POSITION PAPER

ESBG response to the European Banking Authority (EBA) consultation on the Pillar 3 data hub processes and possible practical implications.

ESBG (European Savings and Retail Banking Group)

Rue Marie-Thérèse, 11 - B-1000 Brussels

March 2024

ESBG

Questions for consultation:

1. In your view, which are the main benefits in operational terms that the new EBA legal mandate would bring to Large and Other institutions? And the main challenges? Would you agree that given the complexity of Large institutions, when compared to SNCIs, the proposed solution in terms of process for the Large and Other institutions is a well-balanced one? Please explain why.

From our point of view, the ambitious timeline envisages June 30, 2025 as the first deadline for centralized disclosure in accordance with the new process. This is neither required by the CRR3 nor feasible when taking into account the heavy burden imposed by CRR3. Implementation after completion (steps 1 & 2) of the implementation of the new reporting requirements and disclosure templates would significantly increase the quality of implementation. In other words, the timetable should be revised and the start postponed to at least the end of 2026.

For the new submission process for the P3DH, the discussion paper for "large and other institutions" provides for submission directly to the EBA. For the banks, this will not only lead to increased expenses as part of the one-off implementation of the new submission processes, but will also result in a duplication of effort for the ongoing support of the submission and authentication processes.

This also runs counter to the objective of cost savings for the institutions mentioned in the discussion paper. The direct submission process envisaged by the EBA means that some of the disclosure templates (and an even larger proportion of the data points) now have to be submitted twice or three times (Transparency Exercise), validated or, if validation rules do not apply in individual cases, coordinated twice - with the CA on the one hand and with the EBA on the other.

Furthermore, different submission channels also represent a potential obstacle to the consistency of data from reporting and P3 disclosure. In our view, the forward-looking considerations of deriving the quantitative disclosure data completely from the reporting data, even for large institutions, also argue against separating the submission processes.

From a banking perspective, the established submission channels and processes of the supervisory reporting system via the (national) supervisory authorities should also be used for the submission of disclosure data for "large and other institutions".

2. Would you agree with the current EBA considerations on the sign-off process (i.e., submission of Pillar 3 information by the institutions is performed once the sign-off is complete and accompanied by the corresponding confirmation)? Would you have any other suggestions or comments on this point?

For small, non-complex institutions (SNCIs): the "release process" should be as simple as possible, as the disclosure is based exclusively on reports already approved by the institution (quantitative). Nevertheless, the SNCI should know about what data EBA will publish beforehand. With regard to the few qualitative disclosure requirements, it should be sufficient to interpret the transmission of these (as a PDF) to EBA as "approval".

For large and other institutions: According to Article 434(1) CRR 3 EBA shall ensure that the disclosures on the EBA's website contain information identical to what large and other institutions submitted to the EBA. This process should be in the responsibility of EBA. No additional confirmation after the sign-off is needed.

It should be possible to submit the written attestation as per Article 431(3) CRR either in a dedicated document or included within the PDF report (without any personal data).

3. In addition to the sign off of information by institutions of the PDF report and xBRL-CSV report upon submission, which will be republished without any transformation, do you see the need of an additional sign-off process of information contained in these files once they are on the EBA dissemination portal and before opening the portal to the public, beyond the preview for the technical acceptance step? If you see this need, how long would you deem necessary for the signing-off process? How would you see the process for this additional signing-off within the institutions, including who should provide this signing off?

According to Article 434(1) CRR 3 EBA shall ensure that the disclosures on the EBA's website contain information identical to what institutions submitted to the EBA. This process should be in the responsibility of EBA. No additional confirmation after the sign-off is needed.

For SNCIs the „sign-off-process" should be as simple as possible (s. Q2).

4. Would end-June as limit date for year-end submission be adequate for most of the jurisdictions / institutions? Should a different window be defined? Which one and for which reasons? Would you see any advantages of having more flexibility as regards the timing for this submission? Why? What would be, in your view, a proper window-period for the different interim reports?

The determination of concrete (harmonized) deadlines is not in line with CRR requirements. As P3DH is an instrument for the centralised disclosure it should

not define any additional requirements beyond CRR/ITS like deadlines or formats. We consider providing only an indicative timeframe for the submission of P3 data to be sufficient.

