

EBA/CP/2024/20

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BSG response to Consultation on Implementing Technical Standards on IT solutions for public disclosures by institutions, other than small and non- complex institutions, of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013

Executive summary

The Pillar 3 disclosure framework is integral to promoting market discipline by enhancing the consistency and comparability of publicly disclosed financial information among EU institutions and internationally active non-EU banks, aligning with Basel standards. The European Banking Authority (EBA) plays a central role in this, establishing regulatory measures for technical implementation, notably through the Pillar 3 Data Hub (P3DH). This hub, linked to the European Single Access Platform (ESAP), will centralize the disclosure of prudential data, with the aim of improving transparency and market discipline.

The historical legislative journey began with the global financial crisis, which revealed excessive variability in banks' risk-weighted asset (RWA) calculations. This led the Basel Committee to revise the standards, culminating in the 2017 agreement on Basel III reforms, including an "output floor" to standardize RWA calculations and enhance capital ratio comparability. The EU incorporated these reforms to reinforce the banking sector's resilience, demonstrated during the COVID-19 crisis.

The Banking Stakeholder Group (BSG) underscores the importance of aligning Pillar 3 amendments with the legislative goal to maintain financial stability.

General observations

In February 2024 the BSG replied to the consultation of the suggested amendments to the Pillar 3 disclosure framework related to CRR3. The BSG welcomes the new opportunity to reflect and provide input on the resulting draft implementing technical standards based on its previous recommendations. According to the BSG's analysis the draft provisions align with the BSG recommendations to a large degree.

At the same time, additional flexibility could be sought with disclosure reporting deadlines, and those deadlines be aligned with financial report publication dates rather than fixed reporting dates. To accommodate the testing demands and simultaneous CRR 3 reporting requirements in early 2025, we suggest delaying the initial P3DH submission to September 2025.

These observations highlight where the regulation aligns with and deviates from the BSG's recommendations, pinpointing potential enhancements for better adherence.

The draft provisions in Article 1 (Subject matter and scope) and Article 6 (Data exchange formats and information accompanying submissions): specify that disclosures should include both quantitative and qualitative data in structured formats (PDF, XBRL-csv). This aligns with the recommendation to maintain granular disclosures that provide investors with detailed information for assessing risk profiles. Also, Article 4 (Submission dates) ensures that timely submission aligns with when financial statements are published, which indirectly supports the goal of comprehensive disclosures. The draft articles on transparency and global comparability ensure that information is disclosed in a harmonized and consistent format, contributing to transparency. However, there is no explicit mention of ensuring that disclosures align with global comparability, or the nuances related to temporary deviations from international standards as discussed in the BSG recommendations. The recommendation to clearly distinguish public disclosure from supervisory reporting and QIS processes has been partially addressed. There could be slightly more focus on presenting information cautiously to avoid misinterpretation by non-expert market participants or emphasizing global comparability and clarity for international investors. BSG members recommend further inclusion of clauses that facilitate comparisons between EU institutions and global peers where possible.

Detailed comments

Q.1: Do you agree with the proposed IT solutions that would support the implementation of the P3DH to Large and Other institutions? If not, please explain the reasons why.

In general, we would agree on the proposed IT solutions provided by the EBA; however, we consider certain aspects should be clarified or amended:

- Expectations for March'25 disclosure. Although we already know the implementation of P3DH it is expected by June'25, there are disclosure requirements for large institutions with a quarterly frequency that would make it necessary to bring forward the publication of the taxonomy in order to align March P3 to June P3 requirements. If not, institutions would work on their best effort basis for March P3; while having to modify their mapping for June disclosure. We believe that the finalisation and

publication of the taxonomy should be prioritized to be ready for the quarterly disclosures.

- **The taxonomy and reporting framework alignment is another main concern**, considering the expected publication for both, the DPM and the taxonomy, will not be available prior to Q1'25 as communicated by the EBA during the Public Hearing held this week. Specifically, we have identified the following issues:
 - The current mapping tool is incomplete in some cases (EU OV1, EU CMS1, EU CMS2, EU CR3, EU CR10, EU SEC2, EU OR1 (2), EU OR2, EU OR3, EU MR1 (2), EU MR2, EU MR 3 (2), REM TEMPLATES (REM1,...REM5) and ESG TEMPLATES (ESG1,...ESG10))
 - In other cases the disclosure requirements are not aligned with the supervisory reporting framework (EU CR6-A and EU LIQ1).
 - In addition, there are still doubts should the portfolio and the spreadsheet be definitive (EU CR7 and EU CR7-A).

Considering institutions face IT developments, the DPM and the taxonomy should be published earlier to have enough time to comply with this new process.

- We consider the requirement to include “Accompanying narratives on xbrl-csv”, would lead to extra burden for institutions without adding value. It is therefore suggested to retain explanations in the PDF report instead, or, if required in XBRL-CSV, allowing unlimited text field entries for simplicity. In addition, it is noted that this requirement has not been included in the data point model and not tested in the pilot. To improve the submission process, there is a need for a permanent test environment for Pillar 3 submissions, similar to Pillar 1, to allow continuous testing. Lastly, technical adjustments to ensure support for all national language characters and clarification on PDF upload requirements would be beneficial.
- Greater visibility to the Virtual Legal Entity Identifier (VLEI) and NordVLEI would be desirable. In addition, the VLEI process for the subsidiaries needs to be defined.
- We consider it is key that a resubmission policy is available prior to the first P3DH disclosure submission (June 2025) to provide clarity to institutions on how to proceed in case any resubmission would be needed by that time.
- While validation rules are not yet defined, we are of the view that these validation rules should be shared/published before the submission deadline. Institutions need certainty when submitting their disclosures.

Q.2: Would you agree with the specification to provide the information on remuneration policies separately? If not, please explain the reasons why.

It is not clear whether institutions have to make a single submission including remuneration or should institutions irrespective of the date of the submission of the remuneration

information have to submit two separate files. The latter would be contrary to the EBA's statement in the consultation paper about republishing without any transformation.

Some members of the BSG recommend a single document in case all Pillar 3 information was decided by the institution to be published at the same time, while others agree with the proposal to submit remuneration information as separate files in line with Article 450 of the CRR, due to logistical reasons. Remuneration data is often finalized later than other disclosure reports, and its preparation typically involves separate personnel. We therefore support separate submission to maintain flexibility and minimize administrative burdens.

Q.3: Would you agree with the proposal on the collection of contact points information, including the suggested monthly frequency?

There is a discrepancy of perspectives on this particular issue: While some members may agree that a monthly frequency may have a disciplinary effect other members believe that the suggested monthly frequency for collecting the new templates “points of information” is too burdensome, especially for smaller institutions. To remedy this excessive reporting frequency some BSG members believe a quarterly submission, similarly to the Pillar 3 disclosure submission, is sufficient. Others, however, do argue for a further going limitation and suggest that updates should only occur when personnel changes occur, as the designation of two points of contact and a functional email should ensure availability. In any case, institutions would inform EBA as soon as any change of contact points of information occurred.

Q.4: Would you have any comments or suggestions on the most adequate profile of the contact persons within the institution?

More clarity on the expectations regarding the contact person would be desirable (if it is to solve data doubts or if it is about the person responsible in the organization, i.e. for the written attestation) as well as on the deadline for responding to any query. Some BSG members even argue that the personal and professional standards of the contact person should remain solely in the discretion of the respective institution.