)?

  - Also provide the track changes versions of templates and instructions between draft ITSs submit to consultation and final draft ITSs?

RESPONSES TO QUESTIONS LISTED IN THE CONSULTATION PAPER

Question 1: ***Are the instructions and templates clear to the respondents?***

While instructions and templates are in general clear, we have questions for clarification concerning few templates.

- *Template C02.00*
    - Rows 0151 - 0158 refer to the instructions of the C07.00 template, but there are no specific rows with the IPRE/Non-IPRE breakdown in that template, it only mentions art.124 CRR III, while in template C08.01 a breakdown in rows of the IPRE/Non-IPRE concept is requested, yet this has no impact on the calculation of RWAs by IRB approach based on the publication of CRR 3. Is the breakdown of secured and unsecured exposures in C08.00 template expected to hold the specific conditions laid in the calculation of RWA through Standard Approach? Could an example be provided?
    - Should exposures to which the whole loan approach is applied be considered as secured or unsecured?
    - For institutions subject the output floor as per Article 92(3) of Regulation (EU) No 575/2013, only institutions using internal models are required to disclose the standardised total risk exposure amount (S-TREA) calculated in accordance with Article 92(5). As a matter of facts, while calculating the standardised total risk exposure amount (S-TREA) for the purpose of C02.00 Template, the possible solution shall be the following:
        - For c0010 "TREA":
            - r0010 "Total Risk Exposure Amount" represents the total risk exposure amount, calculated using the formula set in Article 92(3) CRR: "TREA = max {U-TREA; x · S-TREA}", where:
                - *"U-TREA"* is the un-floored total risk exposure amount calculated as in row 0036 *"Total Risk Exposure Amount Pre-Floor"* c0010.
                - *"S-TREA"* is the standardised total risk exposure amount calculated as in c0020 "OUTPUT FLOOR S-TREA" [see below for further detail] r0010.
                - *"x"* is the multiplicative factor of 72,5% (even though, it is subject to transitional provisions as shown in Art. 465(1) CRR).
            - r0040 and below represents the risk exposure amount of the un-floored risk (as referred to: Credit and Counterparty risk (SA and IRB), Securitisation, Market risk, and Operational Risk templates). Our interpretation is based to the fact that, even if c0010 requires to include the TREA Amount, this row requires to include the unfloored amount or RWA. This assumption allows to calculate r0010 as sum of r0035 and r0036. In this way the amount reported in each row shall be reconciled and directly linked with the specific templates of Credit and Counterparty risk (SA and IRB), Securitisation, Market risk, and Operational Risk.

- For c0020 *"Output Floor S-TREA"*:
  - r0010 *"Total Risk Exposure Amount"* represents the Standardised Total Risk Exposure Amount (S-TREA) calculated as the sum of risk types and their underlying asset classes.
  - r0040 and below, represent the standardised risk exposure amount calculated as the *"Full Standard RWA"*.

    Please note: *"Full Standard RWA"* means:
    - amounts under IRB exposures shall be converted from their un-floored exposure amounts to their full standardised exposure amounts.
    - amounts under the standardised approach shall be fed with same amount reported in column 10.

  The amount reported in each row cannot be reconciled with the new template C10.00 for the following reasons:

  - According to EBA instructions, *"Institutions which apply the IRB approach shall report in C 10.00 the IRB exposures broken down by SA exposure classes and information on the calculation of standardised total risk exposure amount for these exposures".* It is interpreted that only IRB exposures treated under standardised approach shall be included in this template and all exposures shall be broken down under SA exposures classes.

  - In the template C02.00 the amount reported in column c.0020 shall be broken down according to asset class IRB.

Could you please confirm the correctness of the above interpretation? Otherwise, could you please better clarify the feeding rules from rows 0036 to row 0590 of template C02.00 and the consequently link to the other COREP templates?

- According to the mapping tool for CRR 3 step1 provided within the consultation on public disclosure (CP 2023/28) this row is mapped to the template OV1, row 1 *"credit risk".* To our understanding additional *"other risk exposure amounts"* reported in row 690 et seq. could arise from all kinds of risk categories and are not limited to credit risk. Accordingly, more guidance about what is to be reported in row 690 et. seq. is needed, especially what is to be reported in row 760. Also, should this row be used for mandatory requirements by competent authorities? Should this row be used for risk exposure amounts which could by assigned to a risk category like credit risk or market risk?

- *Template C03.00*

  Based on the below interpretation, could you please confirm that no fully loaded capital ratios are required without take in consideration the provisions of Articles 495 to 495h?

  Template C03.00 requires feeding the capital ratios considering 4 different scenarios:

  - Capital ratios transitional (from row 0010 to row 0060).
  - Capital ratios unfloored calculated in accordance with Article 92(4) of CRR3 (from row 0070 to 0090).
  - Fully loaded capital ratios not considering the application of article 465 of CRR3 (from row 0330 to 0350).
  - Fully loaded capital ratios not considering the application of article 465 (3) (4) (5) and (5b) of CRR3 (from row 0360 to 0380).

- *Template C 06.2*

  In column 075 is usual, like the one of the APRs, to adjust the output floor to an individual level. Considering that the output floor is calculated at a consolidated level, it is not clear what needs to be reported here? It was found that one has to calculate an individual level, although it does not have the effect at consolidated level. Accordingly, why do you consider it one of the APRs?

- *Template C 07.00*

  - A specific breakdown of the new SCRA rating grade (A, B, C) is not requested, how is the monitorization of the application of this case planned?

  - A specific breakdown of the RW used for equity's transitional provisions is not requested, is the breakdown for these exposure types expected to be reported in the *row 'Other risk weights'*?

  - In the case of currency mismatch, is the breakdown by RW in the C07.00 template expected to be broken down before or after applying the mismatch? Can you confirm that in these cases the pre and post factor RWAs columns are expected to be the same or is the pre factor RW column expected not to contemplate the mismatch and the post factor expected to contemplate it (even though the currency mismatch is not a reducing factor but a penalizing factor)?

- *Template C 08.01*

  - In the instructions for column 0230 it is stated that *'… institutions applying the IRB approach but not using their own estimates of LGD, the risk mitigation effects of financial collateral shall be reflected in E*, the fully adjusted value of the exposure, and then reflected in LGD* as referred to in Article 228(2) of Regulation (EU) No 575/2013.'* However, article 228(2) is deleted in the CRR3 proposal. Hence, it is not clear how institutions should report in column 0230.

  - Furthermore, the instructions for columns 0150-0210 refer to article 228(2) which, as mentioned in the previous point, has been deleted from the CRR3 proposal. Hence, the instructions should be updated.

- In the following columns of the C18.00, C21.00, C22.00 and C23.00 templates Art. 92.7 (the TREA) is mentioned; however, in the latest CRR 3 version (trilogues published December 2023), the last section of Art. 92 is 6. Thus, it is necessary to verify that ITS Annex mentions Art. 92.6 of the latest publication. The columns are the following:
  - C18.00 – 0071.
  - C21.00 - 0071.
  - C22.00 - 0101.
  - C23.00 - 0071.

- *Template C 34.07*
  The instructions for column 0040 are also referring to the removed article 228(2). Hence, these instructions should also be updated.

- *Templates C90.05 and C90.06:*

  - The purpose and benefits of the templates are unclear. The label of the row limits the content to exposure which is subject to counterparty credit risk.

