



Public Hearing on Consultation paper on Supervisory Reporting framework 3.0

2nd December 2019, Paris

Outline

1 Supervisory Reporting roadmap

2 The new ITS

3 Reporting changes by topic

2.1 NPL backstop

2.2 FINREP

2.3 Credit risk

2.4 Counterparty credit risk

2.5 Leverage ratio

2.6 Large Exposures

2.7 NSFR

2.8 Other amendments

4 Specific reporting requirements on market risk

5 MREL /TLAC

6 Questions

A pathway for a more efficient and proportionate supervisory reporting



Roadmap for the delivery of the EBA mandates on supervisory reporting



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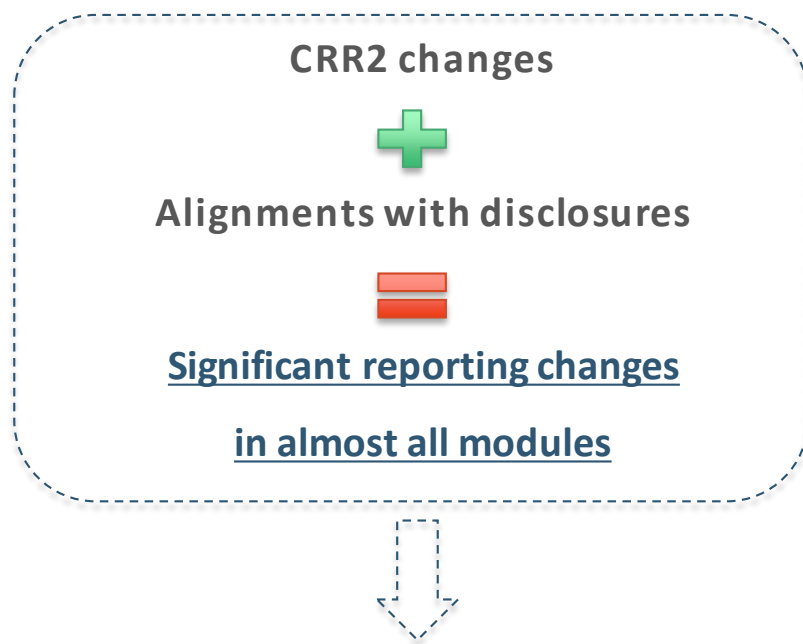
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ITS - General overview



- Update of the legal basis and references
- **Main changes** in templates/instructions:
 - New NSFR and prudential backstop
 - Updates on credit risk (IRB and SA), CCR, market risk/FRTB, large exposures and leverage ratio

Due to the many amendments in the ITS 680/2014 during the last years and the changes for v3.0, it is more reasonable to **repeal the previous ITS** and to have a **new, consolidated “clean” one**

Proportionality and facilitating compliance

Proportionality stemming from Level 1 fully considered

Example: NSFR: 'Fully fledged' vs simplified NSFR

Proportionality embedded in the reporting requirements

- Replacement of previous 'significance/size' criteria in thresholds with the new CRR size categories (small and non-complex, large, other) – e.g. opR
- Reference to the CRR size criteria in definition of scope of entities subject to the requirement to report certain templates, where appropriate

Integration with disclosure

... to facilitate the simultaneous compliance with both reporting and disclosure requirements

Facilitating compliance through standardization

Further promotion of use of LEI

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NPL Backstop	FINREP	Credit risk	Counterparty credit risk	Leverage ratio	Large exposures	NSFR	Other amendments
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Background & rationale:

- CRR as amended by the “Backstop Regulation” introduced a **Pillar 1 measure** based on the current FINREP definitions of NPEs and forbearance.
- It sets out **uniform minimum levels of loss coverage** for newly originated exposures that become non-performing.
- The current FINREP definition of NPEs and forbearance is moved to the CRR.
- Main aim of changes to the reporting requirements is to monitor:
 - the risk profile of the institutions in relation to NPEs and capital requirements,
 - the (accounting) loss allowances that constitutes an important part of the backstop calculation

Main changes to COREP:

- **New set of templates C35.01; C35.02 and C35.03 (quarterly frequency)**
- Providing information, broken-down by years passed since the classification as NPEs, on:
 - minimum coverage requirements,
 - exposures values,
 - available coverage and
 - applicable amount of insufficient coverage

Main changes to FINREP:

- The instructions for templates F 18.00 and F19.00 are reviewed to **refer to the CRR for the definition of NPEs and forbearance.**
- A **new template F39.00** is included to report NPEs broken-down by the same time bucket used for the backstop calculation. The reporting frequency is semi-annual.