The CRR stipulates that disclosure must be made after publication of the annual financial statements or as soon as possible thereafter. For example, in Germany, there are a large number of small institutions (balance sheet preparers with national GAAP) for which the annual financial statements can only be approved by the supervisory body and then published. As the timing of this process varies from one institution to another, Section 325 HGB (national GAAP) stipulates that annual financial statements must be published in the electronic Federal Journal within twelve months of the end of the financial year at the latest. The disclosure period must be based on national circumstances (as set out in the CRR) and therefore remain flexible. The EBA should therefore define a flexible time window for disclosure.

5. Do you agree that at this stage the inclusion of this information in the PDF report is the best approach?

Yes. PDF is the best solution for now. But in our view, the planned handling of the written attestation by the management body in accordance with Article 431 (3) CRR still requires clarification. In paragraph 31 letter b on page 21, the "written attestation" is referred to as a document and accordingly shown in Figure 4 on page 23 as a separate document (see also paragraph 74) alongside the xBRL file and the PDF-report. However, it is explained in Par 33 and Par 93 that the "written attestation" should be part of the PDF report file. The written attestation is currently integrated in the Pillar 3 report (PDF), which we would continue to welcome.

In order to keep the additional effort for the institutions manageable, it must be permissible to refer to the quantitative data published in another form in the PDF report.

6. Views are asked on the possibility to request this information in the future in machine readable format like block tagging. Would you consider any other format (than PDF) better suited for the purpose? Would ODF (OpenDocumentFormat) better serve this purpose? Why?

7. Would you agree that having a centralised calculation for Large and Other institutions (as it is required for SNCIs) would bring some benefits? How would you measure these benefits in relation to the described main potential

challenges? Please refer to the challenges described in the respective sub-section of this Discussion Paper, providing your views to each one of the points.

We do not see any significant benefits if the disclosure reports by EBA is calculated in P3DH. The EBA mapping tool for disclosure is already integrated in the banks' reporting software and the corresponding templates are derived from referenced reports (available in the same software). If we understand the consultation correctly, EBA would not apply validation rules for disclosure. Our reporting software applies published validation rules and hence the validation results are available in a timely manner. In addition, we would understand the PDF report to include both qualitative and quantitative content. Process-wise, it would be simpler and more consistent to send the PDF report or the corresponding quantitative disclosure tables to the EBA after validation (i.e., already in a correct and accurate manner).

8. What would your opinion be as regards full alignment of the process for all institutions vs benefits that a decentralised calculation of disclosures figures might represent at the moment? When providing your answer, please consider aspects like efficiency, accuracy, burden for institutions, flexibility in terms of publication date and any other challenges or benefits mentioned in this Discussion Paper or others that you deem relevant.

9. In terms of costs, would the P3DH reduce the costs of producing the Pillar 3 reports for Large and Other institutions if these reports are produced centrally by the EBA on the basis of the supervisory reporting data?

A significant positive effect is not expected for the following reasons, as already outlined in question 7: the bank already uses the EBA mapping tool. We understand that no validation result would be available from the EBA. Another aspect concerns the qualitative part of the disclosure, which would have to be provided by the respective institution in any case. A positive effect could possibly be expected in case all quantitative templates would be completely calculated in the EBA P3DH.

10. Would you see any other positive or negative impacts on your current disclosures process if the P3DH process for SNCIs is extended to Large and Other institutions?

Please see answer to Q7 and Q9.

11. Would you have any particular observations on the possibility to implement the "technical acceptance" step? How do you see this step in terms of relevance to the whole process, time needed to conclude it and "automatic acceptance" in case no answer is provided by the institution (considered as non-objection to publication)?

When introducing a "technical" or "automatic" release, the requirements of the CRR with regard to the disclosure date must not be circumvented. This does not provide for any fixed deadlines. Today, publication takes place after the annual financial statements have been adopted. This should not change as a result of technical/automatic approvals.

12. In your view, which are the main benefits, in operational terms, that the new EBA legal mandate will bring to SNCIs? And the main challenges? Would you have any views on the challenge related to those disclosure requirements where there are not similar reporting requirements and therefore reporting data? Would you anticipate / identify any specific situation where this could be the case? Do you agree that the new proposed approach reduces the burden for SNCIs as regards the Pillar 3 disclosures preparation? Please explain why.