  - *C90.05 (Row 70) "Memorandum item: Instruments classified as having a trading purpose under the accounting framework".*

    It is unclear, which positions and values have to be reported here. The instructions simply make reference to Article 104(2), first subparagraph, point (d), of Regulation (EU) No 575/2013, but does not specify the content which has to be reported. The content of the whole template is limited to positions assigned to the trading book as referred to in Article 4(1), point (85), of Regulation (EU) No 575/2013. Hence, this row could only show *"of which: with trading purpose according to the accounting framework"* with reference to row 0010. Please add this clarification to the template and the instructions.

  - *C90.06 (Row 0010) "Financial instruments: Assets and on-balance sheet items subject to CCR"*

    The relevant positions remain unclear. The instruction *"exposures subject to own funds requirements for counterparty credit risk, assigned to the non-banking book,"* is unclear. Derivatives and SFTs are subject to CCR. The whole amount of Exposure for CCR (e.g., from SA-CCR or EPE), regardless if the derivative is allocated to the trading book or the non-trading book is subject to credit risk and reported as Credit Risk for the non-trading book on the C07 or C08 templates. A limitation of the underlying positions for CCR trading and non-trading book does not seem right. Hence, we assume, the whole amount of Exposure for CCR (regardless of the individual instruments are allocated to the trading or banking book) should be reported here. We thus ask to amend the label and the instructions.
    Regarding the second sentence *"As regards columns 0060 to 0170, institutions shall only report exposures subject to own funds requirements for credit risk, including exposures subject to counterparty credit risk and securitisations."*, the limitation to columns 0060 to 0170 is unclear. This would lead to the situation, that the majority of the credit related banking book exposure would not be reported in column 0010 and consequently there would not be consistency to the Templates C 07.00 or C008.01 or 13.01 as desired according to the instructions for column 0010.

  - *C90.06 (Row 0030) "Financial instruments: Short positions and liabilities".*

    The definition of the relevant positions and values to be reported remains unclear. The instructions *"they would be subject to own funds requirements for at least one of the following risks, if they were assigned to the trading book: position risk, general interest rate risk, credit spread risk, equity risk or default risk"* does not seem right because this would cover almost every short position and liability of a bank (e.g., deposits, bonds, equity). Furthermore, short positions and liabilities which are not subject to FX and commodities risk are not part of the relevant data in the IT-Systems for the calculation and reporting of Own Fund requirements. We accordingly suggest deleting row 0030.

  - *C90.06 (column 0050) "Memorandum Item: Financial Instruments, Commodities and exposures in foreign currency".*

It is unclear which values should be reported here. Firstly, the first paragraph refers to Article 325a (2f), according to which the absolute amounts of the aggregated long positions must be summed up with the absolute amounts of the aggregated short positions. It can be assumed that this refers to the overall net foreign exchange position in accordance with 325a (2d) CRR and 352 CRR. On the other hand, it is stated in the third paragraph that for instruments that meet the own funds requirements for credit risk (incl. CCR + securitizations), the original exposure before CCF should be disclosed, for positions subject to the requirements for commodity risk, the value acc. to Article 325a and, for short positions and liabilities, the carrying amount. This would lead to a mixture of very different values from different IT-infrastructures and the benefits of this result seem questionable to us. We accordingly suggest deleting column 0050.

- *Templates C 13.01 and C 14.01: Memo items for Output floor: RWEA related to the impact of transitional provisions of Art. 465 (5b) CRR3*

  On template C 13.01 columns 0940 to 0960 and on template C 14.01 columns 0451 to 0453, the RWEA related to the impact of transitional provisions shall be reported for the SEC-IRBA approach, the IAA approach, and the Specific treatment of senior tranches in qualifying NPE securitizations.

  The EBA refers to the transitional provisions described in Art.465(5b) CRR3 which refers to the application of a 45% RW until 31 December 2029 to any remaining part of exposures secured by mortgages on residential property up to 80 % of the property value.

  We do not see a connection with securitization topics and presume an error of the CRR3 reference mentioned. Is it that the reference is rather to transitional provisions described in Article 465(7) CRR3 (related to the p factor)? If yes, instructions and templates should be amended accordingly. If the CRR3 reference is correct, could more details be provided about the impact expected on this specific point? Which type of securitization instrument/part/scope is covered on this section of the template? Is the EBA targeting the underlying exposures?

- *Templates C14.00 and C14.01 (information on 'Unique identifier' c0015):*

  Each securitization shall be assigned a unique identifier composed of the incremental elements, in sequential order on C 14.00 and C 14.01. The first item is composed by the LEI of the reporting entity. Respondents ask for clarification regarding this unique ID. What should institutions use to define the unique ID?

  i. the LEI code of the booking entity (individual) or
  ii. the LEI code of the reporting entity at top consolidation level (when reporting COREP at Group level) and LEI code of reporting entity at sub-group level (when reporting COREP at sub-group level))?

  In case ii., there would be different unique identifiers depending on the level of the reporting (consolidated vs sub-groups).

- *COREP C14.00: Securitisations:*

  More clarity would be welcome on the updated instructions, considering additional information is expected to be fulfilled. *"1. Because of Article 5 of Regulation (EU)*

2017/2402, which establishes that institutions investing in securitisation positions shall acquire a great deal of information on them in order to comply with due diligence requirements, the reporting scope of the template shall be applied to investors to a limited extent. In particular, they shall report columns 0010-0040; 0070-0110; 0160; 0181; 0190; 0223; 0230-0285; 0290-0300; 0310-0470"

We would appreciate whether the new instructions refer to investor positions, excluding the other positions of the originated securitisation on which we are investing in or whether for columns 230, 240, 250, 260, 270 and 280 whether institutions are expected to report the outstanding amount at the reporting date of all current securitisation exposures originated in the securitisation transaction, irrespective of who holds the positions. As such, on-balance sheet securitisation exposures (e.g. bonds, subordinated loans) as well as off-balance sheet exposures and derivatives)

In addition, more clarity would be provided to confirm if columns 230, 240, 250, 260, 270 and 280 could be reported with the same balance that columns 310, 320, 330, 340, 350 and 360 (C14 01).

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?*

- *Template C02.00:*

Columns 0010 and 0020 are supposed to present the amounts of TREA and S-TREA, respectively. At the same time, the headline in row 0036 suggests that the following rows shall present pre-floor REA amounts. However, according to Art. 92(3), TREA is the maximum of the aggregate unfloored REA (U-TREA) and the aggregate standardised REA multiplied by the respective floor factor (x*S-TREA), meaning TREA is the REA amount after application of the output floor. Moreover, only S-TREA can be broken down in the way demanded in C02.00. Where the output floor is non-binding, TREA is equal to U-TREA. A breakdown of U-TREA, is, in turn, not possible in the demanded way, e.g., because the delimitation of exposure classes differs between the CR-SA and the IRBA. Where the output floor is binding, TREA cannot be broken down in a clear-cut way at all. In such cases, TREA is only defined at aggregate level. Even if hypothetical values for TREA were calculated multiplying S-TREA amounts by the respective output floor factor for each row, this would lead to non-sensical results for exposures that are not subject to an internal model (where U-TREA=S-TREA) in the first place. Due to interdependencies (cross-subsidizing effects) TREA is not additively decomposable if the output floor is binding. Consequently, there is no clear-cut, unique solution for the problem of breaking-down TREA and it is not addressed in the CRR, anyway. Therefore, column 0010 should be deleted.