Reporting changes by topic

NPL Backstop	FINREP	Credit risk	Counterparty credit risk	Leverage ratio	Large exposures	NSFR	Other amendments
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Drivers of FINREP changes other than the NPL backstop-related ones:

- Accounting issues; Q&As under discussion; integration with Pillar 3 framework.

Main changes

F04.03.1; F04.04.1; F07.01; F12.01; F18.00	→	presentation of POCI assets outside the impairment stages.
F18.00 and F12.02	→	additional columns for loss allowances for more than 30 days-past-due exposures and direct transfers between Stage 1 and Stage 3 , for monitoring IFRS 9 post-implementation initiatives.
F42.00	→	amount of software assets recognized in the financial statements, to complement the COREP information of C04 in relation to the new Article 36 (1) (b) CRR.
F12.00; F12.01; F20.04	→	ad-hoc rows for cash balances at central banks and other demand deposits to be consistent with F18.00 and the new F39.00.
F02.00 and F20.03	→	reporting of profits or losses on derecognition of investment in subsidiaries, joint ventures and associates when the latter are outside the scope of IFRS 5 in the line item 320 that was only for n-GAAP reporters.
F13.01	→	information on credit derivatives received on non-performing loans consistently with the disclosure.

- Wording and other editorial corrections** in templates and instructions

NPL Backstop	FINREP	Credit risk	Counterparty credit risk	Leverage ratio	Large exposures	NSFR	Other amendments
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Credit risk – SA

Main driver of change for SA in v 3.0:

- Consistency with **CRR2** provisions on collective investments undertakings:
 - Additional breakdown by approach to be reported only by CIUs in C 07.00 and C 09.01
- Integration with **disclosures**
 - Additional row to report deductions in C 07.00

Credit risk - IRB

Main drivers of change for IRB in v 3.0:

- Consistency with **CRR2** provisions on SMEs and Infrastructure Projects:
 - Adjustment of RWEA columns pre/after supporting factors in templates C 07.00, C 08.01, C 08.02 and C 09.02
 - Additional row on Exposures subject to the Infrastructure Projects supporting factor in C 07.00 and C 08.01
- Integration with **disclosures**

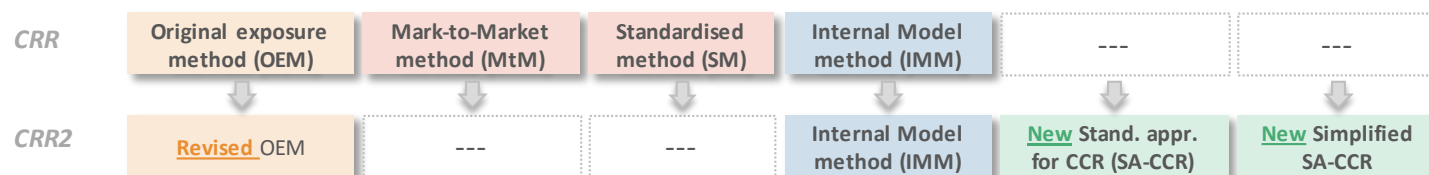
Template	C 08.01	C 08.02	C 08.03	C 08.04	C 08.05/b	C 08.06	C 08.07
Action	<i>Update</i>	<i>Update</i>	<i>New</i>	<i>New</i>	<i>New</i>	<i>New</i>	<i>New</i>

Reporting changes by topic

NPL Backstop	FINREP	Credit risk	Counterparty credit risk	Leverage ratio	Large exposures	NSFR	Other amendments
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Background & rationale:

- Updates in the CCR framework stemming from the CRR2:



- The current reporting of CCR information is very limited
- The need to integrate Pillar 3 disclosures in supervisory reporting

Changes to CCR reporting:

Reporting template	action
C 07.00 Credit and counterparty credit risks and free deliveries: Standardised approach to capital requirements (CR SA)	Update
C 08.01 Credit and counterparty credit risks and free deliveries: IRB approach to capital requirements (CR IRB 1)	Update
C 34.01 Size of the derivative business	New
C 34.02 CCR exposures by approach	New
C 34.03 Exposure value for standardised methods: SA-CCR and Simplified SA-CCR	New
C 34.04 Exposure value for standardised methods: Original Exposure Method (OEM)	New
C 34.05 Exposure Value for the Internal Model Method (IMM)	New
C 34.06 Top twenty counterparties	New
C 34.07 IRB approach – CCR exposures by exposure class and PD scale	New
C 34.08 Composition of collateral for CCR exposures	New
C 34.09 Credit derivatives exposures	New
C 34.10 Exposures to CCPs	New
C 34.11 Risk weighted exposure amounts flow statements of CCR exposures under the IMM	New

Reporting changes by topic

NPL Backstop	FINREP	Credit risk	Counterparty credit risk	Leverage ratio	Large exposures	NSFR	Other amendments
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Background & rationale

The updates derived from the CRR2 changes:

2 year after entering into force (June 2021):

- **Migration to Pillar 1** (binding minimum requirement): 3%
- **Amendments to the leverage ratio exposure definition**
- **Pillar 2 requirement and guidance** : risk of excessive leverage ratio (Art. 104a CRD)
- **Monitoring of leverage ratio** for large institutions

January 2022:

- **G-SII buffer requirement** (Art. 92.1a CRR2)

Templ	Template name	Summary of changes
C47.00	Leverage ratio calculation	Updated to : - align with international standards - EU specificities: often exemptions of exposures from the LR calculation - include Pillar 2 requirement and guidance - include the G-SII buffer requirement
C40.00	Alternative treatment of the exposure measure	Updated further breakdown of LR ratio exposure amount exempted for : * Public sector investment exposures * Promotional loan exposures
C41.00	On- and Off-Balance Sheet items - Additional breakdown of exposures	Deleted : no further relevant for supervisory monitoring
C42.00	Alternative definition of capital	
C43.00	Alternative breakdown of leverage ratio exposure measure components	Unchanged
C44.00	General information	Updated to require information about public development banks/unit
C48.00	Leverage ratio volatility	NEW : mean of SFTs during the reporting period based on daily values and the daily values used to calculate the mean.

Reporting changes by topic



Main changes driven by CRR2

- Replacement of ‘eligible capital’ with ‘Tier 1 capital’
- Clarification in references to shadow banking entities and connected clients definitions
- Inclusion of the reporting requirement of exposures greater or equal to 300m EUR
- References to the fact that institutions shall apply substitution approach

Templates	Changes	Details
C 26.00	<i>New row</i> <i>Changes in instructions</i>	<ul style="list-style-type: none"> • new row to reflect the limits to exposures between G-SIIs
C 30.00 & C 31.00	Deleted	

Reporting changes by topic

NPL Backstop	FINREP	Credit risk	Counterparty credit risk	Leverage ratio	Large exposures	NSFR	Other amendments
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5 new templates proposed in line with the new CRR2 requirements:

Templates	Scope	Maturity buckets
C 80.00 - Available Stable Funding (ASF)	<i>Fully-fledged</i>	< 6 months ≥ 6 months to < 1 year ≥ 1 year
C 81.00 - Required Stable Funding (RSF)		
C 82.00 - Simplified Available Stable Funding (sASF)	<i>Simplified</i> (as required in CRR2)	< 1 year ≥ 1 year
C 83.00 - Simplified Required Stable Funding (sRSF)		
C 84.00 - Summary template with ratio calculation	<i>All</i>	None

- The **columns** of the templates proposed are similar to the current LCR:
 → Amount, Standard factor, Applicable factor and Available/Required stable funding

Reporting changes by topic

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Asset encumbrance

- The minor amendments to the Asset Encumbrance module have been introduced to ensure full alignment with Pillar 3 framework

Losses from Immovable property

- Frequency: changed from semi-annual to annual

Own funds



Templates and instructions (C01.00 – C 05.02)

- Minor changes to reflect changes to prudential framework (e.g. new deductions in relation to NPE backstop, new transitional provisions)
- Alignment of terminology with CRR2
- Streamlining of ‘transitional provisions’ template and Basel floor section
- Other minor editorial correction



Mapping with disclosures

- Vast majority of disclosed items already included in the reporting framework
- A few items added to facilitate mapping