The Data Hub does not bring any advantages for SNCIs compared to the status quo (on the contrary: greater effort and higher costs, as more coordination is required). The institutions are still responsible for the disclosure process (under national law) and have an intrinsic interest in ensuring that the published data is correct. In this respect, the burden of the Data Hub for SCNIs is higher than if SNCIs were to prepare and publish the disclosure reports themselves.

The additional burden for SCNIs should be kept to a minimum by the new centralized disclosure based on reporting data. In general, the additional burden arises from the small amount of additional qualitative information to be provided (e.g. description of the development of key parameters and management statement). This qualitative information could be provided to the EBA by the institution in PDF format. This provision could simultaneously represent the official "release" of the institution's disclosure data (also quantitative). However,

this would require the SNCI to have knowledge of the data to be disclosed according to the EBA.

Should any corrections to the data be necessary, this process should only be mandatory if quotas or parameters actually change to a significant extent (materiality threshold).

13. Feedback is asked on how to set up the process for the submission of qualitative information by SNCIs. The feedback should cover the process for the qualitative information required in the tables specified in the comprehensive Pillar 3 ITS and the process for the accompanying narrative to quantitative templates.

As described in Q12, this process should be kept as simple as possible. The SNCIs could provide the EBA with the relevant information once via PDF.

It would also be conceivable for EBA to use a technical solution to generate qualitative information when assessing the development of key parameters (year-on-year comparison). Only the confirmation of the management would then have to be submitted by the institution in PDF format.

Furthermore, it should be permitted to submit the information in the national language.

14. For the submission of qualitative information by the SNCIs, which formats / approaches would you consider more viable in operational terms? What would be your views as regards the submission of a PDF report? And on the use of a block tagging approach? Would you consider any other format (than PDF) better suited for the purpose? Would ODF (OpenDocumentFormat) better serve this purpose? Why?

15. In your view, how could the sign-off of the Pillar 3 reports prepared by the EBA be done by SNCIs?

The release could be implicit, i.e. as soon as the institution provides the qualitative information via PDF, the quantitative information is also implicitly released (this is based on already released reporting data anyway). If a separate release nevertheless appears necessary, the EBA should make the report available to the institution as a final draft in the national language (via secure transfer). This

is the only way that an institution could approve the report. Furthermore, a mapping of the information to the reporting system data should be made available so that an institution can also understand the data compilation. Finally, a one-time release of the mapping tool by the institution or by a central service provider (especially for institutions that are organized as a "network") should be made possible.

16. Would you agree with the definition of a common date to publish the required disclosure information to all the SNCIs? Should this common date be linked to the supervisory reporting deadlines (for instance, "x" number of months following the legal deadline for the submission of the supervisory data)? If not, how could this common date be defined in order to ensure that this information is disclosed on a timely manner to the market?

We are against uniform date requirements. Rather, as described in Q3, the requirements of the CRR must not be circumvented. The date of disclosure is determined by the institution itself or results from the date of adoption of the annual financial statements by the supervisory body and the subsequent publication (see also Q4). To determine this date, the institution should be able to notify the EBA, e.g. as proposed in Q12, by sending the sign-off PDF or transmitting the qualitative data. The prerequisite for this would be that the EBA makes the data available to the institution in advance for preview.

17. Would end-June be regarded as an appropriate date for this purpose? How well would this date work in conjunction with the audit processes?

No – only an indicative (flexible) timeframe could be agreed on.

18. Which are your views in relation to the language challenges presented in the sub-section for SNCIs? Which possible solutions could be, in your view, pursued?

There should be no obligation to provide the report in other languages than required by national law (neither for SNCI nor for large / other institutions). In Germany there is no requirement to publish the reports in English. If the EBA generates qualitative information, this should be published in all official EU languages.

19. Would you have any aspects related to the process for institutions that is not covered by the previous questions but you would still like to highlight?

With the introduction of CRR III, institutions must assess unrated institutions outside their own institutional protection scheme. This is possible with KM1 data. The requirement comes into force on January 1, 2025. However, full availability of the relevant KM1 data in the P3DH will not be available until mid-2026.

Is an early, bridging publication of KM1 data planned or possible in the course of 2025?