In contrast to the header TREA and the references in rows 0010 and 0040, the instructions to template C 02.00 also be interpreted as if U-TREA is to be considered in the rows 040 et sec. of column 010. Indication for this interpretation of row 010 are the references to the details' templates (CR SA und CR IRB templates) in the instructions (Annex II, rows 0050 et sec. of template C02.00). Could it be clarified what is actually intended here? In case column 10 was actually supposed to show U-TREA, we would like to note that the amounts for U-TREA reported in column 10 rows 50 – 212 can deviate from the S-TREA amounts in column 20 if banks use the internal model approach for counterparty credit risk which feeds into U-TREA but not S-TREA.

- *Template C03.00:*

  According to the proposal from the EBA, RWA and CET1 ratio also need to be published under the assumption that transitional provisions (mainly treatment of unrated Corporates and mortgage financings) will run off without being replaced after 2032 via both COREP but also via the P3 report. We strongly recommend excluding this from reporting requirements in COREP and P3 for following reasons:

  - Especially regarding unrated corporates there is a high expectation from all involved parties – namely politics, banking regulation as well as the banking industry – to find a solution which will sustainably keep the RWA charge in the CR-SA for respective exposure at acceptable levels to not unnecessarily increase funding costs for SMEs. Moreover, banks' balance sheets might well change until 2033. Therefore, the possibility that RWA after run-off of the transitional provision will indeed reach the levels it would do without finding a proper solution in the market is extremely low. The requirement to report this figure would thus lead to a severe potential overstatement of RWA / understatement of the CET1 ratio simply based on a very hypothetical assumption.

  - The reporting of hypothetically overstated RWA / understated CET1 ratio will most likely have negative effects regarding investors for the banks, potentially lowering share prices of / increase funding costs for the banks as investors will treat this as highly negative information. In addition, it will trigger unnecessary requests from investors, and it will trigger unnecessary discussions between banks and the regulator.

  - Setting up the reporting on hypothetical values causes unnecessary investments costs for the banks.

  We therefore think that this information should be communicated only between banks and their regulator on a case-by-case basis and under individual assumptions, but it should not be treated as standardized reporting requirement and / or public information. Beside the P3 disclosure of this information we have significant concerns about an inclusion in the COREP. A major part of the COREP templates will be published on the EBA's website within the scope of the annual Transparency Exercise and will be open to the public as well. Once RWA or capital ratios without application of transitional provisions for the output floor are part of the reporting requirements their public availability will be only a matter of time.

  Therefore, we ask to amend template C03.00 (and the corresponding mapping-tool for the P3 reporting) *Memorandum Items* in row 0330 – 0350 and the corresponding instructions to limit the reporting of fully loaded capital ratios to a calculation without the Basel phase-in of the output floor factor according to Art. 465 (1) and (2) CRR only with remaining application of the EU-exemptions according to Art. 465 (3)- (7) CRR.

  Moreover, there is need for a clarification for the rows 0360- 0380. The label and the instructions refer to Article 465(3), (4), (5) and (5b) CRR. It seems however that (5b) does not exist, and the reference should be made to paragraph (7). In case this does not mean paragraph 7 and that not all EU exceptions to article 465 paragraphs 3 to 7 should be meant, we would like to point out that this would be disproportionately burdensome to distinguish between individual exemptions and would increase the cost of compliance.

- *Templates C13.01*

  The recalculation of SEC-SA for securitisation treated under SEC-IRBA and IAA is not clearly defined. Article 465(5b) of CRR3 requires to calculate the SEC-SA for exposures that are risk-weighted using the SEC-IRBA or the IAA considering the application, until 31 December 2032 of the following p factors:

  - p = 0,25 for a position in a securitisation to which Article 262 applies; and
  - p = 0,5 for a position in a securitisation to which Article 261 applies.

  For all exposures treated under the SEC-IRBA and IAA and for which is calculated the significant risk transfer, it will remain fixed for the same securitization calculated under the SEC-SA Approach. No updates of significant risk transfer will be performed in the full standard calculation.

  Could you please confirm the correctness of the above interpretation? Otherwise, could you please better clarify the correct rule to be applied?

- *Templates C35.01.02.03 – NPE loss coverage:*

  These templates should be amended in order to allow to reflect amendments provided by CRR 3 to Article 47c of CRR:

  - Introductory part of paragraph 4 is amended as follows:
    'By way of derogation from paragraph 3 of this Article, the following factors shall apply to the part of the non-performing exposure guaranteed or counter-guaranteed by an eligible protection provider referred to in points (a) to (e) of Article 201(1), unsecured exposures to which would be assigned a risk weight of 0 % under Chapter 2 of Title II of Part 3.

  - (ii) point (b) has been replaced by the following:
    1 for the secured part of the non-performing exposure to be applied as of the first day of the eighth year following its classification as non-performing, unless the eligible protection provider agreed to fulfill all payment obligations of the obligor towards the institution in full and in accordance with the original contractual payment schedule, in which case a factor of 0 for the secured part of the non-performing exposure will apply.

  - The following paragraph has been inserted:
    4a. By way of derogation from paragraph 3 of this Article, the part of the non-performing exposure guaranteed or insured by an official export credit agency shall not be subject to the requirements laid down in this article.

- *Template C 34.02:*

  In column 0250, cells 0010, 0020, 0030, 0080, 0090, 0100, 0120 should be greyed as the alpha factor only applies in the calculation of exposure for transactions calculated with IMM method, and that are not Specific Wrong-Way risk (SWWR).

- Annex II (i.e., the instructions for reporting) provides a decision tree for the assignment of exposure classes under the Credit Risk Standardised Approach (CRSA) for the Template C07.00 Credit Risk SA. This decision tree is proposed to be amended to reflect the CRR3 changes of the introduction of a new exposure class 'subordinated debt' and

the deletion of the exposure class 'items associated with particular high risk'. These new changes are fine. However, when looking at the sequence of the exposure classes 'equity exposures' and 'exposures in the form of units or shares in CIUs', this might cause issues. There might be cases where a share in a CIU is structured such that it would also fulfill the exposure class 'equity'.

For the IRBA exposure classes, the CRR3 clarifies in the replaced Art. 147 (6) CRR that the exposures referred to in Art. 133 (1) CRR (i.e. the equity exposures) must only be assigned to the equity exposure class if they are not assigned to the exposure class 'shares in a CIU':

Art. 147 CRR: Methodology to assign exposures to exposure classes

6. Unless they are assigned to the exposure class laid down in paragraph 2, point (e1), the exposures referred to in Article 133, paragraph 1 shall be assigned to the equity exposure class laid down in paragraph 2, point €.

We believe that the assignment logic should be consistent under IRBA and CRSA. Therefore, if the exposure is not a securitisation, we believe that it must be first assessed whether the exposure must be assigned to the exposure class *'exposures in the form of units or shares in CIUs'* and then only afterwards whether it must be assigned to the equity exposure class. This also ensures that the potential higher risk weight for shares in CIUs is applied in case of the fall-back approach. Our proposal would change the decision tree as follows:

1. Securitisation positions
2. Exposures in the form of units or shares in collective investment undertakings ('CIU')
3. Equity exposures
4. Exposures in default
5. Subordinated debt exposures
6. ~~Exposures in the form of units or shares in collective investment undertakings ('CIU')/~~ Exposures in the form of covered bonds (disjoint exposure classes)
7. […]

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

Text No 6 of the Consultation Paper sets out the idea that the templates and instructions will not be part of the ITS / Commission Implementing Regulation published in the Official Journal. This is justified by an interpretation of Article 430 paragraph 7, subparagraph 1 as amended by the CRR 3, that they would be part of the ITS-related IT tools. We welcome the EBA's efforts to provide the necessary templates and instructions for the reporting as early as possible and in all required languages on the EBA website in order to enable rapid implementation by the institutions, despite the very challenging time schedule.