Timeline – next steps



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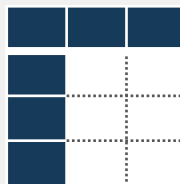
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Specific reporting requirements for market risk (Art. 430b CRR)

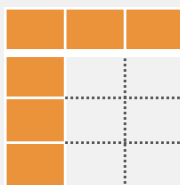
- Introduction of the FRTB into the prudential framework of the EU by means of a reporting requirement
- Ensure institutions **build up the operational capacity to calculate own funds requirements under the FRTB**
- Gradual approach: Step 1 consisting of thresholds and MKR-ASA summary template only
- Separate ITS, but integration into EBA DPM, taxonomy, validation rules set
- Consultation until 7 January 2020
- Part of EBA reporting framework v2.10
- Quarterly reporting
- First reference date: 31 March 2021



Thresholds template

- To be reported by **all institutions**
- Objective:** Monitor institutions' **position with regard to the thresholds** of Article 94 CRR (trading book) and Article 325a CRR (business subject to market risk)

Alternative Standardised Approach



Summary template

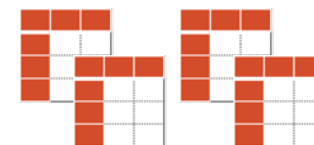
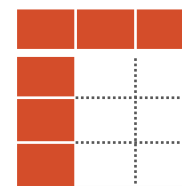
- Reported where **threshold of Article 325a CRR** is exceeded
- Objective:** Understand institutions' exposures and **own funds requirements under FRTB rules**



Details

- To be added at a later stage -

Alternative Internal Models Appr.



- To be added at a later stage -

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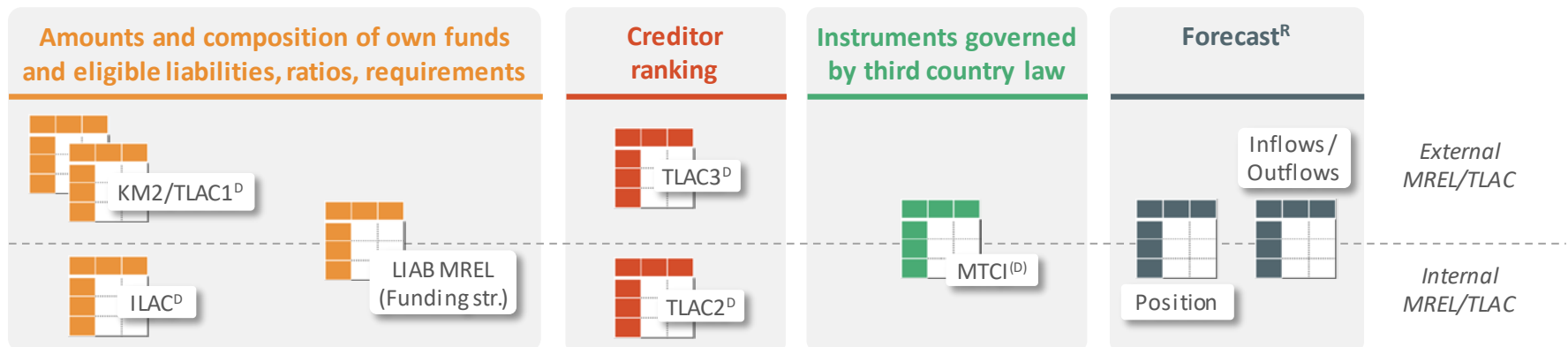
- New disclosure / reporting framework
- Monitor compliance with ‘G-SII requirement of own funds and eligible liabilities’ (TLAC – CRR) and Minimum Requirement for Own Funds and Eligible Liabilities (MREL – BRRD)
- **One single ITS** for disclosure and reporting (four mandates)
- **Integration between disclosure and reporting**
- Consultation until 22 February 2020
- Part of EBA reporting framework v3.0
- Quarterly reporting by entities for which the strategy is resolution
- First reference date: 30 June 2021

Facilitating institutions' compliance with both disclosure and reporting requirements

		MREL	TLAC
0010	Own funds		
...			
...	Eligible liabilities		
	(-) Deductions		
...			
	Total		

To be filled in by all banks

To be filled in by G-SIIs / material subs.



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Thank You!





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