It would not make sense to develop our own automated solution to bridge this period. It would make sense to use the data from the DataHub.

It is unclear to us in connection with Figure 4 (page 23) and the explanations in Chapter 2 how exactly the disclosure of capital instruments (EU CCA template) should be carried out in future. For most large institutions, the description of the main features of the capital instruments (Article 437(b) CRR) is published in a separate PDF as an annex to the Pillar 3 report, as hundreds of capital instruments usually have to be presented. In case of doubt, reference could be made to the disclosure in the P3DH in the report PDF in future. However, this is not possible for the full contractual terms and conditions (Article 437 letter b CRR) because these are not part of the EU CCA template and are currently published separately. This involves hundreds of contract files (PDF) with several thousand pages of contract terms. Please provide clarification.

20. Data dissemination: do you think the P3DH would significantly reduce the time of searching and downloading of data?

21. Data dissemination: would you agree that the tools to be developed would increase the usage of the Pillar 3 data and, as such, better promote market discipline?

Experience shows that their reports are rarely read (usually only by rating agencies or consulting companies for consulting acquisition, but these are not the addressees of the original leitmotif for more market transparency and should therefore not play a role here).

22. Would you see any challenges in the described process that would deserve further consideration by the EBA?

23. In your view, how would you tackle the requirements of Article 432 of the CRR (non-material, proprietary and confidential information) in accordance with the proposed process?

Institutions must continue to have the option of not publishing information in accordance with Article 432 - the process must guarantee this freedom. Therefore, EBA should ensure that P3DH does not undermine Article 432 CRR.

We expect this issue to be of greater practical relevance, particularly with regard to the materiality criterion. See also Q1 of these comments on the potential conflict between the retention of responsibility by the institution and compliance with supervisory reporting. This means that subsequent resubmissions of individual modules of the regulatory reporting system need not, but must not, lead to a resubmission of the P3 disclosure as long as the changes made there are not classified as material by the institution.

24. As regards the archiving period to be considered by the EBA under the respective legal provision, what is the number of years set in your jurisdiction as regards the storage for information included in the institutions' financial reports?

We ask for a review and clarification of the extent to which disclosure reports must still be kept on the institutions' own websites before the introduction of the DataHub (i.e. before December 31, 2025). It does not make sense to keep them for years (in addition to the hub) - perhaps this could be dispensed with with the introduction of the hub, thus reducing bureaucracy.

For example, current legislation in Germany stipulates a retention period of 10 years.

25. What are users of information views on how the timeline for availability of information in the EBA P3DH should look like? Some options could be further explored by the EBA, if considered useful, like automatic alerts or the preparation of dashboard of reports for specific periods.

For the institution (user), a kind of dashboard would be helpful, from which the current disclosure status can be derived. This overview should be flexible, particularly when it comes to analysing the disclosure of other institutions. For the User, a status indicator similar to the regulatory reports (e.g. receipt, queries

from the supervisory authority, etc.) would also be useful. This status should also be traceable to the User's 'in-house systems'. A type of e-mail notification, which can be flexibly parameterized in P3DH, about the availability of a disclosure report from another bank would be advantageous. For reasons of practicability, different selection options would be welcome, which can also be flexibly configured (based on institution, disclosure template or key date).

26. What are the users views on the approach proposed in terms of visualization and bulk downloading tools? What kind of functionalities and tools would be useful for users in this regard?

Please see answer to question 25.

27. Would you have any other suggestions, from a user perspective, that could be considered by the EBA when developing the P3DH and the users' interface?

Please see answer to question 25.

28. Would you have any comments or observations on the presented links and synergies with other on-going projects?

29. Do you agree that there is merit in leveraging the vLEI solution as a decentralized organizational digital identity management system?

30. If you agree with Q29, do you agree that the EBA Pillar 3 reporting use case represents an opportunity to introduce vLEI into the market? And what are the

main challenges that you perceive in the practical implementation of the vLEI from your point of view? If you disagree with Q29, are there alternative options you would suggest the EBA consider?

31. If you agree on the adoption of the vLEI for Pillar 3, what should the EBA do to facilitate its practical application and promote market acceptance?