However, we cannot accept the interpretation that the templates and instructions should no longer be part of the ITS. The templates and instructions specify the content and thus go far beyond pure IT solutions. In our opinion, content requirements should be legitimized by the EU legislative bodies and must not be determined solely by the EBA. From our point of view, Art. 430 para. 7 CRR could well be interpreted in such a way that all contents referred to in paragraph 7 must be part of the Implementing Technical Standard.

However, if the EBA and the EU Commission maintained the interpretation that the reporting templates are not part of the ITS on reporting / Commission Implementing Regulation, the resulting leeway should definitively be utilised in order to provide institutions with a reliable basis for the new reports as early as possible. For this reason, we find critical the need of publishing the final reporting templates and instructions at the same time as the EBA submits the final ITS draft to the EU Commission.

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?***

Prioritization and eliminate less relevant data points:

The number of templates and data points requested for supervisory reporting has been considerably increased in recent years e.g., FRTB templates, IRRBB templates, new C10.00, CVA template C25, ESG-ad-hoc, etc. We understand the fundamental need for information on supervisory relevant data for supervisory authorities. However, there should be a focus on truly essential information for regulators, so that resources are not used for non-relevant or insignificant data points. Therefore, with each introduction of new reporting requirements, a review of the existing data points should be carried out. If new requirements are considered as more important than existing data points, old templates/data points with lower priority should be removed. To avoid a disproportionate increase of cost of compliance we consider it necessary to remove existing data points with every new requirement.

- In this regard we propose the following amendments to the ITS:
    - Large institutions according to Art. 4 (146) CRR should have the general option to report all values in millions (e.g., million EUR) and all validation rules should accept small deviations due to rounding.
    - Delete template C 05.01 - TRANSITIONAL PROVISIONS (CA5.1) – In practice, there should be little relevant information here, as the vast majority of transitional provisions have been expired.
    - Delete template C 05.02 - GRANDFATHERED INSTRUMENTS: INSTRUMENTS NOT CONSTITUING STATE AID (CA5.2) – In practice, there should be little relevant information here, as the vast majority of transitional provisions have been expired.
    - Waiver of template 32.01 - Prudent Valuation: Fair-Valued Assets and Liabilities (PRUVAL 1) for all institutions that exceed the relevant threshold and fill in templates C32.02-04.
    - Waiver of C90.00 - Trading book thresholds (TBT) – for institutions that exceed the relevant threshold and provide the relevant detail templates for market risk.
    - Delete template C 43.00 - ALTERNATIVE BREAKDOWN OF LEVERAGE RATIO EXPOSURE MEASURE COMPONENTS (LR4) – With introduction of parallel calculation and reporting of TREA, S-TREA and S-TREA output floor there should be a relevant backstop in place and sufficient information on EAD and RWA available according to different approaches (C02.00 and C10.00) so that C 43.00 would lead to double reporting. Furthermore, exposure classes changed which would produce further

efforts to map results to CA 43.00 and the reporting of Floor adjustments would be unclear.

- Example for disproportionate, effort or cost of compliance:
    - The introduction of the new subset of exposure classes for exposures *"secured by mortgages on immovable property and ADC exposures"* and unclear differentiation for the exposure class according to Art. 124 CRR. The new templates C90.05 and C90.06 would add complexity, produce disproportional efforts and costs for implementation and ongoing reporting. The two new templates C90.05 and C90.06 require information which are not available in the IT landscape. The reasons to allocate positions to the trading and banking book are not managed via IT systems but rather via policies and guidelines which are monitored on a decentralised level. A systematic split of positions by these reasons would therefore lead to unreasonably high implementation costs. The templates mix up data for market risk, credit risk, accounting and require hypothetical calculations, which are not necessary to compute the regulatory capital requirements and thus are not covered by the CRR. Furthermore, the instructions and templates are mostly unclear and do not seem to be designed with the necessary care. We accordingly ask to remove these new templates. In case information about inclusion of instruments in the trading book is necessary in individual cases (e.g., for an onside inspection), this should be made available to the competent authority individually on a case-by-case basis.

What are your views on introducing more granular reporting in Step 2 in credit risk IRB templates C 08.XX to include obligor or loan level reporting? Explain the nature/source of the cost and the benefits.

A more granular reporting on obligor or loan level would massively increase the cost for the reporting. As can be seen from the discussion on the introduction of granular reporting in the context of IReF, many technical detailed questions have to be clarified beforehand. A parallel expansion of COREP reporting at the contract level would result in parallel efforts that cannot be covered by the institutions. The move to a more granular reporting of supervisory data should be integrated into the IReF initiative in a second step after this approach proved to be feasible in practice.

The fragmented and extended publishing of the various pieces which comprise the full package leads to difficulties in implementation. The end-to-end impact across the organisation calls for a more appropriate implementation period. This leads to a need for a Project team to be staffed over an extended timeframe, namely late 2021 until mid-2025.

Question 5 – separate template C10.00 – IRB exposures subject to the output floor. Do you identify any issues regarding the introduction of this template? Would it be more useful to report the information in C 08.01 to directly compare between capital requirements determined by the IRB approach and the SA?

Against the background of still not completely harmonized asset classes for the standardized approach (Art. 112 CRR) and the internal ratings-based approach (Art. 147 CRR), we consider the integration of detailed information regarding the calculation of the output floor as very complex. We are concerned that the integration in the C 08.01 template would inflate the template C 08.01 or make an additional template necessary to report the asset classes only existing in the standardized approach. Therefore, we appreciate the idea of a

separate template to trace the calculation of the output floor. This seems to be more transparent than the integration of the information in the C 08.01 template.

However, we understand rows 0030 to 0240 of the template C10.00 as a breakdown by SA asset classes. The integration of IRB asset classes as *"of which"* rows does not seem consistent and leads to an increased complexity, especially in cases of deviating asset classes in SA and IRB. Therefore, we would appreciate a breakdown exclusively by SA asset classes.

Consequently, based on all considerations, it is considered that template C10.00 should not require to report impact of the application of transitional provisions related to exposures secured by residential mortgages and unrated corporates. This by considering that this information should be subject to ad hoc data collection to allow EBA and EU co-legislators to monitor and evaluate impacts and appropriateness of these transitional arrangements.

Question 6 - reporting of transitional provisions for the output floor (Article 465 of Regulation (EU) No 575/2013).

In COREP, the reported data reflects the applicable provisions at the reference date including the effect of transitional provisions. The effect of transitional provisions with an impact on own funds is reported in C 05.01. With regard to the output floor transitional provisions set out in Article 465 of Regulation (EU) No 575/2013, it is deemed more convenient for the analysis to include the impact of transitional provisions in each of the templates comprising the impact of those transitional provisions.

- Template C02:
  - Currently the reporting is fed by C07 and C08.
  - For the integration of CRR3 evolution in column C20, the S-TREA for standard portfolio is not restituted in detailed C07 template.
  - The link between column 20 of C02 template and C07 template is not possible for class exposures concern by article 465.
    - The link between C07 template and CMS1 & CMS2 template are not possible for class exposures concern by article 465.
    - Synthetic report (as C02) and detailed reporting (as C07) should be stay linked.
    - Row 35: restitution of floor adjustment in TREA column causes confusion within reporting and the column TREA which should be modified.

    - In C 02.00 column 0020 *'Output floor S-TREA'* include the effect of transitional provisions for modelled approaches for the output floor (on mortgages, unrated corporates, CCR, securitisation).

Template C03:

- Lines 330 to 380 are capital ratios without application of the transitional provisions on the output floor (article 465). To be consistent with arguments developed around the position on output floor fully loaded, we consider that lines 330 to 380 in the memorandum items do not make sense.

- Transitional provisions should be applicated and thus capital ratios should not be calculated and restituted without application of the transitional provisions on the output floor:

- In C 03.00, rows 0010-0060 reflect the effect of transitional provisions on capital ratios, besides, memorandum items rows 0070-0090 capture the unfloored capital ratios. Moreover, memorandum items rows 0330-0350 collect information on the fully loaded capital ratios and rows 0360-0380 on the capital ratios without EU-specific transitional provisions on S-TREA.

- In C 04.00, memorandum items: amounts of the floor adjustment before transitional cap, after transitional cap, fully loaded floor adjustment and output floor applied are added.

- In C 10.00, columns 0090-0110 collect information on the impact of transitional provisions applicable to internally modelled mortgages and unrated corporates for the computation of S-TREA. Besides, other templates including modelled reporting data (C13.01, C14.01 on securitisation, C34.02 on counterparty credit risk) have been updated to include information on the impact of the transitional provisions for the output floor.

Is the design for the reporting of transitional provisions for the output floor clear enough? If you identify any issues, please specify the related templates and instructions.

We have the following comments:

- *Template C 02.00*
  It would be necessary to clarify whether cells corresponding to standardized approach should be in grey or whether it is expected the same figure that for standardized approach figure for these exposures.

- Template C 03.00
  Capital ratios have to be reported on a transitional basis (rows 0010-0060), based on unfloored RWA (rows 0070-0090), on a fully loaded basis (rows 0330-0350) and without applying certain transitional measures (rows 0360-0380). The requirement to report all these different capital ratios (and related other COREP changes in C02, C04, C10, C34.02) is overly burdensome as it requires the set-up of many separate RWA calculation runs.

  Even though rows 0330-0350 in C 03.00 are called fully loaded capital ratios, this is not a completely fully loaded capital ratio. According to the instructions, in rows 0330-0350, the capital ratios without applying Article 465 of Regulation (EU) No 575/2013 have to be reported. However, this implies that other transitional measures (e.g., art. 495a, 495b, 495c, 495d) are still applied for the determination of these rows 0330-0350.

Question 7 – group solvency template C06.02: Do you identify any issues with the new column 0075 introduced in the group solvency template C06.02 to report the floor adjustment of group entities subject to own funds requirements?

For those EU entities subject to new capital and reporting requirements (CRR3), this information will be available. However, for other entities (third country entities), this column will be empty.

Question 8 – Do you have any other comment on the changes to reporting related to the output floor?

More clarity is needed on the following items:

In the case, for example, of a contract with a balance of 100 where the obligor is treated under IRB, which has an STD guarantor for 80 (20 would be risk weighted under IRB and 80 under STD). For the output floor, should we consider as original exposure only the 20 of the contract that has remained in IRB?

- On the one hand, we understand that yes, because 80 are already risk weighted under STD, but
- On the other hand, COREP of the output floor asks institutions to indicate the original exposure (so that we would consider only 20 for this contract and it would not fit with the original exposure of N008).

Question 9 – new subset of exposure classes for exposures "secured by mortgages on immovable property and ADC exposures". Do you identify any issues related to the introduction of this new subset? Is this proposal clear enough? If you identify any issues, please suggest how to clarify the reporting.

- *Secured by mortgages on immovable property and ADC exposures:*
  Our understanding is that in the new category secured by mortgages on immovable property and ADC exposures for those non-IPRE exposures that are unsecured and shall be risk-weighted as an exposure to the counterparty listed in articles 125(1)(b), 126(1)(b) and 124(3) are reported in template C.07 under the exposure class *"secured by mortgages on immovable property and ADC exposures"*. Is this assumption correct? Also, for those exposures unsecured or any part of a non-ADC exposure that exceeds the nominal amount of the lien of the property if they are susceptible to apply CRMT, it should be reflected as entries in the categories of template C.07 by which they are guaranteed.

- *Exposure classes:*
  The need, the impact and the definition of the new subset of exposure classes are not clear. Exposure classes are defined by the CRR. The Consultation Paper does not explain why a breakdown beyond the CRR is required and the associated increased utilization is not recognizable. The impact of the new subset of exposure classes is not clear. The new subset only partly matches to the MEMO Items in C07.00. Or is the intention to provide a separate C07.00 for each subclass? This seems not to be the case, because the headline in C07.00 is *"SA Exposure class"* and does not make any reference to the new *"sub-exposure classes"*.

  According to section 3.2.4.4., Nr. 71a of the reporting ITS, the exposure *class "Secured by mortgages on immovable property and ADC exposures"* is seemingly broken down into nine additional sub-exposure classes. This additional breakdown a) contradicts article 112 (i) and thus exceeds the mandate given to EBA in article 430 CRR to develop draft implementing technical standards and b) leads to immensely disproportionate cost and effort. We therefore ask to remove the additional sub-templates.

  Furthermore, this very breakdown into standard approach sub-exposure classes is also demanded within the AIRB template C 08.01. The different sub-categories (IPRE/non-IPRE, residential/commercial as well as secured/unsecured) do not exist within the AIRB

regime, due to the usage of internal LGD models for collateral allocation. We therefore consider the breakdown within the AIRB template should be removed.

- *Article 124:*
  - 124.1 CRR: *"non-ADC exposure that does not meet all of the conditions laid down in paragraph 3, or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property, shall be treated as follows:"*
  - 124.2 CRR: *"non-ADC exposure, up to the nominal amount of the lien on the property"* more clarity would be desirable:

We would welcome the EBA clarifies in each case which options/interpretations are correct to achieve a homogeneous application among institutions. It is not very clear how reporting should be done, as two possible interpretations are possible. For example, if we have a contract with a balance of 200 and a non-ADC residential mortgage guarantee worth 150:

- **Non-IPR à Loan Split:**

Option 1

LTV	Balance	RW
Up to 55%	82,5	20%
55%-100%	67,5	RW counterparty
>100%	50	RW counterparty

LTV	Balance	RW
Up to 55%	82,5	20%
>55%	117,5	RW counterparty

Although in terms of RWA in this case there would be no impact, there is a difference in reporting. Under option 1, we would have in a separate line the amount that exceeds the value of the mortgage collateral (above 150), which in COREP would be registered in this line: *"g.Secured by mortgages on immovable property - Other - non-IPRE: Exposures that do not meet the conditions in Article 124(3), or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property referred to in Article 124(1), point (a) of Regulation (EU) No 575/2013."*

- **IPRE: Whole Loan**: There would be a LTV =133,33% (200/150), and the applicable RW=105%.