32. Please provide your views for each one of the particularities that would need to be defined or further clarified as regards the resubmission policy.

a): The EBA should limit the templates to be resubmitted to particularly relevant templates that contain information that is essential for assessing the institution's risk profile.

b): With regard to the resubmission of key figures that cover more than one period, we consider option (ii) "no resubmission" to be the most efficient. The EBA should limit any subsequent and corrective submissions to the current disclosure period so as not to increase the effort involved.

c) We support the EBA's approach to the materiality considerations in the context of the planned resubmission policy. The institutions should assess the need for resubmission based on EBA/GL/2014/14. Resubmissions may only be required in truly material cases. Resubmissions (disclosure adjustments) that are not useful for decision making due to the lack of materiality for the addressees of the disclosure will lead to confusion and a decline in acceptance of centralized disclosure. In this respect, we support the "materiality approach" envisaged by the EBA.On this note, we expressly welcome an orientation towards the ideas and limits of IAS 8.
At the same time, we also recognise that the resubmission requirements shall not contradict or go beyond any other resubmission guidelines or requirements.

Nevertheless, in view of the objective of greater alignment of regulatory reporting and disclosure and also the requirement for their consistency, we fear that the materiality ideas outlined will in future be secondary to the expected consistency of regulatory reporting and disclosure.

At various points in the past, we have made it clear that, from a banking perspective, materiality limits in reporting are required to a significant extent. In regulatory reporting, a resubmission due to a minor deviation (e.g. EUR 10 thousand) with no impact on key risk indicators is "only" a question of regulatory costs. With regard to disclosure, the question of public acceptance must also be considered in addition to the cost aspect. Differences between resubmission policy for reporting and for disclosure are appropriate due to the materiality principle of Art. 432 CRR and due to the different purposes / addressees of these frameworks.

d): Resubmissions on the basis of audited data should only be forseen in case of significant, quantitative changes of relevant templates regarding letter a,b,c, and e.

e): EBA should limit follow-up and corrective submissions to quantitative information and qualitative supporting information to quantitative information.

In view of the objective of greater alignment of regulatory reporting and disclosure and also the requirement for their consistency, we fear that the materiality ideas outlined will in future be secondary to the expected consistency of regulatory reporting and disclosure. At various points in the past, we have made it clear that, from a banking perspective, materiality limits in reporting are required to a significant extent. In regulatory reporting, a correction submission due to a minor deviation (e.g. EUR 10 thousand) with no impact on key risk indicators is "only" a question of regulatory costs.

33. Do you have any comments regarding the resubmission of disclosure data and the process of the publication via the EBA? Do you see specific requirements regarding the process and timing EBA will republish updated disclosure figures?

34. Do you identify any other aspects that would need to be taken into account when defining the final resubmission policy? Which ones and why?

The process should be as compact as possible for SNCIs. The process should follow the normal process for initial disclosure, including the option to preview. However, the process should not require a new sign-off if possible (or at least a simple way of sign-off).

National supervisory authorities must also be granted discretion in the implementation with regard to the use of reporting data (background: in Germany,

for example, there is the peculiarity of 340f HGB (national GAAP) reserves, which are rightly silent after accounting and would currently be disclosed by simply relying on reporting forms / e.g. for "other institutions", the disclosure process should be extended to include the use of reporting data). For example, for "other institutions" in the EU CC1 template, line 76 is mapped to template C4.00 line 170 - this discloses the hidden reserves => in such cases, other national mappings must be made possible, in Germany currently, for example, by mapping to CA1 line 920).

35. Would you have any other observation or comments on any of the aspects covered in this section?

About ESBG (European Savings and Retail Banking Group)

ESBG is an association that represents the locally focused European banking sector, helping savings and retail banks in 17 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 871 banks, which together employ 610,000 people driven to innovate at 41,000 outlets. ESBG members have total assets of €6.38 trillion, provide €3.6 trillion loans to non-banks, and serve 163 million Europeans seeking retail banking services.

Our transparency ID is 8765978796-80.

European Savings and Retail Banking Group – aisbl
Rue Marie-Thérèse, 11 ▪ B-1000 Brussels ▪ Tel: +32 2 211 11 11 ▪ Fax : +32 2 211 11 99
Info@wsbi-esbg.org ▪ www.wsbi-esbg.org

Published by ESBG. March 2024