Option 1

LTV	Balance	RW
Up to the value of the property	150	105%
Over the value of the property	50	150%

Option 2

LTV	Balance	RW
Whole balnace	200	105%

In this case, the RW would not be the same in both options (in option 1, the balance above the value of the mortgage collateral would carry the RW of IPRE of 150%). In COREP the second record of option 1 would go on this line: *"h. Secured by mortgages on immovable property - Other – IPRE: Exposures that do not meet the conditions in Article 124(3) or any part of a non -ADC exposure that exceeds the nominal amount of the lien of the property, referred to in Article 124(1), point (b) of Regulation (EU) No 575/2013"*.

- *Article 127.3:*
  This articles states *"The exposure value remaining after specific credit risk adjustments of non-IPRE exposures secured by residential or commercial immovable property in accordance with Article 125 and 126, respectively, shall be assigned a risk weight of 100 % if a default has occurred in accordance with Article 178".*

  Furthermore, new section *"3.2.4.4 Exposure class "Secured by mortgages on immovable property and ADC exposures"* requires reporting as non-IPRE the following exposures:

  Secured by mortgages on residential immovable property - non-IPRE (secured):
  - Non-IPRE exposures treated in accordance with Article 125(1), point (a) of Regulation (EU) No 575/2013;
  - IPRE exposures meeting any of the conditions laid down in Article 124(2), point (a)(ii), points (1) to (4) of Regulation (EU) No 575/2013;
  - IPRE exposures where the derogation set out in Article 125(2) of Regulation (EU) No 575/2013, subparagraph 2 is applied.

  Secured by mortgages on commercial immovable property - non-IPRE (secured):
  - Non-IPRE exposures treated in accordance with Article 126(1), point (a) of Regulation (EU) No 575/2013;
  - IPRE exposures where the derogation set out in Article 126(2) of Regulation (EU) No 575/2013, subparagraph 2 is applied.

  We would welcome more clarity whether all these exposures should be considered non IPRE for the purpose of capital requirements calculation in article 127.3 (so that it is understood as a referral to the calculation method loan splitting) or, should the literal wording of the rule apply, and thus, apply the 100% RW only to exposures that are really non-IPRE, irrespective of the calculation method. There seems to be no connection in Annex 2 between the classification of section 3.2.4.4 and reporting of exposures in default.

- Unlike the CP described on page 32 the required split into the sub-exposure classes even for the C02.00 does produce significant additional costs. It is correct, that the relevant subset would be performed to calculate the RWA. However, this would lead to additional datasets for each single contract which are only necessary for the breakdown in the COREP reporting. From a data management perspective, it would be the performant way to sum up and store the relevant RWA for each individual transaction after the calculation. This is particularly relevant because the CRR3 already multiplies the number of relevant results for each contract/risk position by calculating and storing various other results (TREA, S-TREA, S-TREA Output floor, with and without different transitional provisions). Therefore, the splitting of further sub-results for the COREP reporting should be avoided.

Question 10: Do you have any comment on the other changes included in the C 07.00 [C09.01?] template?

- On CCF restitution, article 111 of Regulation (EU) No 575/2013 confirms the new 10% CCF for UCC but with the application of a phasing period set out in article 495 (d) of Regulation (EU) No 575/2013. We consider that ITS is not enough clear with the application phasing period restitution in C 07.00 template. It should be more explicit that the column *"others"* is for the transitional multiplicators for the 10% CCF (article 495d of regulation (EU) No 575/2013.

- Breakdown of total exposures by risk weights should be available for all RW including phasing period as 160%; 190%; 220%; 280%; 340% set out on article 495a (1) and 495a (2) of Regulation (EU) No 575/2013.

- Row 20 is unavailable and grey for column 10, 30 and 40 because of article 232(3), point (c) of Regulation (EU) No 575/2013 instruction. However, 70% RW is also use for whole loan approach according to article 126(2) of Regulation (EU) No 575/2013 and row 20 should be available for column 10, 30, 40.

Question 11: CIUs under the SA approach – Please also refer to question 16 on the reporting of CIU positions and underlying exposures under the IRB: Do institutions have information readily at their disposal on underlying exposures of CIUs in order to be reported as it is proposed to be done in C 08.01? Would this add substantial reporting costs?

Reporting exposures of CIUs across the existing underlying exposure classes based on a look-through/mandate-based approach under the SA approach is not deemed needful as C07 reporting already proposed sufficient information with risk weights breakdown for underlying exposures. This modification would generate additional work for banks.

Question 12 – Large corporates: The additional breakdown on Large corporates was deemed vital in order to guide the correct application of the new rules for such exposures and to cover the information needs on the exposures to SMEs and Large Corporates. However, it implies overlap with the other Corporate exposure classes. Therefore, two options are put forward for respondents to this consultation:

Option 1: Current proposal in templates and instructions, with a decision tree.
Option 2: To have "Large Corporates" and "SMEs" as of which items, to avoid overlap.

Which option would be preferable taking into account the ready available data and reporting costs? Which one would be more advantageous for data analysis?

The option 1 as outlined in the proposed template appears feasible and preferred by EBF members.

Question 13 – IRB retail: Is the breakdown of exposure class 'Retail' clear and unambiguous? Would an "of which" approach analogous to option 2 described in question 12 but referring to "Secured by immovable property" instead of "Large Corporates" be advantageous for data analysis and preferable taking into account the ready available data and reporting costs?

We would appreciate more clarity on:
- Whether there is also a decision tree for Retail.
- How we should treat retail – purchased receivables.
- If we should define this asset class before the rest of asset classes, or whether a predefined order is established.

Question 14 – Further question on the corporates breakdown in C 09.02: Would it be less costly to report the whole breakdown of exposure classes of Art. 147 (2) c) CRR3, i.e. including 'Corporates-other' instead of reporting 'of which' items for Specialised Lending exposures and purchased receivables?

It would indeed be less costly having all details (i.e., all the subcategories within the category of Corporates), as less breakdowns are easier to implement. Under any case, it is important to refrain from having late changes to the reporting since changes, especially IT-relates, are extremely burdensome and costly when reporting has already started.

Question 15 – CIUs according to Art. 147 (2) e1) CRR3.

Question 15.2: Regarding CIU positions whose underlying are securitisations or equity exposures, would it be clearer and easier to report these underlying exposures under the securitisation and equity templates (C 13.01 and C 10.01, respectively)?

Yes, it seems more logic to report CIUs whose underlying are securitization or equity under the securitization and equity templates. We do not see the advantages of reporting these exposures under the Credit Risk – IRB templates.

However, to our understanding, the IRB approach is no longer applicable to equity exposures. Template C 10.01 *"Equity – IRB approach"* is not needed anymore. From our point of view, it makes no sense to keep this template just for the reporting of memo-items resulting from the LTA or the MBA of CIUs.

Furthermore, both reporting alternatives in this question deviate from the logic in the respective template of the standardized approach where the breakdown by approach shall only be reported in the template for the exposure class CIU (instead of the asset classes of the underlying exposures in IRB). From our point of view, deviating reporting logic in SA and IRB makes no sense. Therefore, we would appreciate to take the reporting logic of the SA template for the IRB templates as well.

Inversely, should they be reported under the credit risk templates?

No, it should not.

Question 15.4: Do institutions have information readily at their disposal on underlying exposures of CIUs in order to be reported as it is proposed to be done in C 08.01?

No, banks do not have the information ready to be reported and would need additional work to gather and isolate this information.

Question 15.5: *Would it add substantial reporting burden for institutions if these exposures would be reported under a separate template where both the CIU positions and the underlying exposures would be reported under the corresponding exposure class? Would this approach be clearer?*

The alternative approach with a separate template would be clearer.

Question 16 – Question on the mortgages breakdown in C 08.01. Do institutions – in particular the ones applying own LGD estimates – have information readily at their disposal for providing this further split into "secured" and "unsecured". Would this add substantial reporting costs?

This will vary among institutions with some having the information available, and others having to change the current process and assess in detail if these need some additional field to ensure the accuracy of the split and the consistency with the new requirement.

We consider that ITS go beyond the request of CRR3 on this topic and that the mortgages breakdown is not mandatory for IRB class exposures.

In regard of the very short timeline for the first step of ITS CRR3 reporting evolution, the non-mandatory definition of this new classes in CRR3, we recommend the abrogation of theses breakdown in the final version and in the second step of the consultation by creation of a dedicated new template for subset of *"exposures secured by mortgages on immovable property and ADC exposures"*.

If this split stays in the final version, it will generate cos for the implementation.

Question 17 – revised instructions for template C 15.00. Are the revised instructions clear enough? If you identify any issues, please suggest how to clarify the reporting.

No feedback since further time is required by the relevant teams to review.

Question 18 – revised template C 25.00.

According to the template for C 25.00 institutions should report own funds requirements for SFTs that are fair valued for accounting purposes in row number 0120 / column number 0060 and 0070. SFT's are not one of the exemptions that institutions are required to report according to article 382 4b, and they are not covered by article 382.4. Hence, it should be stated in the instructions to the template for schema 25, that the reporting of row 0120 column 0070 is not mandatory. If the field is mandatory institutions are required to calculate own funds requirements for SFT's using article 384(3). The calculation in article 384(3) is referring to the EAD calculation as specified in article 384(2) which is again referring to the methods set out in Title II, Chapter 6, Sections 3 to 6. Hence, institutions calculating EAD for SFT's using the methods set out in Title II, Chapter 4 will be forced also to calculate EAD using the methods set out in Title II, Chapter 6, Sections 3 to 6. The cost of compliance of such a reporting requirement will be very high and disproportionate, cf. question 4 in the consultation paper.

- *C 25.00 (Column 0020) "Own funds requirements for CCR"*
  It is unclear, which positions and values have to be reported here. The instructions make reference to Article 192(4), point (a), of Regulation (EU) No 575/2013 and Part Three, Title VI of Regulation (EU) No 575/2013). The headline suggests that it is expected only own funds requirements for CCR. It is needed to clarify if the filling for column 0020 concern own funds requirements for all transactions subject to CVA risk for:
  - counterparty credit risk and credit valuation adjustment risk or
  - counterparty credit risk only or
  - credit valuation adjustment risk only.

- On C25 reporting instruction, column 290, it is written *"Article 92(7), point (b), of Regulation (EU) No 575/2013 → It should be right to read "Article 92(6)"* instead *"Article 92(7)"*

- On C25 reporting instruction, column 20, it is *written "Own funds requirements for CCR (Article 92(4), point (a) …"* → It should be right to read *"Article 92(4), point (f)"* instead *"Article 92(4), point (a)"*

- The draft proposal for COREP requires the reporting of the marginal impact of reintegration of exempted transactions for CVA own funds requirement calculations (Template C 25.00, lines 0040 to 0110). This requirement is deemed disproportionate as the CRR requires a review of CVA provisions only every two years (Art. 382 (5)). It also adds compliance complexity and ambiguity, as details on different types of transactions are requested, while macro hedges cannot always be allocated to one single type of transaction. This requires building up allocation rules that are both artificial and complex to implement.

- It is proposed to remove lines 0040 to 0110 from template C 25.00 and report only necessary items with an adapted frequency in separate existing reports, such as QIS.

Are the reporting template C 25.00 and related instructions clear enough? If you identify any issues, please suggest how to clarify the reporting.

It is sufficiently clear how to calculate and report the CVA RWA. Re-introducing the exempted trades requires the calculation of a marginal impact. The consequence of this approach is that the sum of the marginal impact of the re-introduced exemptions, would not equal the results of row 40 (all exempted transactions) as CVA RWA is a portfolio calculation.

Question 19 – Simplified standardized approach, market risk overview in C 02.00 and offsetting group concept in the group solvency templates

a) Did you identify any issues regarding the representation of the (policy) framework regarding the simplified standardized approach, the overall RWEA for market risk and the offsetting group concept in the templates C 02.00, C 06.02 and C 18.00 to C 23.00? Are further amendments necessary to align the reporting with the CRR3?

b) Are the amended templates and instructions clear?

Reporting requirements if FRTB is postponed.

For market risk, the template C 02.00 is broken-down by:

a. New RWEA under SSA (vision OFR calc. under FRTB) => New, would apply once FRTB binding for OFR calculation
b. New RWEA under A-SA (vision OFR calc. under FRTB) => New, would apply once FRTB binding for OFR calculation
c. New RWEA under A-IMA (vision OFR calc. under FRTB) => New, would apply once FRTB binding for OFR calculation
d. RWEA under current IM (vision OFR calc. current) => to be kept, if application of the FRTB as binding framework for the calculation of OFR for market risk is being postponed

The templates C 18.00 to C 23.00 are recycled to report the new SSA (current SA with the application of specific scaling factors) / The template C 24.00 is maintained if FRTB application is being postponed for OFR calculation.

In this sense, if FRTB application for OFR calculation is being postponed, it seems that the EBA only provides the ability to report the Simplified Standardized Approach - 'FRTB SSA' (i.e. no item available to report the current Standardized Approach) and there is no specific information in the instructions regarding the reporting requirements under this scenario.

Respondents understood from the Public Hearing that fields and templates dedicated to the Simplified Standardized Approach ('FRTB SSA') should be filled with a scaling factor 1 in order the reflect the OFRs and detailed OFRs under the current Standardized approach if FRTB is postponed.

Instructions should clearly clarify the COREP reporting requirements if FRTB is postponed.

On the market risk, COREP template C19 is not amended. With FRTB templates, all products will be restituted by type of risk and in some cases, some COREP will be no longer applicable for some banks (depending on the size and the approach). COREP C19 should be limited to banking book perimeter only (as the trading book is widely restitute on FRTB template).

Question 20 – Boundary template

a) Did you identify any issues regarding the representation of the (policy) framework for the boundary in templates C 90.05 and C 90.06?

First application date: Template C 24.01 (MOV)
The template C 24.01 initially part of the FRTB reporting will merge into the Supervisory reporting. Respondents understood from the Public Hearing that this template shall be reported once FRTB is binding. Instructions should be amended to precise the 1st application date of this template.

First application date of templates C 90.05 and C 90.06

Regarding the first application date of templates C 90.05 and C 90.06, it is strongly suggested starting to report them only once FRTB applies.

1. This working assumption would be aligned with the EBA's no-action letter stating and arguing that a front-loaded application of the boundary provisions compared to the rest of the FRTB framework would create several significant operational issues.

   Such two-step implementation of the boundary would lead to fragmentation in the regulatory framework and, hence, in the financial markets, as well as potential unlevel playing field issues.

   The same reasoning should be followed for the reporting framework since, as specified by the EBA, institutions would be subject to an operationally burdensome complex and costly fragmented two-step implementation of the boundary framework.

2. If the reclassifications template C 24.01 is expected once FRTB is binding, the boundaries templates should also follow the same temporality in order to avoid any asymmetry. In this sense, the reporting of reclassifications, boundaries and the OFR calculation should be aligned.

3. Respondents also underline the very high complexity these two new templates will involve in terms of implementation, as data required implies several new developments in the systems and the creation of new axes of reporting. They also underline the fact that these new templates are not useful from a supervision standpoint in the context of the step 1.

   Report long and short positions broken down by main risk drivers requested in template C 90.05 will be very complex. Such additional breakdown will have no added value from a supervision standpoint or when analyzing the boundary of the trading book and is not required on the Level 1 Texts (neither CRR2 nor CRR3). Therefore, it is suggested deleting this breakdown from the template.

   Furthermore, the method for identifying the main risk driver of a position and for determining whether a transaction represents a long or a short position n is not clearly defined in the Regulation and the EBA ask institutions to refer to a *'RTS on long and short positions'* which has not been published yet.

   Therefore, respondents urge the EBA to consider the first application of these 2 templates once FRTB is the binding framework.

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 not, please explain the issues needing clarification, and make a suggestion on how to address them.

We consider that instructions regarding the scope of positions expected by the EBA on templates C 90.05 and C 90.06 could be clarified as the reference to the article 325a, which deals with the SSA and its threshold calculation, and the headers *"value to the effect of Article 325a of Regulation (EU) No 575/2013"* could be quite misleading and could generate different interpretations by institutions.

- *Template C 90.05*
  The instructions say that *"Institutions shall report all positions assigned to the trading book as referred to in Article 4(1), point (85), of Regulation (EU) No 575/2013 in this template, with the exception of instruments and positions excluded from the calculation of the threshold referred to in Article 325a of Regulation (EU) No 575/2013."*. We consider that all trading book positions are in the scope of this template except the positions described in Art.325a(2) point (a) which are credit derivatives that are recognised as internal hedges against non-trading book credit risk exposures and the credit derivative transactions that perfectly offset the market risk of the internal hedges as referred to in Article 106(3).

  Is the EBA aligned with this interpretation? Can an institution which does not use the SSA, also apply this criterion i.e., exempt the positions described in art.325a(2) point a from the reporting scope)? Could the EBA add more precision to the instructions regarding the scope of positions which should be reported on template C 90.05?

- *Template C 90.06*
  The instructions say that *"Institutions shall report all positions assigned to the non-trading book in this template, regardless of their inclusions or exclusion from the calculation of the threshold referred to in Article 325a of Regulation (EU) No 575/2013.".*
  Respondents understand that all banking book positions are expected in this template

including positions described in Art.325a(2) point a which are credit derivatives that are recognised as internal hedges against non-trading book credit risk exposures and the credit derivative transactions that perfectly offset the market risk of the internal hedges as referred to in Article 106(3). Is the EBA aligned with this interpretation? Could the EBA add more precision to the instructions regarding the scope of positions which should be reported on template C 90.06? More specifically, could the EBA add more precisions regarding the inclusions or exclusions of Article 325a CRR it is referring to?

For columns 0030 and 0040 of template C 90.06 dealing with instruments and positions subject to commodities risk, institutions understand that the header *"Value to the effect of Article 325a of Regulation (EU) No 575/2013"* refers to the metric to be used to report such banking book instruments. In the same way as the other points raised above, the instructions and the link with the CRR references could be more specific to avoid any misinterpretation.

Question 21: Do you agree with the changes to the Leverage ratio reporting as implementing the new CRR3 provisions? Do you see any further amendments needed?

We consider additional clarifications would be needed for:

1) For trading positions (COREP C14 01)
While columns 460 and 470 have been removed (according to Excel Annex 1) this has not been updated in Annex 2, which indicates the mandatory fields for trading securitizations.

See para 119. "Securitisation positions in the trading book shall only be reported in columns 0010-0020, 0420, 0430, 0431, 0432, 0440 and 0450-0470. For columns 0420, 0430 and 0440, institutions shall take into account the RW corresponding to the own funds requirement of the net position".

2) For all securitizations, the instructions tell about the Unique Identifier (COREP C14 00 and C14 01)

0015	**UNIQUE IDENTIFIER** For securitisations issued on or after 1 January 2019, institutions shall report the unique identifier as defined in Article 11(1) of Commission Delegated Regulation (EU) 2020/1224.

More clarity on how this column should be completed would be welcome.

- Should this column be completed for investor positions too or only for originator positions? There may be difficulties in compiling this code for investment positions.

- When in Art 11(1), the instructions say: *"a) the Legal Entity Identifier of the reporting entity;"* is it referred to the LEI code? Or is it referred to the legal entity of the reporting entity or the issuer of the securitization?

0015	**UNIQUE IDENTIFIER** For securitisations issued on or after 1 January 2019, institutions shall report the unique identifier as defined in Article 11(1) of Commission Delegated Regulation (EU) 2020/1224.

3) Slotting approach: Template 8.1

In COREP 8.1, row 080 (SPECIALIZED LENDING SLOTTING APPROACH: TOTAL), columns 040, 050, 060, 070 and 080 are blocked. However, article 236.1.d CRR allows UFPC to be applied to slotting criteria.

1d. Notwithstanding paragraph 1c, institutions that apply to guaranteed exposures the IRB Approach using the method provided for in Article 153(5) shall calculate the risk weight and expected loss applicable to the covered portion of the exposure using the PD, the LGD applicable for a comparable direct exposure to the protection provider as referred to in Article 161(1), in accordance with paragraph 1b, and the same risk weight function as the ones used for a comparable direct exposure to the protection provider, and shall, where applicable, use the maturity M related to the underlying exposure, calculated in accordance with Article 162. For subordinated exposures and non-subordinated unfunded credit protection, the LGD to be applied by institutions to the covered portion of the exposure value is the LGD associated with senior claims and that may account for any collateralization of the underlying exposure in accordance with this Chapter.'

Likewise, article 236a.4 CRR also allows slotting criteria as valid UFCP:

4. Institution that apply to comparable direct exposures to the protection provider the IRB Approach using the method provided for in Article 153(5), shall apply the risk weight and expected loss applicable to the covered portion of the exposure that correspond to the ones provided in Articles 153(5) and 158(6).

Therefore, we understand that these columns 040, 050, 060, 070 and 080 must be enabled in row 0080".

4) COREP 15 IP Losses:

- Currently COREP 15 (IP Losses) does not have validation rules, but we would like to know if such validation rules will be created as a result of this consultation. In the consultation paper, the EBA says that it will update the validation standards once the final draft of the ITS is available, but there is no further detail on this.

- The new instructions (Annex 4 file) of COREP 15 of IP Losses refer to Art. 4.1.74a CRR3 for the definition of property value. This definition in turn refers to Art. 229.1 CRR3. In this article it is not clear what is to be interpreted as "property value". In Art. 229.1 of the current CRR there is a paragraph (which disappears with CRR3) in which it is stated that the value of the security interest is the market value or the mortgage value. Art. 229.1 CRR3 introduces a number of requirements to the valuation (such as that it be issued by an independent valuer) but does not say anything about whether it is the market or mortgage value. We would appreciate some clarification on this matter. Wording in art. 229.1 in current CRR: The value of the collateral shall be the market value or mortgage lending value reduced as appropriate to reflect the results of the monitoring required under Article 208(3) and to take account of any prior claims on the immovable property.

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